

Trademark Law: An Open-Source Casebook

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II. Trademark Infringement

In this Part, we consider the infringement of trademark rights under certain sections of the Lanham Act:

- § 32, 15 U.S.C. § 1114 (likelihood of confusion with respect to registered marks)
- § 43(a), 15 U.S.C. § 1125(a) (likelihood of confusion with respect to registered or unregistered marks)
- § 43(c), 15 U.S.C. § 1125(c) (likelihood of dilution with respect to registered or unregistered marks)
- § 43(d), 15 U.S.C. § 1125(d) (“cybersquatting” of registered or unregistered marks)

The test for likelihood of confusion under § 32 is now essentially the same as the test for likelihood of confusion under § 43(a), and courts often cite to case law under one section interchangeably with case law under the other. When owners of registered marks plead likelihood of confusion, they typically do so under both § 32 and § 43(a) in the event that some defect is discovered in their registration. Such plaintiffs may also plead under both sections in order to avail themselves of the slightly broader language of § 43(a), though, again, courts have come to treat § 32 and § 43(a) as essentially interchangeable.

Courts have set forth the elements of a trademark infringement claim in a variety of ways. For example, with respect to a claim based on a likelihood of confusion under either or both of § 32 and § 43(a), courts have stated:

- “[T]o succeed in a Lanham Act suit for trademark infringement, a plaintiff has two obstacles to overcome: the plaintiff must prove that its mark is entitled to protection and, even more important, that the defendant’s use of its own mark will likely cause confusion with plaintiff’s mark.” *Gruner + Jahr USA Publ’g v. Meredith Corp.*, 991 F.2d 1072, 1074 (2d Cir. 1993).
- “To prevail on a claim of trademark infringement under the Lanham Act, 15 U.S.C. § 1114, a party must prove: (1) that it has a protectible ownership interest in the mark; and (2) that the defendant’s use of the mark is likely to cause consumer confusion.” *Network Automation, Inc. v. Advanced Systems Concepts, Inc.*, 638 F.3d 1137, 1144 (9th Cir. 2011) (citations omitted).
- “To establish trademark infringement under the Lanham Act, a plaintiff must prove: (1) that it owns a valid mark; (2) that the defendant used the mark ‘in commerce’ and without plaintiff’s authorization; (3) that the defendant used the mark (or an imitation of it) ‘in connection with the sale, offering for sale, distribution, or advertising’ of goods or services; and (4) that the defendant’s use of the mark is likely to confuse consumers.” *Rosetta Stone Ltd. v. Google, Inc.*, 676 F.3d 144, 152 (4th Cir. 2012) (citations omitted).
- “Both infringement and false designation of origin have five elements. To prevail under either cause of action, the trademark holder must prove: (1) that it possesses a mark; (2) that the [opposing party] used the mark; (3) that the [opposing party’s] use of the mark occurred ‘in commerce’; (4) that the [opposing party] used the mark ‘in connection with the sale, offering for sale, distribution, or advertising’ of goods or services; and (5) that the [opposing party] used the mark in a manner likely to confuse consumers.” *Lamparello v. Falwell*, 420 F.3d 309, 313 (4th Cir. 2005) (citations omitted).

Though the enumerations vary in their level of detail, these statements of the elements of a likelihood of confusion claim are all essentially the same. The plaintiff must prove that (1) it possesses exclusive rights in a mark and (2) the defendant has infringed those exclusive rights. Our focus in Part I was on the first of these two basic elements—whether there is a property right. Our focus in this Part is on the second of these elements—whether that right has been infringed.

We begin in Part II.A by reviewing the requirement that, in order to be liable for trademark infringement, a defendant must “use in commerce” the plaintiff’s mark “in connection with the sale . . . of any goods or services.” We then turn in Part II.B to forms of infringement that are based on the likelihood of consumer confusion as to the source or sponsorship of the defendant’s goods. In Part II.C, we consider forms of infringement that are not based on consumer confusion, most notably trademark dilution. In Part II.D, we turn to forms of relief for cybersquatting. Finally, in Part II.E, we review the doctrine of secondary liability in trademark law.

Comments and Questions

1. *Do individual consumers or groups of consumers have standing to sue under the Lanham Act?* In short, no. Lanham Act § 32(1), 15 U.S.C. § 1114(1), which applies to registered marks, provides that an infringing party “shall be liable in a civil action *by the registrant* for the remedies hereafter provided” (emphasis added). Lanham Act § 43(a), 15 U.S.C. § 1125(a), which applies to both registered and unregistered marks, provides that an infringing party “shall be liable in a civil action *by any person* who believes that he or she is or is likely to be damaged by such act” (emphasis added). Though broad, this language has been construed to exclude consumers. *See Lexmark Int’l, Inc. v. Static Control Components, Inc.*, 572 U.S. 118, 132 (2014) (“A consumer who is hoodwinked into purchasing a disappointing product may well have an injury-in-fact cognizable under Article III, but he cannot invoke the protection of the Lanham Act—a conclusion reached by every Circuit to consider the question Even a business misled by a supplier into purchasing an inferior product is, like consumers generally, not under the Act’s aegis.”). *See also id.* at 140 (“To invoke the Lanham Act’s cause of action for false advertising, a plaintiff must plead (and ultimately prove) an injury to a commercial interest in sales or business reputation proximately caused by the defendant’s misrepresentations.”). Does this make sense as a matter of sound policy?

A. The Actionable Use Requirement

In Part I.C above, we addressed the requirement that a trademark owner “use in commerce” the mark in order to establish rights in the mark. Here, we consider the “use in commerce” requirement as applied not to owners, but to unauthorized users. We do so because of the statutory language, shown in italics, in Lanham Act § 32 and § 43(a):

Lanham Act § 32, 15 U.S.C. § 1114

(1) Any person who shall, without the consent of the registrant (a) *use in commerce* any reproduction, counterfeit, copy, or colorable imitation of a registered mark *in connection with the sale, offering for sale, distribution, or advertising of any goods or services* on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . . shall be liable in a civil action by the registrant for the remedies hereinafter provided.

Lanham Act § 43(a), 15 U.S.C. § 1125(a)

(1) Any person who, *on or in connection with any goods or services, or any container for goods, uses in commerce* any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which--(A) is likely to cause confusion, or to cause mistake, or to deceive . . . shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

Thus, for a defendant to be found liable, § 32 requires a showing that the defendant made a “use in commerce” of the plaintiff’s mark “in connection with the sale, offering for sale, distribution, or advertising of any goods or services,” and § 43(a) requires that the defendant “use[] in commerce” the plaintiff’s mark “in connection with any goods or services, or any container for goods.” (Lanham Act § 43(c), addressing trademark dilution, similarly requires a showing that the defendant made a “use of a mark or trade name in commerce.” 15 U.S.C. § 1125(c)(1). See Comment 2 at the conclusion of Part II.A.2 for a discussion of this language).

Courts have analyzed the “use in commerce” language differently from how they’ve analyzed the “in connection with” language. We turn first to the question of defendant’s “use in commerce.”

1. Defendant’s “Use in Commerce”

It is clear enough that the various infringement sections of the Lanham Act all require a showing that the defendant has made a “use in commerce,” if only to satisfy the constitutional limitation on Congressional power, but what constitutes such a “use in commerce”? As we discussed in Part I.C, Lanham Act § 45, 15 U.S.C. § 1127, offers a definition of this phrase:

The term “use in commerce” means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark. For purposes of this Act, a mark shall be deemed to be in use in commerce—

(1) on goods when--

(A) it is placed in any manner on the goods or their containers or the displays associated therewith or on the tags or labels affixed thereto, or if the nature of the goods makes such placement impracticable, then on documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce, and

(2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce, or the services are rendered in more than one State or in the United States and a foreign country and the person rendering the services is engaged in commerce in connection with the services.

The obvious problem, however, is that this definition appears to describe the kind of “use in commerce” necessary to *establish* trademark rights rather than the kind of “use in commerce” necessary to *infringe* those rights. In the opinion below, *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123 (2d Cir. 2009), the Second Circuit went to great lengths to arrive at this rather straightforward understanding of the § 45 definition of “use in commerce.” It felt the need thoroughly to consider the issue because in a previous opinion, *1-800 Contacts, Inc. v. WhenU.Com, Inc.*, 414 F.3d 400 (2d Cir. 2005), it had somehow failed to recognize that § 45 was designed to address only the conduct of trademark owners rather than that of trademark infringers. *Rescuecom* became one long, extended effort in trying to maintain appearances. In reading through *Rescuecom*, consider the following questions:

- What is the underlying policy concern that is animating this technical, even rather pedantic debate about the meaning of “use in commerce”?
- Has the Second Circuit explicitly overruled its previous decision in *1-800 Contacts*? What is the status of *Rescuecom*’s Appendix? What does it mean that, as the *Rescuecom* opinion explains, “[t]he judges of the *1-800 Contacts* panel have read this Appendix and have authorized us to state that they agree with it”?
- If a search engine user enters the word “Apple” and receives advertisements for Android phones, has the search engine itself made a “use in commerce” of Apple’s mark? Asked perhaps another way, if a restaurant has given written instructions to its employees to respond to a consumer’s order for Pepsi with the statement “We offer Coke”, has the

restaurant made a “use in commerce” of the Pepsi mark that could be the basis for an infringement cause of action?

Rescuecom Corp. v. Google Inc.
562 F.3d 123 (2d Cir. 2009)

LEVAL, Circuit Judge:

[1] Appeal by Plaintiff Rescuecom Corp. from a judgment of the United States District Court for the Northern District of New York (Mordue, *Chief Judge*) dismissing its action against Google, Inc., under Rule 12(b)(6) for failure to state a claim upon which relief may be granted. Rescuecom’s Complaint alleges that Google is liable under §§ 32 and 43 of the Lanham Act, 15 U.S.C. §§ 1114 & 1125, for infringement, false designation of origin, and dilution of Rescuecom’s eponymous trademark. The district court believed the dismissal of the action was compelled by our holding in *1-800 Contacts, Inc. v. WhenU.Com, Inc.*, 414 F.3d 400 (2d Cir. 2005) (“*1-800*”), because, according to the district court’s understanding of that opinion, Rescuecom failed to allege that Google’s use of its mark was a “use in commerce” within the meaning of § 45 of the Lanham Act, 15 U.S.C. § 1127. We believe this misunderstood the holding of *1-800*. While we express no view as to whether Rescuecom can prove a Lanham Act violation, an actionable claim is adequately alleged in its pleadings. Accordingly, we vacate the judgment dismissing the action and remand for further proceedings.

BACKGROUND

[2] As this appeal follows the grant of a motion to dismiss, we must take as true the facts alleged in the Complaint and draw all reasonable inferences in favor of Rescuecom. *Lentell v. Merrill Lynch & Co., Inc.*, 396 F.3d 161, 165 (2d Cir. 2005). Rescuecom is a national computer service franchising company that offers on-site computer services and sales. Rescuecom conducts a substantial amount of business over the Internet and receives between 17,000 to 30,000 visitors to its website each month. It also advertises over the Internet, using many web-based services, including those offered by Google. Since 1998, “Rescuecom” has been a registered federal trademark, and there is no dispute as to its validity.

[3] Google operates a popular Internet search engine, which users access by visiting www.google.com. Using Google’s website, a person searching for the website of a particular entity in trade (or simply for information about it) can enter that entity’s name or trademark into Google’s search engine and launch a search. Google’s proprietary system responds to such a search request in two ways. First, Google provides a list of links to websites, ordered in what Google deems to be of descending relevance to the user’s search terms based on its proprietary algorithms

[4] The second way Google responds to a search request is by showing context-based advertising. When a searcher uses Google’s search engine by submitting a search term, Google may place advertisements on the user’s screen. Google will do so if an advertiser, having determined that its ad is likely to be of interest to a searcher who enters the particular term, has purchased from Google the placement of its ad on the screen of the searcher who entered that search term. What Google places on the searcher’s screen is more than simply an advertisement. It is also a link to the advertiser’s website, so that in response to such an ad, if the searcher clicks on the link, he will open the advertiser’s website, which offers not only additional information about the advertiser, but also perhaps the option to purchase the goods and services of the advertiser over the Internet. Google uses at least two programs to offer such context-based links: AdWords and Keyword Suggestion Tool.

[5] AdWords is Google’s program through which advertisers purchase terms (or keywords). When entered as a search term, the keyword triggers the appearance of the advertiser’s ad and link. An advertiser’s purchase of a particular term causes the advertiser’s ad and link to be displayed on the

user's screen whenever a searcher launches a Google search based on the purchased search term.¹ Advertisers pay Google based on the number of times Internet users “click” on the advertisement, so as to link to the advertiser's website. For example, using Google's AdWords, Company Y, a company engaged in the business of furnace repair, can cause Google to display its advertisement and link whenever a user of Google launches a search based on the search term, “furnace repair.” Company Y can also cause its ad and link to appear whenever a user searches for the term “Company X,” a competitor of Company Y in the furnace repair business. Thus, whenever a searcher interested in purchasing furnace repair services from Company X launches a search of the term X (Company X's trademark), an ad and link would appear on the searcher's screen, inviting the searcher to the furnace repair services of X's competitor, Company Y. And if the searcher clicked on Company Y's link, Company Y's website would open on the searcher's screen, and the searcher might be able to order or purchase Company Y's furnace repair services.

[6] In addition to AdWords, Google also employs Keyword Suggestion Tool, a program that recommends keywords to advertisers to be purchased. The program is designed to improve the effectiveness of advertising by helping advertisers identify keywords related to their area of commerce, resulting in the placement of their ads before users who are likely to be responsive to it. Thus, continuing the example given above, if Company Y employed Google's Keyword Suggestion Tool, the Tool might suggest to Company Y that it purchase not only the term “furnace repair” but also the term “X,” its competitor's brand name and trademark, so that Y's ad would appear on the screen of a searcher who searched Company X's trademark, seeking Company X's website.

[7] Once an advertiser buys a particular keyword, Google links the keyword to that advertiser's advertisement. The advertisements consist of a combination of content and a link to the advertiser's webpage. Google displays these advertisements on the search result page either in the right margin or in a horizontal band immediately above the column of relevance-based search results. These advertisements are generally associated with a label, which says “sponsored link.” Rescucom alleges, however, that a user might easily be misled to believe that the advertisements which appear on the screen are in fact part of the relevance-based search result and that the appearance of a competitor's ad and link in response to a searcher's search for Rescucom is likely to cause trademark confusion as to affiliation, origin, sponsorship, or approval of service. This can occur, according to the Complaint, because Google fails to label the ads in a manner which would clearly identify them as purchased ads rather than search results. The Complaint alleges that when the sponsored links appear in a horizontal bar at the top of the search results, they may appear to the searcher to be the first, and therefore the most relevant, entries responding to the search, as opposed to paid advertisements.

[8] Google's objective in its AdWords and Keyword Suggestion Tool programs is to sell keywords to advertisers. Rescucom alleges that Google makes 97% of its revenue from selling advertisements through its AdWords program. Google therefore has an economic incentive to increase the number of advertisements and links that appear for every term entered into its search engine.

[9] Many of Rescucom's competitors advertise on the Internet. Through its Keyword Suggestion Tool, Google has recommended the Rescucom trademark to Rescucom's competitors as a search term to be purchased. Rescucom's competitors, some responding to Google's recommendation, have purchased Rescucom's trademark as a keyword in Google's AdWords program, so that whenever a user launches a search for the term “Rescucom,” seeking to be connected to Rescucom's website, the competitors' advertisement and link will appear on the searcher's screen. This practice allegedly allows Rescucom's competitors to deceive and divert users searching for Rescucom's website. According to Rescucom's allegations, when a Google user launches a search for the term “Rescucom”

¹ Although we generally refer to a single advertiser, there is no limit on the number of advertisers who can purchase a particular keyword to trigger the appearance of their ads.

because the searcher wishes to purchase Rescuecom’s services, links to websites of its competitors will appear on the searcher’s screen in a manner likely to cause the searcher to believe mistakenly that a competitor’s advertisement (and website link) is sponsored by, endorsed by, approved by, or affiliated with Rescuecom.

[10] The District Court granted Google’s 12(b)(6) motion and dismissed Rescuecom’s claims. The court believed that our *1-800* decision compels the conclusion that Google’s allegedly infringing activity does not involve use of Rescuecom’s mark in commerce, which is an essential element of an action under the Lanham Act. The district court explained its decision saying that even if Google employed Rescuecom’s mark in a manner likely to cause confusion or deceive searchers into believing that competitors are affiliated with Rescuecom and its mark, so that they believe the services of Rescuecom’s competitors are those of Rescuecom, Google’s actions are not a “use in commerce” under the Lanham Act because the competitor’s advertisements triggered by Google’s programs did not exhibit Rescuecom’s trademark. The court rejected the argument that Google “used” Rescuecom’s mark in recommending and selling it as a keyword to trigger competitor’s advertisements because the court read *1-800* to compel the conclusion that this was an internal use and therefore cannot be a “use in commerce” under the Lanham Act.

DISCUSSION

[11] “This Court reviews *de novo* a district court’s grant of a motion to dismiss pursuant to Federal Rules of Civil Procedure 12(b)(6).” *PaineWebber Inc. v. Bybyk*, 81 F.3d 1193, 1197 (2d Cir. 1996). When reviewing a motion to dismiss, a court must “accept as true all of the factual allegations set out in plaintiff’s complaint, draw inferences from those allegations in the light most favorable to plaintiff, and construe the complaint liberally.” *Gregory v. Daly*, 243 F.3d 687, 691 (2d Cir. 2001) (citations omitted).

I. Google’s Use of Rescuecom’s Mark Was a “Use in Commerce”

[12] Our court ruled in *1-800* that a complaint fails to state a claim under the Lanham Act unless it alleges that the defendant has made “use in commerce” of the plaintiff’s trademark as the term “use in commerce” is defined in 15 U.S.C. § 1127. The district court believed that this case was on all fours with *1-800*, and that its dismissal was required for the same reasons as given in *1-800*. We believe the cases are materially different. The allegations of Rescuecom’s complaint adequately plead a use in commerce.

[13] In *1-800*, the plaintiff alleged that the defendant infringed the plaintiff’s trademark through its proprietary software, which the defendant freely distributed to computer users who would download and install the program on their computer. The program provided contextually relevant advertising to the user by generating pop-up advertisements to the user depending on the website or search term the user entered in his browser. *Id.* at 404–05. For example, if a user typed “eye care” into his browser, the defendant’s program would randomly display a pop-up advertisement of a company engaged in the field of eye care. Similarly, if the searcher launched a search for a particular company engaged in eye care, the defendant’s program would display the pop-up ad of a company associated with eye care. *See id.* at 412. The pop-up ad appeared in a separate browser window from the website the user accessed, and the defendant’s brand was displayed in the window frame surrounding the ad, so that there was no confusion as to the nature of the pop-up as an advertisement, nor as to the fact that the defendant, not the trademark owner, was responsible for displaying the ad, in response to the particular term searched. *Id.* at 405.

[14] Sections 32 and 43 of the Act, which we also refer to by their codified designations, 15 U.S.C. §§ 1114 & 1125, *inter alia*, impose liability for unpermitted “use in commerce” of another’s mark which is “likely to cause confusion, or to cause mistake, or to deceive,” § 1114, “as to the affiliation . . . or as to the origin, sponsorship or approval of his or her goods [or] services . . . by another person.” § 1125(a)(1)(A). The *1-800* opinion looked to the definition of the term “use in commerce” provided in

§ 45 of the Act, 15 U.S.C. § 1127. That definition provides in part that “a mark shall be deemed to be in use in commerce . . . (2) on services when it is used or displayed in the sale or advertising of services and the services are rendered in commerce.” 15 U.S.C. § 1127.² Our court found that the plaintiff failed to show that the defendant made a “use in commerce” of the plaintiff’s mark, within that definition.

[15] At the outset, we note two significant aspects of our holding in *1-800*, which distinguish it from the present case. A key element of our court’s decision in *1-800* was that under the plaintiff’s allegations, the defendant did not use, reproduce, or display the plaintiff’s mark *at all*. The search term that was alleged to trigger the pop-up ad was the plaintiff’s *website address*. *1-800* noted, notwithstanding the similarities between the website address and the mark, that the website address was not used or claimed by the plaintiff as a trademark. Thus, the transactions alleged to be infringing were not transactions involving use of the plaintiff’s trademark. *Id.* at 408–09.³ *1-800* suggested in dictum that is highly relevant to our case that had the defendant used the plaintiff’s *trademark* as the trigger to pop-up an advertisement, such conduct might, depending on other elements, have been actionable. 414 F.3d at 409 & n. 11.

[16] Second, as an alternate basis for its decision, *1-800* explained why the defendant’s program, which might randomly trigger pop-up advertisements upon a searcher’s input of the plaintiff’s website address, did not constitute a “use in commerce,” as defined in § 1127. *Id.* at 408–09. In explaining why the plaintiff’s mark was not “used or displayed in the sale or advertising of services,” *1-800* pointed out that, under the defendant’s program, advertisers could not request or purchase keywords to trigger their ads. *Id.* at 409, 412. Even if an advertiser wanted to display its advertisement to a searcher using the plaintiff’s trademark as a search term, the defendant’s program did not offer this possibility. In fact, the defendant “did not disclose the proprietary contents of [its] directory to its advertising clients . . .” *Id.* at 409. In addition to not selling trademarks of others to its customers to trigger these ads, the defendant did not “otherwise manipulate which category-related advertisement will pop up in response to any particular terms on the internal directory.” *Id.* at 411. The display of a particular advertisement was controlled by the category associated with the website or keyword, rather than the website or keyword itself. The defendant’s program relied upon categorical associations such as “eye care” to select a pop-up ad randomly from a predefined list of ads appropriate to that category. To the extent that an advertisement for a competitor of the plaintiff was displayed when a user opened the plaintiff’s website, the trigger to display the ad was not based on the defendant’s sale or recommendation of a particular trademark.

[17] The present case contrasts starkly with those important aspects of the *1-800* decision. First, in contrast to *1-800*, where we emphasized that the defendant made no use whatsoever of the plaintiff’s trademark, here what Google is recommending and selling to its advertisers is Rescucom’s trademark. Second, in contrast with the facts of *1-800* where the defendant did not “use or display,” much less sell, trademarks as search terms to its advertisers, here Google displays, offers, and sells Rescucom’s mark to Google’s advertising customers when selling its advertising services. In addition,

² The Appendix to this opinion discusses the applicability of § 1127’s definition of “use in commerce” to sections of the Lanham Act proscribing infringement.

³ We did not imply in *1-800* that a website can never be a trademark. In fact, the opposite is true. *See* Trademark Manual of Examining Procedures § 1209.03(m) (5th ed. 2007) (“A mark comprised of an Internet domain name is registrable as a trademark or service mark only if it functions as an identifier of the source of goods or services.”); *see also Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992) (Section 43(a) of the Lanham Act protects unregistered trademarks as long as the mark could qualify for registration under the Lanham Act.); *Thompson Med. Co., Inc. v. Pfizer Inc.*, 753 F.2d 208, 215–216 (2d Cir. 1985) (same). The question whether the plaintiff’s website address was an unregistered trademark was never properly before the *1-800* court because the plaintiff did not claim that it used its website address as a trademark.

Google encourages the purchase of Rescuecom’s mark through its Keyword Suggestion Tool. Google’s utilization of Rescuecom’s mark fits literally within the terms specified by 15 U.S.C. § 1127. According to the Complaint, Google uses and sells Rescuecom’s mark “in the sale . . . of [Google’s advertising] services . . . rendered in commerce.” § 1127.

[18] Google, supported by amici, argues that *1-800* suggests that the inclusion of a trademark in an internal computer directory cannot constitute trademark use. Several district court decisions in this Circuit appear to have reached this conclusion. *See e.g., S & L Vitamins, Inc. v. Australian Gold, Inc.*, 521 F.Supp.2d 188, 199–202 (E.D.N.Y.2007) (holding that use of a trademark in metadata did not constitute trademark use within the meaning of the Lanham Act because the use “is strictly internal and not communicated to the public”); *Merck & Co., Inc. v. Mediplan Health Consulting, Inc.*, 425 F.Supp.2d 402, 415 (S.D.N.Y.2006) (holding that the internal use of a keyword to trigger advertisements did not qualify as trademark use). This over-reads the *1-800* decision. First, regardless of whether Google’s use of Rescuecom’s mark in its internal search algorithm could constitute an actionable trademark use, Google’s recommendation and sale of Rescuecom’s mark to its advertising customers are not internal uses. Furthermore, *1-800* did not imply that use of a trademark in a software program’s internal directory precludes a finding of trademark use. Rather, influenced by the fact that the defendant was not using the plaintiff’s trademark at all, much less using it as the basis of a commercial transaction, the court asserted that the particular use before it did not constitute a use in commerce. *See 1-800*, 414 F.3d at 409–12. We did not imply in *1-800* that an alleged infringer’s use of a trademark in an internal software program insulates the alleged infringer from a charge of infringement, no matter how likely the use is to cause confusion in the marketplace. If we were to adopt Google and its amici’s argument, the operators of search engines would be free to use trademarks in ways designed to deceive and cause consumer confusion.⁴ This is surely neither within the intention nor the letter of the Lanham Act.

[19] Google and its amici contend further that its use of the Rescuecom trademark is no different from that of a retail vendor who uses “product placement” to allow one vendor to benefit from a competitor’s name recognition. An example of product placement occurs when a store-brand generic product is placed next to a trademarked product to induce a customer who specifically sought out the trademarked product to consider the typically less expensive, generic brand as an alternative. *See 1-800*, 414 F.3d at 411. Google’s argument misses the point. From the fact that proper, non-deceptive product placement does not result in liability under the Lanham Act, it does not follow that the label “product placement” is a magic shield against liability, so that even a deceptive plan of product placement designed to confuse consumers would similarly escape liability. It is not by reason of absence of a use of a mark in commerce that benign product placement escapes liability; it escapes liability because it is a benign practice which does not cause a likelihood of consumer confusion. In contrast, if a retail seller were to be paid by an off-brand purveyor to arrange product display and delivery in such a way that customers seeking to purchase a famous brand would receive the off-brand, believing they had gotten the brand they were seeking, we see no reason to believe the practice would escape liability merely because it could claim the mantle of “product placement.” The practices attributed to Google by the Complaint, which at this stage we must accept as true, are significantly different from benign product placement that does not violate the Act.

⁴ For example, instead of having a separate “sponsored links” or paid advertisement section, search engines could allow advertisers to pay to appear at the top of the “relevance” list based on a user entering a competitor’s trademark—a functionality that would be highly likely to cause consumer confusion. Alternatively, sellers of products or services could pay to have the operators of search engines automatically divert users to their website when the users enter a competitor’s trademark as a search term. Such conduct is surely not beyond judicial review merely because it is engineered through the internal workings of a computer program.

[20] Unlike the practices discussed in *1-800*, the practices here attributed to Google by Rescuedom’s complaint are that Google has made use in commerce of Rescuedom’s mark. Needless to say, a defendant must do more than use another’s mark in commerce to violate the Lanham Act. The gist of a Lanham Act violation is an unauthorized use, which “is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, . . . or as to the origin, sponsorship, or approval of . . . goods [or] services.” See 15 U.S.C. § 1125(a); *Estee Lauder Inc. v. The Gap, Inc.*, 108 F.3d 1503, 1508–09 (2d Cir. 1997). We have no idea whether Rescuedom can prove that Google’s use of Rescuedom’s trademark in its AdWords program causes likelihood of confusion or mistake. Rescuedom has alleged that it does, in that would-be purchasers (or explorers) of its services who search for its website on Google are misleadingly directed to the ads and websites of its competitors in a manner which leads them to believe mistakenly that these ads or websites are sponsored by, or affiliated with Rescuedom. This is particularly so, Rescuedom alleges, when the advertiser’s link appears in a horizontal band at the top of the list of search results in a manner which makes it appear to be the most relevant search result and not an advertisement. What Rescuedom alleges is that by the manner of Google’s display of sponsored links of competing brands in response to a search for Rescuedom’s brand name (which fails adequately to identify the sponsored link as an advertisement, rather than a relevant search result), Google creates a likelihood of consumer confusion as to trademarks. If the searcher sees a different brand name as the top entry in response to the search for “Rescuedom,” the searcher is likely to believe mistakenly that the different name which appears is affiliated with the brand name sought in the search and will not suspect, because the fact is not adequately signaled by Google’s presentation, that this is not the most relevant response to the search. Whether Google’s actual practice is in fact benign or confusing is not for us to judge at this time. We consider at the 12(b)(6) stage only what is alleged in the Complaint.

[21] We conclude that the district court was mistaken in believing that our precedent in *1-800* requires dismissal.

CONCLUSION

[22] The judgment of the district court is vacated and the case is remanded for further proceedings.

APPENDIX

*On the Meaning of “Use in Commerce” in Sections 32 and 43 of the Lanham Act*⁵

[23] In *1-800 Contacts, Inc. v. WhenU.Com, Inc.*, 414 F.3d 400 (2d Cir. 2005) (“*1-800*”), our court followed the reasoning of two district court opinions from other circuits, *U-Haul Int’l, Inc. v. WhenU.com, Inc.*, 279 F.Supp.2d 723 (E.D.Va.2003) and *Wells Fargo & Co., v. WhenU.com, Inc.*, 293 F.Supp.2d 734 (E.D.Mich.2003), which dismissed suits on virtually identical claims against the same defendant. Those two district courts ruled that the defendant’s conduct was not actionable under §§ 32 & 43(a) of the Lanham Act, 15 U.S.C. §§ 1114 & 1125(a), even assuming that conduct caused likelihood of trademark confusion, because the defendant had not made a “use in commerce” of the plaintiff’s mark, within the definition of that phrase set forth in § 45 of the Lanham Act, 15 U.S.C. § 1127. In quoting definitional language of § 1127 that is crucial to their holdings, however, *U-Haul* and *Wells Fargo* overlooked and omitted portions of the statutory text which make clear that the definition provided in § 1127 was not intended by Congress to apply in the manner that the decisions assumed.

[24] Our court’s ruling in *1-800* that the Plaintiff had failed to plead a viable claim under §§ 1114 & 1125(a) was justified by numerous good reasons and was undoubtedly the correct result. In addition

⁵ In this discussion, all iterations of the phrase “use in commerce” whether in the form of a noun (a “use in commerce”), a verb (“to use in commerce”), or adjective (“used in commerce”), are intended without distinction as instances of that phrase.

to the questionable ground derived from the district court opinions, which had overlooked key statutory text, our court’s opinion cited other highly persuasive reasons for dismissing the action—among them that the plaintiff did not claim a trademark in the term that served as the basis for the claim of infringement; nor did the defendant’s actions cause any likelihood of confusion, as is crucial for such a claim.

[25] We proceed to explain how the district courts in *U-Haul* and *Wells Fargo* adopted reasoning which overlooked crucial statutory text that was incompatible with their ultimate conclusion

{Deleted here is the court’s lengthy discussion of the history of the phrase “use in commerce” in the Lanham Act and, in particular, of the 1988 amendment to § 1127’s definition of “use in commerce”.}

The Interpretation of § 1127’s Definition of “Use in Commerce ” with Respect to Alleged Infringers

[26] In light of the preceding discussion, how should courts today interpret the definition of “use in commerce” set forth in 15 U.S.C. § 1127, with respect to acts of infringement prescribed by §§ 1114 and 1125(a)? The foregoing review of the evolution of the Act seems to us to make clear that Congress did not intend that this definition apply to the sections of the Lanham Act which define infringing conduct. The definition was rather intended to apply to the sections which used the phrase in prescribing eligibility for registration and for the Act’s protections. However, Congress does not enact intentions. It enacts statutes. And the process of enacting legislation is of such complexity that understandably the words of statutes do not always conform perfectly to the motivating intentions. This can create for courts difficult problems of interpretation. Because pertinent amendments were passed in 1962 and in 1988, and because the 1988 amendment did not change the pre-existing parts of the definition in § 1127, but merely added a sentence, it seems useful to approach the question of the current meaning in two steps. First, what did this definition mean between 1962 and 1988—prior to the 1988 amendment? Then, how was the meaning changed by the 1988 amendment?

[27] Between 1962 and 1988, notwithstanding the likelihood shown by the legislative history that Congress *intended* the definition to apply only to registration and qualification for benefits and not to infringement, a court addressing the issue nonetheless would probably have concluded that the section applied to alleged infringement, as well. Section 1127 states that its definitions apply “unless the contrary is plainly apparent from the context.” One who considered the question at the time might well have wondered why Congress would have provided this restrictive definition for acts of trademark infringement with the consequence that deceptive and confusing uses of another’s mark with respect to goods would escape liability if the conduct did not include the placement of the mark on goods or their containers, displays, or sale documents, and with respect to services if the conduct did not include the use or display of the mark in the sale or advertising of the services. It is easy to imagine perniciously confusing conduct involving another’s mark which does not involve placement of the mark in the manner specified in the definition. Nonetheless, in spite of those doubts, one could not have said it was “plainly apparent from the context” that those restrictions did not apply to sections defining infringement. In all probability, therefore, a court construing the provision between 1962 and 1988 would have concluded that in order to be actionable under §§ 1114 or 1125(a) the allegedly infringing conduct needed to include placement of the mark in the manner specified in the definition of “use in commerce” in § 1127.

[28] The next question is how the meaning of the § 1127 definition was changed by the 1988 amendment, which, as noted, left the preexisting language about placement of the mark unchanged, but added a prior sentence requiring that a “use in commerce” be “a bona fide use in the ordinary course of trade, and not made merely to reserve a right in a mark.” While it is “plainly apparent from the context” that the new first sentence cannot reasonably apply to statutory sections defining infringing conduct, the question remains whether the addition of this new sentence changed the meaning of the second sentence of the definition without changing its words.

[29] We see at least two possible answers to the question, neither of which is entirely satisfactory. One interpretation would be that, by adding the new first sentence, Congress changed the meaning of the second sentence of the definition to conform to the new first sentence, without altering the words. The language of the definition, which, prior to the addition of the new first sentence, would have been construed to apply both to sections defining infringement, and to sections specifying eligibility for registration, would change its meaning, despite the absence of any change in its words, so that the entire definition now no longer applied to the sections defining infringement. Change of meaning without change of words is obviously problematic.

[30] The alternative solution would be to interpret the two sentences of the statutory definition as of different scope. The second sentence of the definition, which survived the 1988 amendment unchanged, would retain its prior meaning and continue to apply as before the amendment to sections defining infringement, as well as to sections relating to a mark owner’s eligibility for registration and for enjoyment of the protections of the Act. The new first sentence, which plainly was not intended to apply to infringements, would apply only to sections in the latter category—those relating to an owner’s eligibility to register its mark and enjoy the Act’s protection. Under this interpretation, liability for infringement under §§ 1114 and 1125(a) would continue, as before 1988, to require a showing of the infringer’s placement of another’s mark in the manner specified in the second sentence of the § 1127 definition. It would not require a showing that the alleged infringer made “bona fide use of the mark in the ordinary course of trade, and not merely to reserve a right in the mark.” On the other hand, eligibility of mark owners for registration and for the protections of the Act would depend on their showing compliance with the requirements of both sentences of the definition.

[31] We recognize that neither of the two available solutions is altogether satisfactory. Each has advantages and disadvantages. At least for this Circuit, especially given our prior *1-800* precedent, which applied the second sentence of the definition to infringement, the latter solution, according a different scope of application to the two sentences of the definition, seems to be preferable.¹²

[32] The judges of the *1-800* panel have read this Appendix and have authorized us to state that they agree with it. At the same time we note that the discussion in this Appendix does not affect the result of this case. We assumed in the body of the opinion, in accordance with the holding of *1-800*, that the requirements of the second sentence of the definition of “use in commerce” in § 1127 apply to infringing conduct and found that such use in commerce was adequately pleaded. The discussion in this Appendix is therefore dictum and not a binding opinion of the court. It would be helpful for Congress to study and clear up this ambiguity.

Questions and Comments

1. The tamasha surrounding the question of the meaning of “use in commerce” when applied to the defendant’s conduct, particularly in the search engine context, appears now to have ended. In *Network Automation Inc. v. Advanced Systems Concepts Inc.*, 638 F.3d 1137 (9th Cir. 2011), the plaintiff sought a declaration of non-infringement for its purchase of search engine keywords, among them the defendant’s trademark, that triggered sponsored links advertising the plaintiff’s services. The Ninth Circuit devoted one short paragraph to the issue of “use in commerce” by the declaratory plaintiff. The *Network Automation* court simply held: “We now agree with the Second Circuit that such use is a “use in commerce” under the Lanham Act. See *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 127 (2d Cir. 2009) (holding that Google’s sale of trademarks as search engine keywords is a use in commerce).” *Id.* at 1145.

¹² We express no view which of the alternative available solutions would seem preferable if our Circuit had not previously applied the second sentence to sections of the Act defining infringement.

2. Defendant’s Use “in Connection with the Sale . . . of any Goods or Services”

We now turn to what has proven to be a far more significant threshold requirement for liability in U.S. trademark law, often called the “commercial use” requirement. This is the requirement that, to be found liable, the defendant must make a use of the plaintiff’s mark “in connection with the sale, distribution, or advertising of any goods or services”, Lanham Act § 32(1)(a), 15 U.S.C. § 1114(1)(a), or “in connection with any goods or services,” Lanham Act § 43(a)(1), 15 U.S.C. § 1125(a)(1).

As the following opinion explains, previous courts had expanded the reach of the “in connection with the sale” requirement in order, it appears, to reach what they deemed to be the right result—which involved enjoining defendant’s speech. For example, in *People for Ethical Treatment of Animals, Inc. v. Doughney*, 263 F.3d 359 (4th Cir. 2001), the defendant owned a wide variety of domain names, including many that resembled others’ trademarks. He registered peta.org and created a website entitled “People Eating Tasty Animals.” The organization People for the Ethical Treatment of Animals sued for trademark infringement. The defendant claimed no use of the mark “in connection with the sale” of goods or services because he sold no goods or services on his website. The Fourth Circuit found such a connection because the defendant’s use interfered with internet users’ efforts to reach PETA’s website. *Id.* at 365. Furthermore, the defendant’s website linked to “more than 30 commercial operations offering goods and services.” *Id.* at 366. *See also Planned Parenthood Federation of America, Inc. v. Bucci*, No. 97 Civ. 0629, 1997 WL 133313 (S.D.N.Y. 1997), *aff’d* without opinion, 152 F.3d 920 (2d Cir. 1998) (reasoning similarly with respect to defendant’s domain name plannedparenthood.com); *Jews For Jesus v. Brodsky*, 993 F. Supp. 282, 46 U.S.P.Q.2d 1652 (D.N.J. 1998), judgment *aff’d*, 159 F.3d 1351 (3d Cir. 1998) (reasoning similarly with respect to defendant’s domain names jewsforjesus.org and jews-for-jesus.org).

Radiance Foundation, Inc. v. National Association for the Advancement of Colored People, 786 F.3d 316 (4th Cir. 2015), finally presented circumstances that forced a retreat from this previous case law.

***Radiance Foundation, Inc. v. National Association for the Advancement of Colored People* 786 F.3d 316 (4th Cir. 2015)**

WILKINSON, Circuit Judge:

[1] The Radiance Foundation published an article online entitled “NAACP: National Association for the Abortion of Colored People” that criticized the NAACP’s stance on abortion. In response to a cease-and-desist letter from the NAACP, Radiance sought a declaratory judgment that it had not infringed any NAACP trademarks. The NAACP then filed counterclaims alleging trademark infringement and dilution.

[2] The Lanham Act protects against consumer confusion about the source or sponsorship of goods or services. Persons may not misappropriate trademarks to the detriment of consumers or of the marks themselves. However, the Act’s reach is not unlimited. To find Lanham Act violations under these facts risks a different form of infringement—that of Radiance’s expressive right to comment on social issues under the First Amendment. Courts have taken care to avoid Lanham Act interpretations that gratuitously court grave constitutional concerns, and we shall do so here. We hold that Radiance is not liable for trademark infringement or dilution of defendant’s marks by tarnishment. We vacate the injunction against Radiance entered by the district court and remand with instructions that defendant’s counterclaims likewise be dismissed.

I.

[3] The National Association for the Advancement of Colored People, better known by its acronym “NAACP,” is this country’s “oldest and largest civil rights organization,” *Radiance Found., Inc. v. NAACP*, 25 F.Supp.3d 865, 872 (E.D.Va.2014), and one that holds a place of honor in our history. It champions “political, educational, social, and economic equality of all citizens” while working to eliminate racial and other forms of prejudice within the United States. *Id.* Since its formation, it has pursued these

objectives not only through litigation but also through community outreach, informational services, and educational activities on issues of significance to the African American community. *See id.* The NAACP owns several trademarks, among them “NAACP” (federally registered) and “National Association for the Advancement of Colored People.”

[4] The Radiance Foundation, established by Ryan Bomberger, is also a non-profit organization focused on educating and influencing the public about issues impacting the African American community. Radiance addresses social issues from a Christian perspective. It uses as its platform two websites, TheRadianceFoundation.org and TooManyAborted.com, where it posts articles on topics such as race relations, diversity, fatherlessness, and the impact of abortion on the black community. *Id.* at 873. Radiance also runs a billboard campaign for TooManyAborted.com; individuals may sponsor these billboards, licensing the artwork from Radiance. In addition to its billboard campaign, Radiance funds its endeavors through donations from visitors to its websites, which are facilitated by “Donate” buttons on the webpages that link to a PayPal site.

[5] In January 2013, Bomberger authored an article criticizing the NAACP’s annual Image Awards, entitled “NAACP: National Association for the Abortion of Colored People.” The piece lambasted the NAACP for sponsoring an awards event to recognize Hollywood figures and products that Radiance alleged defied Christian values and perpetuated racist stereotypes. The article then criticized other of the NAACP’s public stances and actions. It particularly targeted the NAACP’s ties to Planned Parenthood and its position on abortion. Though the NAACP has often claimed to be neutral on abortion, Radiance maintains that the NAACP’s actions actually demonstrate support for the practice.

[6] The article appeared on three websites: the two owned by Radiance—TheRadianceFoundation.com and TooManyAborted.com—and a third-party site called LifeNews.com. Though the text of the article was identical across the sites, the headlines and presentation varied slightly. On TheRadianceFoundation.com, directly below the headline was an image of a TooManyAborted billboard with the headline “NAACP: National Association for the Abortion of Colored People” repeated next to it. The TooManyAborted.com site posted the headline “The National Association for the Abortion of Colored People” with a graphic below of a red box with the words “CIVIL WRONG” followed by the modified NAACP name. Adjacent to the article on both pages was an orange button with “CLICK HERE TO GIVE ONE-TIME GIFT TO THE RADIANCE FOUNDATION” printed around the word “DONATE.” Finally on LifeNews.com, the third-party site, the NAACP’s Scales of Justice appeared as a graphic underneath the headline.

[7] The NAACP sent Radiance a cease-and-desist letter on January 28, 2013, after a Google alert for the “NAACP” mark unearthed the LifeNews.com article. Radiance thereupon brought a declaratory action seeking a ruling that it had not infringed or diluted any of the NAACP’s marks and that its use of the marks, or similar ones, was protected under the First Amendment. The NAACP counterclaimed for trademark infringement under 15 U.S.C. §§ 1114(1) and 1125(a) and Virginia state law, and trademark dilution under 15 U.S.C. § 1125(c).

[8] After a bench trial, the district court found for the NAACP on all counterclaims and denied declaratory relief to Radiance. It held that Radiance had used the marks “in connection with” goods and services and that its use of the “NAACP” and “National Association for the Advancement of Colored People” marks, or a colorable imitation, created a likelihood of confusion among consumers. *Radiance Found.*, 25 F.Supp.3d at 878–79.

....

[9] The district court issued a permanent injunction “against any use [by Radiance] of ‘National Association for the Abortion of Colored People’ that creates a likelihood of confusion or dilution.” *Id.* at 902. However, it declined to award any damages or attorney’s fees, as it found the NAACP had failed to make the case that they were warranted. *Id.* at 899–901.

[10] Radiance now appeals

II.

....

B.

[11] The first element of trademark infringement at issue is . . . whether Radiance’s use of the NAACP’s marks was “in connection with the sale, offering for sale, distribution, or advertising of any goods or services.” 15 U.S.C. § 1114(1)(a); *see also id.* § 1125(a)(1) (requiring mark be used “in connection with any goods or services”). The NAACP urges us to give this requirement a “broad construction,” but that construction would expose to liability a wide array of noncommercial expressive and charitable activities. Such an interpretation would push the Lanham Act close against a First Amendment wall, which is incompatible with the statute’s purpose and stretches the text beyond its breaking point. We decline to reach so far.

[12] At least five of our sister circuits have interpreted this element as protecting from liability all noncommercial uses of marks. *Farah v. Esquire Magazine*, 736 F.3d 528, 541 (D.C. Cir. 2013); *Utah Lighthouse Ministry v. Found. for Apologetic Info. & Research*, 527 F.3d 1045, 1052–54 (10th Cir. 2008); *Bosley Med. Inst., Inc. v. Kremer*, 403 F.3d 672, 676–77 (9th Cir. 2005); *Taubman Co. v. Webfeats*, 319 F.3d 770, 774 (6th Cir. 2003); *Porous Media Corp. v. Pall Corp.*, 173 F.3d 1109, 1120 (8th Cir. 1999). *But see United We Stand Am., Inc. v. United We Stand, Am. New York, Inc.*, 128 F.3d 86, 89–90 (2d Cir. 1997). We have not taken a position on whether “in connection with” goods or services indicates a commercial use. *Lamparello v. Falwell*, 420 F.3d 309, 313–14 (4th Cir. 2005).

[13] At the very least, reading the “in connection with” element to take in broad swaths of noncommercial speech would be an “overextension” of the Lanham Act’s reach that would “intrude on First Amendment values.” *Rogers v. Grimaldi*, 875 F.2d 994, 998 (2d Cir. 1989); *see also Taubman*, 319 F.3d at 774 (stating that the “Lanham Act is constitutional because it only regulates commercial speech”). It is true that neither of the Lanham Act’s infringement provisions explicitly mentions commerciality. *Lamparello*, 420 F.3d at 314. Still, this provision must mean something more than that the mark is being used in commerce in the constitutional sense, because the infringement provisions in § 1114(1)(a) and § 1125(a)(1) include a separate Commerce Clause hook. *Bosley*, 403 F.3d at 677; *Int’l Bancorp, LLC v. Societe des Bains de Mer et du Cercle des Etrangers a Monaco*, 329 F.3d 359, 363–64 (4th Cir. 2003); *United We Stand*, 128 F.3d at 92–93.

[14] Although this case does not require us to hold that the commercial speech doctrine is in all respects synonymous with the “in connection with” element, we think that doctrine provides much the best guidance in applying the Act. The “in connection with” element in fact reads very much like a description of different types of commercial actions: “in connection with the *sale, offering for sale, distribution, or advertising* of any goods or services.” 15 U.S.C. § 1114(1)(a) (emphasis added).

[15] Use of a protected mark as part of “speech that does no more than propose a commercial transaction” thus plainly falls within the Lanham Act’s reach. *United States v. United Foods, Inc.*, 533 U.S. 405, 409 (2001). Courts also look to the factors outlined in *Bolger v. Youngs Drug Products Corp.*, 463 U.S. 60, 66–67 (1983): whether the speech is an advertisement; whether the speech references a particular good or service; and whether the speaker (the alleged infringer) has a demonstrated economic motivation for his speech. *Greater Balt. Ctr. for Pregnancy Concerns, Inc. v. Mayor of Balt.*, 721 F.3d 264, 285 (4th Cir. 2013) (en banc). These are not exclusive factors, and the presence or absence of any of them does not necessitate a particular result.

[16] In the context of trademark infringement, the Act’s purpose . . . is to protect consumers from misleading uses of marks by competitors. Thus if in the context of a sale, distribution, or advertisement, a mark is used as a source identifier, we can confidently state that the use is “in connection with” the activity. Even the Second Circuit, which rejected noncommerciality as an invariable defense to Lanham Act liability, conceded that a “crucial” factor is that the infringer “us[ed] the Mark not as a commentary on its owner, but instead as a source identifier.” *United We Stand*, 128

F.3d at 92. The danger of allowing the “in connection with” element to suck in speech on political and social issues through some strained or tangential association with a commercial or transactional activity should thus be evident. Courts have uniformly understood that imposing liability under the Lanham Act for such speech is rife with the First Amendment problems.

[17] Finally, in order to determine whether the use is “in connection with” goods or services, we must consider what qualifies as a good or service. The Lanham Act does not directly define either term, but we can deduce their meaning from other defined terms and common usage. A “good” is best understood as a valuable product, physical or otherwise, that the consumer may herself employ. *See* 15 U.S.C. § 1127 (noting that a mark may be used in commerce in relation to a good when placed on a good, its container, its tag, or its associated documents); Black’s Law Dictionary 809 (10th ed.2014) (defining “goods” as “[t]hings that have value, whether tangible or not”). A service is a more amorphous concept, “denot[ing] an intangible commodity in the form of human effort, such as labor, skill, or advice.” Black’s Law Dictionary 1576. Because Congress intended the Lanham Act to protect consumers from confusion in the marketplace, it is probable that the Act is meant to cover a wide range of products, whether “goods” or “services.” *See Yates v. United States*, --- U.S. ----, 135 S.Ct. 1074, 1082 (2015) (“Ordinarily, a word’s usage accords with its dictionary definition. In law as in life, however, the same words, placed in different contexts, sometimes mean different things.”).

[18] It is clear, therefore, that despite the need to reconcile the reach of the Lanham Act with First Amendment values, “goods or services” remains a broad and potentially fuzzy concept. That is yet another reason why the “in connection with” language must denote a real nexus with goods or services if the Act is not to fatally collide with First Amendment principles.

III.

....

A.

[19] In finding that Radiance’s use of the NAACP’s marks was “in connection with” goods or services, the district court erred in several respects. To begin, the court held that because the Radiance article appeared in a Google search for the term “NAACP,” it diverted “Internet users to Radiance’s article as opposed to the NAACP’s websites,” which thereby created a connection to the NAACP’s goods and services. *Radiance Found., Inc. v. NAACP*, 25 F.Supp.3d 865, 884 (E.D.Va.2014). But typically the use of the mark has to be in connection with the infringer’s goods or services, not the trademark holder’s. *See Utah Lighthouse Ministry v. Found. for Apologetic Info. & Research*, 527 F.3d 1045, 1053–54 (10th Cir. 2008) (stating that “the defendant in a trademark infringement . . . case must use the mark in connection with the goods or services of a competing producer, not merely to make a comment on the trademark owner’s goods or services”).

[20] If the general rule was that the use of the mark merely had to be in connection with the trademark holder’s goods or services, then even the most offhand mention of a trademark holder’s mark could potentially satisfy the “in connection with” requirement. That interpretation would expand the requirement to the point that it would equal or surpass the scope of the Lanham Act’s “in commerce” jurisdictional element. This would not only make the jurisdictional element superfluous, but would hamper the ability of the “in connection with” requirement to hold Lanham Act infractions within First Amendment limits.

[21] In *People for the Ethical Treatment of Animals v. Doughney*, we stated that an infringer “need only have prevented users from obtaining or using [the trademark holder’s] goods or services, or need only have connected the [infringing] website to other’s goods or services” in order to satisfy the “in connection with” requirement. 263 F.3d 359, 365 (4th Cir. 2001). But that rule applies specifically where the infringer has used the trademark holder’s mark in a *domain name*. *Id.* at 365–66. Neither of Radiance’s websites used an NAACP mark in its domain name. Rather, Radiance used the NAACP’s marks only in the title and body of an article criticizing the NAACP. Nothing in *PETA* indicates that the

use of a mark in the course of disseminating such an idea is on that account sufficient to establish the requisite relationship to goods or services. *PETA* simply does not govern the application of the “in connection with” element in this case.

[22] The district court proceeded to find that Radiance’s use of the NAACP’s marks was also in connection with *Radiance’s* goods or services. *Radiance Found.*, 25 F.Supp.3d at 884–85. But the court’s analysis failed to demonstrate a sufficient nexus between the specific use of the marks and the sale, offer for sale, distribution, or advertisement of any of the goods or services that the court invoked. The court first found that there was a sufficient nexus “with Radiance’s own information services” because Radiance “provided information” on its website. *Id.* at 884. That ruling, however, neuters the First Amendment. The provision of mere “information services” without any commercial or transactional component is speech—nothing more.

[23] In the alternative, the court held that Radiance’s use of the NAACP’s marks was in connection with goods or services, because the use was “part of social commentary or criticism for which they solicit donations and sponsorship.” *Id.* The NAACP echoes the district court, arguing that the transactional nature of the billboard campaign and Radiance’s fundraising efforts place Radiance’s use of the marks “comfortably within” the reach of the “in connection with” element. Appellee’s Br. at 24–26.

[24] We need not address this point with absolute pronouncements. Suffice it to say that the specific use of the marks at issue here was too attenuated from the donation solicitation and the billboard campaign to support Lanham Act liability. Although present on the article page, the Donate button was off to the side and did not itself use the NAACP’s marks in any way. The billboard campaign was displayed on a different page altogether. A visitor likely would not perceive the use of the NAACP’s marks in the article as being in connection with those transactional components of the website. It is important not to lose perspective. The article was just one piece of each Radiance website’s content, which was comprised of articles, videos, and multimedia advocacy materials. That the protected marks appear somewhere in the content of a website that includes transactional components is not alone enough to satisfy the “in connection with” element. To say it would come too close to an absolute rule that any social issues commentary with any transactional component in the neighborhood enhanced the commentator’s risk of Lanham Act liability.

[25] The Supreme Court has warned “that charitable appeals for funds . . . involve a variety of speech interests . . . that are within the protection of the First Amendment.” *Vill. of Schaumburg v. Citizens for a Better Env’t*, 444 U.S. 620, 632 (1980). Such solicitation, the Court stated, is not a “variety of purely commercial speech.” *Id.* Courts are thus well-advised to tread cautiously when a trademark holder invokes the Lanham Act against an alleged non-profit infringer whose use of the trademark holder’s marks may be only tenuously related to requests for money. Again, this is not to say that in all instances a solicitation by a non-profit is immune from Lanham Act liability. A solicitation may satisfy the “in connection with” element if the trademark holder demonstrates a sufficient nexus between the unauthorized use of the protected mark and clear transactional activity. Such a nexus may be present, for example, where the protected mark seems to denote the recipient of the donation. However, where, as here, the solicitations are not closely related to the specific uses of the protected marks, we are compelled to conclude that the district court erred in ruling that the “in connection element” was met.

....

Questions and Comments

1. *The Difference in the Language of Lanham Act § 32 and § 43(a)*. You will have noticed that the two likelihood of confusion sections formulate the commercial use requirement slightly differently. Compare Lanham Act § 32(1)(a), 15 U.S.C. § 1114(1)(a) (establishing liability for “[a]ny person who shall use in commerce” the plaintiff’s mark “in connection with the sale, offering for sale, distribution, or advertising of any goods or services” in a manner that is confusing) to Lanham Act § 43(a)(1), 15

U.S.C. § 1125(a)(1) (establishing liability for “[a]ny person who, on or in connection with any goods or services, or any container for goods, uses in commerce” the plaintiff’s mark in a manner that is confusing). In practice, courts have read both statements of the commercial use requirement to mean the same thing.

2. *The Commercial Use Requirement and Trademark Dilution.* We will address the issue of trademark dilution below in Part II.C. Note for the moment that the antidilution section of the Lanham Act, § 43(c), 15 U.S.C. § 1125(c), does not include language akin to what we find in Lanham Act §§ 32 and 43(a). Under a previous, now-abrogated version of § 43(c) (which trademark lawyers traditionally refer to as the old “Federal Trademark Dilution Act” or “FTDA”), courts read the phrase “another person’s commercial use in commerce” to implement the commercial use requirement. *See Bosley Medical Institute, Inc. v. Kremer*, 403 F.3d 672, 676 (9th Cir. 2005) (“[W]e have interpreted the language [of § 43(c)(1)] to be roughly analogous to the ‘in connection with’ sale of goods and services requirement of the infringement statute.”). The new § 43(c), effective as of October 6, 2006, which trademark lawyers often refer to as the “Trademark Dilution Revision Act” or “TDRA”, instead requires that the defendant makes “use of a mark or trade name in commerce.” 15 U.S.C. § 1125(c)(1). Courts have read this language to require a showing of defendant’s commercial use akin to what is required under § 32 and § 43(a). More precisely, courts have read the new § 43(c) “use of a *mark*” language to require the plaintiff to prove that the defendant is using its accused designation as a trademark, i.e., as a designation of source for its own good or services. *See, e.g., National Business Forms & Printing, Inc. v. Ford Motor Co.*, 671 F.3d 526, 536 (5th Cir. 2012) (“We agree with the district court that NBFP did not ‘use’ Ford’s marks (as the TDRA contemplates that term) in identifying or distinguishing its own goods or services merely by reproducing them for customers as part of its commercial printing business.”). *See also* MCCARTHY § 24:122. We will return to this issue below in Part II.C.

B. Confusion-Based Infringement

The overriding question in most federal trademark infringement litigation is a simple one: is the defendant’s trademark, because of its similarity to the plaintiff’s trademark, causing or likely to cause consumer confusion as to the source or sponsorship of the defendant’s goods? Each of the circuits requires that, in answering this question, the district court conduct a multifactor analysis of the likelihood of consumer confusion according to the factors set out by that circuit. As the Seventh Circuit has explained, the multifactor test operates “as a heuristic device to assist in determining whether confusion exists.” *Sullivan v. CBS Corp.*, 385 F.3d 772, 778 (7th Cir. 2004). In Part II.B.1, we will briefly review the peculiar history of the multifactor test approach to the likelihood of confusion (or “LOC”) question. In Part II.B.2, we will focus on a particularly rich application of the multifactor test in *Virgin Enterprises Ltd. v. Nawab*, 335 F.3d 141 (2d Cir. 2003). Part II.B.4 will address the use of survey evidence in the LOC context. Parts II.B.5 through II.B.9 will address various modes of consumer confusion such as “sponsorship or affiliation” confusion, “initial interest” confusion, “post-sale” confusion, and “reverse” confusion. Part II.B.10 will return briefly to the Lanham Act § 2(d) bar to registration of a mark that is confusingly-similar to a previously registered mark.

1. The History of the Confusion-Based Cause of Action for Trademark Infringement

a. The Early-Twentieth Century Approach to the Likelihood of Confusion

In the following opinion, *Borden Ice Cream Co. v. Borden’s Condensed Milk Co.*, 201 F. 510 (7th Cir. 1912), the appellee Borden Condensed Milk Co. was the well-known manufacturer of, among other things, milk products under the trademark BORDEN. However, the only ice cream appellee had ever made was a specialized product made from malted milk and sold only to hospitals. The appellant Borden Ice Cream Co. commenced use of the BORDEN mark for ice cream – after finding someone named Borden to join its application for a corporate charter in Illinois. Under current trademark law, this

would be a clear case of trademark infringement. As you will see, the *Borden Ice Cream* court saw things differently at the time.

Borden Ice Cream Co. v. Borden's Condensed Milk Co.
201 F. 510 (7th Cir. 1912)

[1] This is an appeal from an interlocutory order of injunction entered in the District Court, restraining the appellants 'from the use of the name 'Borden' in the manufacture or sale of ice cream and like articles, and the manufacture or sale of milk products in any of their forms, without plainly and in written or printed form attached to all cartons of such commodities, and upon all wagons or other vehicles used in the delivery of such commodities, and on all letter heads and other stationery going out to customers and to the public, and in all places where the name 'Borden's Ice Cream Company' may hereafter appear in the transaction of any business by the defendants, advising purchasers and the public in an unmistakable manner that the product of the defendants is not that of the complainant, 'Borden's Condensed Milk Company.'

[2] The word 'Borden' in the corporate name of the appellee was taken from the name of Gail Borden, who founded the business in the year 1857, and since that time it has been and is now a trade-name of great value, identified almost universally with the business of milk and milk products of the appellee and its predecessors. The trade-name 'Borden,' or the word 'Borden,' constitutes one of the principal assets of the appellee, and is widely known and identified with the good will and public favor enjoyed by it throughout the United States.

[3] On May 31, 1899, the appellee was incorporated under the laws of the state of New Jersey, with broad corporate powers, and specifically authorized 'to manufacture, sell and otherwise deal in condensed, preserved and evaporated milk and all other manufactured forms of milk; to produce, purchase and sell fresh milk, and all products of milk; to manufacture, purchase and sell all food products; to raise, purchase and sell all garden, farm and dairy products; to raise, purchase and sell, and otherwise deal in, cattle and all other live stock; to manufacture, lease, purchase and sell all machinery, tools, implements, apparatus and all other articles and appliances used in connection with all or any of the purposes aforesaid, or with selling and transporting the manufactured or other products of the company; and to do any and all things connected with or incidental to the carrying on of such business, or any branch or part thereof.'

[4] It may be stated in this connection that the charter of the company contains no express authority to manufacture or sell what is known commercially as ice cream.

....

[5] Appellee has developed in the state of Illinois and the city of Chicago, and elsewhere, a large business in the sale of fresh milk and cream and evaporated milk to confectioners for use by them in making commercial ice cream. It has expended large sums of money in promoting and advertising its business, and particularly in extending the sale of the so-called 'Borden's Peerless Brand Evaporated Milk, Confectioners' Size,' a high quality of evaporated milk inclosed [sic] in cans, especially designed for use in the manufacture of ice cream.

[6] For more than two years prior to the filing of the bill in the District Court, the appellee had been manufacturing a form of ice cream known as 'Borden's Malted Milk Ice Cream,' which product is, as the name implies, an ice cream made with malted milk as its basic element, and is especially adapted for use in hospitals. This malted milk ice cream, which hitherto has been used only in hospitals, the appellee is about to place on the market for general use in competition with commercial ice cream.

[7] On May 25, 1911, the appellants Charles F. Borden, George W. Brown, and Edgar V. Stanley applied to the Secretary of State of the state of Illinois for a license to incorporate under the name of 'Borden Ice Cream Company.' On July 31, 1911, the appellee notified the individual appellants that the term 'Borden' had become so firmly established in connection with the products of the appellee the use

of that word in connection with any company dealing in milk products would lead to the presumption that they were the products of the appellee, and demanded that the word 'Borden' be eliminated from appellants' company name.

[8] On the same day appellee protested to the Secretary of State of the state of Illinois against the issuance of any charter under the name of 'Borden Ice Cream Company,' but on the 16th of August, 1911, a charter was duly issued to the 'Borden Ice Cream Company,' by which it was authorized 'to manufacture and sell ice cream, ices and similar products.'

[9] The appellant Charles F. Borden had never before been engaged in the ice cream business, or in buying or selling milk or milk products, or in any similar business, and is not the principal person connected with the appellant Borden Ice Cream Company. The appellant Lawler is an ice cream manufacturer, and has subscribed to 47 out of a total of 50 shares of stock of the Borden Ice Cream Company. Charles F. Borden has subscribed to one share of stock, and has not paid for that.

[10] The bill charges, upon information and belief, that it is the intention of appellant Borden Ice Cream Company to use the word 'Borden' for the purpose of trading upon the reputation of appellee's goods and products, and for the purpose of deceiving and defrauding the public into the belief that such product is the product of the appellee; that such 'improper, deceitful and fraudulent use of the name 'Borden' will be a great and irreparable injury to the complainant's (appellee's) property right in its trade-name; and that the reputation of the products of complainant (appellee) will be greatly injured thereby; and that the business of complainant (appellee) will be injured;' and that there will be great confusion in the business carried on by the original company because of such improper use; and that it will be impossible for present and prospective customers to know that the product of the Borden Ice Cream Company is not the product of Borden's Condensed Milk Company.

[11] The bill and the affidavits on file do not show any facts tending to sustain the allegation of irreparable injury to the old company or its business, or showing or tending to show that the old company has been or will be injured in any way in the business which it is now engaged in. Moreover, it does not appear that the malted milk ice cream manufactured by the old company will in any way come into competition with the commercial ice cream proposed to be put on the market by the new company.

[12] The bill was filed before the defendant had started to do any business. The answer admits most of the material allegations, but denies all fraudulent purpose.

CARPENTER, District Judge (after stating the facts as above).

[13] A personal name, such as 'Borden,' is not susceptible of exclusive appropriation, and even its registration in the Patent Office cannot make it a valid trade-mark. *Howe Scale Co. v. Wyckoff*, 198 U.S. 134; *Elgin Natl. Watch Co. v. Illinois Watch Case Co.*, 179 U.S. 665; *Singer Mfg. Co. v. June Mfg. Co.*, 163 U.S. 169; *Brown Chemical Co. v. Meyer*, 139 U.S. 540.

[14] There is no charge made in the bill that the appellants are infringing, or propose to infringe, upon any technical trade-mark of the appellee, so we may dismiss any claim for relief upon that score.

[15] The only theory upon which the injunction in this case can be sustained is upon that known as unfair competition. Relief against unfair competition is granted solely upon the ground that one who has built up a good will and reputation for his goods or business is entitled to all of the resultant benefits. Good will or business popularity is property, and, like other property, will be protected against fraudulent invasion.

....

[16] It has been said that the universal test question in cases of this class is whether the public is likely to be deceived as to the maker or seller of the goods. This, in our opinion, is not the fundamental question. The deception of the public naturally tends to injure the proprietor of a business by diverting

his customers and depriving him of sales which otherwise he might have made. This, rather than the protection of the public against imposition, is the sound and true basis for the private remedy. That the public is deceived may be evidence of the fact that the original proprietor's rights are being invaded. If, however, the rights of the original proprietor are in no wise interfered with, the deception of the public is no concern of a court of chancery. *American Washboard Co. v. Saginaw Mfg. Co.*, 103 Fed. 281.

[17] Doubtless it is morally wrong for a person to proclaim, or even intimate, that his goods are manufactured by some other and well-known concern; but this does not give rise to a private right of action, unless the property rights of that concern are interfered with. The use by the new company of the name 'Borden' may have been with fraudulent intent; and, even assuming that it was, the trial court had no right to interfere, unless the property rights of the old company were jeopardized. Nothing else being shown, a court of equity cannot punish an unorthodox or immoral, or even dishonest, trader; it cannot enforce as such the police power of the state.

[18] In the case now under our consideration the old company (the appellee) never has manufactured what is known as commercial ice cream. The new company (the appellant) was incorporated for the sole purpose of manufacturing and putting on the market such an article.

....

[19] The secondary meaning of a name . . . has no legal significance, unless the two persons make or deal in the same kind of goods. Clearly the appellants here could make gloves, or plows, or cutlery, under the name 'Borden' without infringing upon any property right of the old company. If that is true, they can make anything under the name 'Borden' which the appellee has not already made and offered to the public. *George v. Smith* (C.C.) 52 Fed. 830.

[20] The name 'Borden,' until appellants came into the field, never had been associated with commercial ice cream. By making commercial ice cream the appellants do not come into competition with the appellee. In the absence of competition, the old company cannot assert the rights accruing from what has been designated as the secondary meaning of the word 'Borden.' The phrase 'unfair competition' presupposes competition of some sort. In the absence of competition the doctrine cannot be invoked.

[21] There being no competition between the appellants and appellee, we are confronted with the proposition that the appellee, in order to succeed on this appeal, has and can enforce a proprietary right to the name 'Borden' in any kind of business, to the exclusion of all the world.

[22] It is urged that appellee has power, under its charter, to make commercial ice cream, and that it intends some day to do so. If such intention can be protected at this time, it might well be that appellee, having enjoined appellants from making commercial ice cream, would rest content with selling its evaporated milk to ice cream dealers, and never itself manufacture the finished product. But, as was well stated by Judge Coxe, in *George v. Smith*, supra:

'It is the party who uses it first as a brand for his goods, and builds up a business under it, who is entitled to protection, and not the one who first thought of using it on similar goods, but did not use it. The law deals with acts and not intentions.'

[23] Appellee also urges that it makes and sells large quantities of evaporated or condensed milk to manufacturers of ice cream, and that if the appellants are permitted to use the name 'Borden' in the ice cream business dealers probably will believe that its ice cream is made by appellee, and will in consequence buy the finished product rather than the component parts, and that appellee's sales of evaporated or condensed milk will fall off, to its manifest damage. Such result would be too speculative and remote to form the basis of an order restraining men from using in their business any personal name, especially their own.

[24] Appellee is in this position: If it bases its right to an injunction upon the doctrine of unfair competition, no competition of any kind has been shown by the record. If it relies upon some supposed

damage which may result from appellants' use of the name 'Borden' in connection with inferior goods, the action is premature, because the appellants, as yet, have neither sold nor made anything.

[25] The order of the District Court must be reversed; and it is so ordered.

b. The Development of the Modern Multifactor Test

The idiosyncrasies of tradition rather than of reason drove the development of the multifactor tests across the circuits. Each of the circuits' current multifactor tests originated either directly or indirectly from the 1938 *Restatement (First) of the Law of Torts*. The *Restatement (First)* failed to set forth a single, unified multifactor test for trademark infringement. Instead, it proposed four factors that courts should consider in all cases and nine more factors that courts should additionally consider only when the parties goods were noncompeting with each other, i.e., not substitutable for each other. Section 729 of the *Restatement (First)* set out the four factors courts should always consider:

In determining whether the actor's designation is confusingly similar to the other's trademark or trade name, the following factors are important:

- (a) the degree of similarity between the designation and the trade-mark or trade name in
 - (i) appearance;
 - (ii) pronunciation of the words used;
 - (iii) verbal translation of the pictures or designs involved;
 - (iv) suggestion;
- (b) the intent of the actor in adopting the designation;
- (c) the relation in use and manner of marketing between the goods or services marketed by the actor and those marketed by the other;
- (d) the degree of care likely to be exercised by purchasers.

RESTATEMENT FIRST OF TORTS § 729 (1939). Section 731 set out the additional nine factors that courts should additionally consider only in cases involving noncompetitive goods:

In determining whether one's interest in a trade-mark or trade name is protected, under the rules stated in §§ 717 and 730, with reference to the goods, services or business in connection with which the actor uses his designation, the following factors are important:

- (a) the likelihood that the actor's goods, services or business will be mistaken for those of the other;
- (b) the likelihood that the other may expand his business so as to compete with the actor;
- (c) the extent to which the goods or services of the actor and those of the other have common purchasers or users;
- (d) the extent to which the goods or services of the actor and those of the other are marketed through the same channels;
- (e) the relation between the functions of the goods or services of the actor and those of the other;
- (f) the degree of distinctiveness of the trademark or trade name;
- (g) the degree of attention usually given to trade symbols in the purchase of goods or services of the actor and those of the other;
- (h) the length of time during which the actor has used the designation;
- (i) the intent of the actor in adopting and using the designation.

Id. at § 731.

Through the course of the mid-twentieth century, the federal courts lost track of the distinction between the two sets of factors, and the circuits each began to use a single, unified multifactor test regardless of whether the parties' goods were competing. Each circuit developed its own test, and for the most part, the peculiarities of the particular cases in which the circuit's multifactor test first coalesced determined which factors are still considered in that circuit today. A good example of this is found in the following opinion, *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 402 (2d Cir. 1961), which is the origin of the Second Circuit's "Polaroid Factors." Despite Judge Friendly's clear statement that his test was meant for situations "[w]here the products are different," *id.* at 495, Second Circuit courts routinely apply the *Polaroid* factors in competing goods cases. The opinion is presented here primarily for its historical significance as one of the most influential opinions in U.S. trademark law, but also to show, in the final paragraph of the opinion excerpt, how much trademark infringement doctrine had evolved since *Borden's Ice Cream*.

***Polaroid Corp. v. Polarad Electronics Corp.*
287 F.2d 492 (2d Cir. 1961)**

FRIENDLY, Circuit Judge.

[1] Plaintiff, Polaroid Corporation, a Delaware corporation, owner of the trademark Polaroid and holder of 22 United States registrations thereof granted between 1936 and 1956 and of a New York registration granted in 1950, brought this action in the Eastern District of New York, alleging that defendant's use of the name Polarad as a trademark and as part of defendant's corporate title infringed plaintiff's Federal and state trademarks and constituted unfair competition. It sought a broad injunction and an accounting. Defendant's answer, in addition to denying the allegations of the complaint, sought a declaratory judgment establishing defendant's right to use Polarad in the business in which defendant was engaged, an injunction against plaintiff's use of Polaroid in the television and electronics fields, and other relief. Judge Rayfiel, in an opinion reported in D.C.1960, 182 F.Supp. 350, dismissed both the claim and the counterclaims, concluding that neither plaintiff nor defendant had made an adequate showing with respect to confusion and that both had been guilty of laches. Both parties appealed but defendant has withdrawn its cross-appeal. We find it unnecessary to pass upon Judge Rayfiel's conclusion that defendant's use of Polarad does not violate any of plaintiff's rights. For we agree that plaintiff's delay in proceeding against defendant bars plaintiff from relief so long as defendant's use of Polarad remains as far removed from plaintiff's primary fields of activity as it has been and still is.

....

[2] Conceding that the bulk of its business is in optics and photography, lines not pursued by defendant, plaintiff nevertheless claims to be entitled to protection of its distinctive mark in at least certain portions of the large field of electronics. Plaintiff relies on its sales of Schmidt corrector plates, used in certain types of television systems, first under government contracts beginning in 1943 and to industry commencing in 1945; on its sale, since 1946, of polarizing television filters, which serve the same function as the color filters that defendant supplies as a part of the television apparatus sold by it; and, particularly, on the research and development contracts with the government referred to above. Plaintiff relies also on certain instances of confusion, predominantly communications intended for defendant but directed to plaintiff. Against this, defendant asserts that its business is the sale of complex electronics equipment {consisting of microwave devices and television studio equipment} to a relatively few customers; that this does not compete in any significant way with plaintiff's business, the bulk of which is now in articles destined for the ultimate consumer; that plaintiff's excursions into electronics are insignificant in the light of the size of the field; that the instances of confusion are minimal; that there is no evidence that plaintiff has suffered either through loss of customers or injury to reputation, since defendant has conducted its business with high standards; and that the very nature

of defendant's business, sales to experienced industrial users and the government, precludes any substantial possibility of confusion. Defendant also asserts plaintiff's laches to be a bar.

[3] The problem of determining how far a valid trademark shall be protected with respect to goods other than those to which its owner has applied it, has long been vexing and does not become easier of solution with the years. Neither of our recent decisions so heavily relied upon by the parties, *Harold F. Ritchie, Inc. v. Chesebrough-Pond's, Inc.*, 2 Cir., 1960, 281 F.2d 755, by plaintiff, and *Avon Shoe Co., Inc. v. David Crystal, Inc.*, 2 Cir., 1960, 279 F.2d 607 by defendant, affords much assistance, since in the Ritchie case there was confusion as to the identical product and the defendant in the Avon case had adopted its mark 'without knowledge of the plaintiffs' prior use,' at page 611. Where the products are different, the prior owner's chance of success is a function of many variables: the strength of his mark, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defendant's good faith in adopting its own mark, the quality of defendant's product, and the sophistication of the buyers. Even this extensive catalogue does not exhaust the possibilities—the court may have to take still other variables into account. American Law Institute, Restatement of Torts, §§ 729, 730, 731. Here plaintiff's mark is a strong one and the similarity between the two names is great, but the evidence of actual confusion, when analyzed, is not impressive. The filter seems to be the only case where defendant has sold, but not manufactured, a product serving a function similar to any of plaintiff's, and plaintiff's sales of this item have been highly irregular, varying, e.g., from \$2,300 in 1953 to \$303,000 in 1955, and \$48,000 in 1956.

[4] If defendant's sole business were the manufacture and sale of microwave equipment, we should have little difficulty in approving the District Court's conclusion that there was no such likelihood of confusion as to bring into play either the Lanham Act, 15 U.S.C.A. § 1114(1), or New York General Business Law, § 368-b, or to make out a case of unfair competition under New York decisional law, see *Avon Shoe Co. v. David Crystal, Inc.*, supra, at page 614, footnote 11. What gives us some pause is defendant's heavy involvement in a phase of electronics that lies closer to plaintiff's business, namely, television. Defendant makes much of the testimony of plaintiff's executive vice president that plaintiff's normal business is 'the interaction of light and matter.' Yet, although television lies predominantly in the area of electronics, it begins and ends with light waves. The record tells us that certain television uses were among the factors that first stimulated Dr. Land's interest in polarization, see *Marks v. Polaroid Corporation*, supra, 129 F.Supp. at page 246, plaintiff has manufactured and sold at least two products for use in television systems, and defendant's second counterclaim itself asserts likelihood of confusion in the television field. We are thus by no means sure that, under the views with respect to trademark protection announced by this Court in such cases as *Yale Electric Corp. v. Robertson*, 2 Cir., 1928, 26 F.2d 972 (locks vs. flashlights {finding confusion}); *L. E. Waterman Co. v. Gordon*, 2 Cir., 1934, 72 F.2d 272 (mechanical pens and pencils vs. razor blades {finding confusion}); *Triangle Publications, Inc. v. Rohrlach*, 2 Cir., 1948, 167 F.2d 969, 972 (magazines vs. girdles {finding confusion}); and *Admiral Corp. v. Penco, Inc.*, 2 Cir., 1953, 203 F.2d 517 (radios, electric ranges and refrigerators vs. sewing machines and vacuum cleaners {finding confusion}), plaintiff would not have been entitled to at least some injunctive relief if it had moved with reasonable promptness. However, we are not required to decide this since we uphold the District Court's conclusion with respect to laches.

{The court went on to reject the plaintiff's attempts to overcome the defendant's defense of laches.}

Questions and Comments

1. *Laches in federal trademark law.* There is no statute of limitations provision in the Lanham Act. Instead, the analogous state statute of limitations period in the forum state will typically apply in order to fill the gap in federal law. *Tandy Corp. v. Malone & Hyde, Inc.*, 769 F.2d 362 (6th Cir. 1985). "The

limitations period is often used to shift the initial burden of proof for the laches defense. If the case was filed within the relevant statute of limitations, the burden will be on the defendant to show that laches applies, but if the case was filed after the limitations period expired, then the burden will be on the plaintiff to show why it would be inequitable to apply laches.” 3 GILSON ON TRADEMARKS § 13.21 (2019). Different state’s limitations periods can run anywhere from about two to six years. See 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 31:33 (5th ed. 2019).

For an impressive application of the laches defense, see *Dropbox, Inc. v. Thru Inc.*, No. 15 Civ. 01741, 2016 WL 6696042 (N.D. Cal. Nov. 15, 2016), supplemented, 15 Civ. 01741, 2016 WL 7116717 (N.D. Cal. Dec. 7, 2016), aff’d, 728 F. App’x 717 (9th Cir. 2018), and aff’d, 728 F. App’x 717 (9th Cir. 2018). The case involved litigation between the Dropbox file hosting service and a company that probably had a reasonable claim of seniority in the DROPBOX mark. Dropbox’s laches defense was so strong and Thru’s litigation conduct so abusive (it waited until Dropbox’s IPO announcement to file suit) that Dropbox eventually won attorney’s fees and costs in the total amount of \$2.3 million.

2. “His Mark is His Authentic Seal.” In *Yale Elec. Corp. v. Robertson*, 26 F.2d 972 (2d Cir. 1928), which Judge Friendly cites in the final paragraph of *Polaroid*, Judge Hand set forth his oft-quoted description of the plaintiff’s interest in preventing the use of its mark on noncompeting goods:

However, it has of recent years been recognized that a merchant may have a sufficient economic interest in the use of his mark outside the field of his own exploitation to justify interposition by a court. His mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner’s reputation, whose quality no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask. And so it has come to be recognized that, unless the borrower’s use is so foreign to the owner’s as to insure against any identification of the two, it is unlawful.

Id. at 974. If the defendant’s conduct “does not tarnish [the plaintiff’s reputation], or divert any sales by its use,” then what exactly is the harm to the plaintiff?

2. Contemporary Applications of the Multifactor Test for the Likelihood of Consumer Confusion

Each circuit has developed its own formulation of the multifactor test for the likelihood of consumer confusion. Nevertheless, as the chart entitled “Factors Considered by Circuit” suggests, the circuits’ various tests are roughly similar. Notably absent from the Fourth, Fifth, and Eleventh Circuit’s tests, however, is any explicit call to consider the sophistication of the relevant consumers.

In *Virgin Enterprises Ltd. v. Nawab*, 335 F.3d 141 (2d Cir. 2003), the Second Circuit applied its *Polaroid* test to determine if consumers would likely mistake the goods and services of the defendant, operating under the mark VIRGIN WIRELESS, for those of the plaintiff, the owner of the VIRGIN mark for a wide variety of goods and services. The opinion is exceptional for its thorough analysis of the factors. In reading through *Virgin Enterprises*, consider the following questions:

- Which of the *Polaroid* factors are likely the most important to courts’ adjudication of the likelihood of confusion question?
- In practice, is intent likely as unimportant to courts’ determinations as the *Virgin Enterprises* opinion suggests?
- Why should strong marks receive a wider scope of protection than weak marks?
- Why should inherent strength be more important to the multifactor inquiry than acquired strength? Relatedly, why should fanciful marks receive a wider scope of protection than arbitrary or suggestive marks?

- Does the court make any basic mistakes of doctrine in its discussion of the *Abercrombie* spectrum?

Int. Cls.: 35, 39, and 42

Prior U.S. Cls.: 100, 101, 104, and 105

Reg. No. 1,851,817

United States Patent and Trademark Office Registered Aug. 30, 1994

**SERVICE MARK
PRINCIPAL REGISTER**

VIRGIN

VIRGIN ENTERPRISES LIMITED (UNITED KINGDOM CORPORATION)
120, CAMPDEN HILL ROAD
LONDON, W8 7AR, ENGLAND

FOR: DIRECT MAIL ADVERTISING FOR OTHERS; DISSEMINATION OF ADVERTISING MATERIALS FOR OTHERS; PREPARING ADVERTISING, PROMOTIONS, AND PUBLIC RELATIONS MATERIALS FOR OTHERS; MANAGEMENT OF PROMOTIONAL AND INCENTIVE PLANS AND SERVICES FOR OTHERS; BUSINESS ORGANIZATION PROMOTIONAL CONSULTING FOR OTHERS; DEMONSTRATION OF THE GOODS AND SERVICES OF OTHERS AND THE PROMOTION THEREOF; PROMOTING AND ADVERTISING THE GOODS AND SERVICES OF OTHERS BY AIRCRAFT, AIRSHIPS AND AIR BALLOONS; OUTDOOR ADVERTISING SUCH AS BY BILLBOARDS; AND DISTRIBUTION OF ADVERTISING, PROMOTIONAL MATERIALS AND SAMPLE MATERIALS OF OTHERS, IN CLASS 35 (U.S. CLS. 101 AND 104).

FIRST USE 2-13-1993; IN COMMERCE 2-13-1993.

FOR: TRANSPORTATION OF GOODS AND PASSENGERS BY ROAD, RAIL, AIR AND SEA; FREIGHT TRANSPORTATION SERVICES; TOURIST AGENCY SERVICES; TRAVEL AGENCY SERVICES; ARRANGING TRAVEL TOURS; AND TRANSPORTATION RESERVATION SERVICES, IN CLASS 39 (U.S. CL. 105).

FIRST USE 6-0-1984; IN COMMERCE 6-0-1984.

FOR: CLUBS, NIGHTCLUBS; BARS; HOTELS; RESORTS; HOTEL RESERVATION SERVICES;

HOTEL AND RESORT MANAGEMENT FOR OTHERS; CARRY-OUT RESTAURANT AND RESTAURANT SERVICES; CATERING; COMPUTER PROGRAMMING FOR OTHERS; COMPUTER SOFTWARE DESIGN SERVICES FOR OTHERS; ARTWORK AND GRAPHIC DESIGN SERVICES FOR OTHERS; AND RETAIL STORE SERVICES IN THE FIELDS OF COSMETICS AND LAUNDRY PREPARATIONS, METAL HARDWARE, CAMERAS, RECORDS, AUDIO AND VIDEO TAPES, AUDIO AND VIDEO RECORDERS, COMPUTERS AND ELECTRONIC APPARATUS, JEWELRY, CLOCKS AND WATCHES, MUSICAL INSTRUMENTS, STATIONERY, SHEET MUSIC, BOOKS AND PHOTOGRAPHY, HANDBAGS, PURSES, LUGGAGE AND LEATHER GOODS, CLOTHING, LACE, EMBROIDERY, GIFTS AND SEWING MATERIALS, TOYS, GAMES, VIDEO GAME MACHINES AND VIDEO GAME CARTRIDGES, PROCESSED FOODS, JELLIES AND JAMS, COFFEE, TEA, BAKERY ITEMS AND CANDY, BEER, ALE, MINERAL AND AERATED WATERS AND OTHER NON-ALCOHOLIC DRINKS, WINES, SPIRITS AND LIQUEURS, AND TOBACCO AND SMOKERS' ARTICLES, IN CLASS 42 (U.S. CL. 100).

FIRST USE 11-28-1990; IN COMMERCE 11-28-1990.

OWNER OF U.S. REG. NOS. 1,469,618, 1,597,386, AND OTHERS.

SN 74-162,592, FILED 5-1-1991.

ELEANOR MELTZER, EXAMINING ATTORNEY

Virgin Enterprises Ltd. v. Nawab
335 F.3d 141 (2d Cir. 2003)

LEVAL, Circuit Judge.

[1] Plaintiff Virgin Enterprises Limited (“VEL” or “plaintiff”) appeals from the denial of its motion for a preliminary injunction. This suit, brought under § 32 of the Lanham Act, 15 U.S.C. § 1114(1), alleges that defendants infringed plaintiff’s rights in the registered mark VIRGIN by operating retail stores selling wireless telephones and related accessories and services under the trade name VIRGIN WIRELESS. The United States District Court for the Eastern District of New York (Sifton, *J.*) denied plaintiff’s motion for a preliminary injunction, based upon its finding that plaintiff’s registration did not cover the retail sale of wireless telephones and related products, and that plaintiff failed to show a likelihood of consumer confusion.

BACKGROUND

[2] Plaintiff VEL, a corporation with its principal place of business in London, owns U.S. Registration No. 1,851,817 (“the 817 Registration”), filed on May 5, 1991, and registered on August 30, 1994, for the VIRGIN mark as applied to “*retail store services* in the fields of . . . computers and *electronic apparatus*” (emphasis added). . . . Plaintiff also owns U.S. Registration No. 1,852,776 (“the 776 Registration”), filed on May 9, 1991, and registered on September 6, 1994, for a stylized version of the VIRGIN mark for use in connection with “retail store services in the fields of . . . computers and electronic apparatus,” and U.S. Registration No. 1,863,353 (“the 353 Registration”), filed on May 19, 1992, and registered on November 15, 1994, for the VIRGIN MEGASTORE mark. It is undisputed that these three registrations have become incontestable pursuant to 15 U.S.C. § 1065.

[3] VEL, either directly or through corporate affiliates, operates various businesses worldwide under the trade name VIRGIN, including an airline, large-scale record stores called Virgin Megastores, and an internet information service. Plaintiff or its affiliates also market a variety of goods branded with the VIRGIN name, including music recordings, computer games, books, and luggage. Three of plaintiff’s megastores are located in the New York area. According to an affidavit submitted to the district court in support of plaintiff’s application for preliminary injunction, Virgin Megastores sell a variety of electronic apparatus, including video game systems, portable CD players, disposable cameras, and DVD players. These stores advertise in a variety of media, including radio.

[4] Defendants Simon Blitz and Daniel Gazal are the sole shareholders of defendants Cel-Net Communications, Inc. (“Cel-Net”); The Cellular Network Communications, Inc., doing business as CNCG (“CNCG”); and SD Telecommunications, Inc. (“SD Telecom”). Blitz and Gazal formed Cel-Net in 1993 to sell retail wireless telephones and services in the New York area. Later, they formed CNCG to sell wireless phones and services on the wholesale level. CNCG now sells wireless phones and services to more than 400 independent wireless retailers. In 1998, Cel-Net received permission from New York State regulators to resell telephone services within the state.

[5] Around 1999, Andrew Kastein, a vice-president of CNCG, began to develop a Cel-Net brand of wireless telecommunications products. In early 1999, Cel-Net entered into negotiations with the Sprint PCS network to provide telecommunications services for resale by Cel-Net. In August 1999, Cel-Net retained the law firm Pennie & Edmonds to determine the availability of possible service marks for Cel-Net. Pennie & Edmonds associate Elizabeth Langston researched for Kastein a list of possible service marks; among the marks Cel-Net asked to have researched was VIRGIN. Defendants claim that Langston told Cel-Net officer Simon Corney that VIRGIN was available for use in the telecommunications field. Plaintiff disputed this, offering an affidavit from Langston that she informed defendants that she would not search the VIRGIN mark because her firm represented plaintiff.

[6] According to defendants, in December 1999, Cel-Net retained Corporate Solutions, LLC and its principals Nathan Erlich and Tahir Nawab as joint venture partners to help raise capital to launch Cel-Net’s wireless telephone service. On December 2, 1999, Erlich and Nawab filed four intent-to-use applications with the U.S. Patent and Trademark Office (“PTO”) to register the marks VIRGIN WIRELESS, VIRGIN MOBILE, VIRGIN COMMUNICATIONS, and VIRGIN NET in the field of telecommunications services, class 38. On December 24, 1999, Corporate Solutions incorporated defendant Virgin Wireless, Inc. (“VWI”) and licensed to VWI the right to use the marks VIRGIN WIRELESS and VIRGIN MOBILE. Meanwhile, one of plaintiff’s affiliates had begun to offer wireless telecommunication services bearing the VIRGIN mark in the United Kingdom. A press release dated November 19, 1999, found on plaintiff’s website, stated that its Virgin Mobile wireless services were operable in the United States.

[7] On June 23, 2000, defendant Blitz signed a lease under the name Virgin Wireless for a kiosk location in South Shore Mall in Long Island from which to re-sell AT&T wireless services, telephones, and accessories under the retail name Virgin Wireless. Defendants Cel-Net and VWI later expanded their telecommunications re-sale operations to include two retail stores and four additional retail kiosks in malls in the New York area and in Pennsylvania. All of these stores have been run by VWI

under the trade name VIRGIN WIRELESS. VWI also has leases and bank accounts in its name, and has shown evidence of actual retail transactions and newspaper advertisements.

[8] In August 2000, plaintiff licensed Virgin Mobile USA, LLC, to use the VIRGIN mark for wireless telecommunications services in the United States. On August 10, 2000, plaintiff filed an intent-to-use application with the PTO for use of the VIRGIN mark in the United States on telecommunications services and mobile telephones. On October 11, 2001, the PTO suspended this mark's registration in international class 9, which covers wireless telephones, and class 38, which covers telecommunications services, because the VIRGIN mark was already reserved by a prior filing, presumably defendants'. On August 16, 2001, plaintiff filed another intent-to-use application for the mark VIRGIN MOBILE to brand telecommunications services. The PTO issued a non-final action letter for both of plaintiff's pending new registrations on October 31, 2001, which stated that defendant Corporation Solutions' pending applications for similar marks in the same class could give rise to "a likelihood of confusion." The PTO suspended action on plaintiff's application pending the processing of Corporation Solutions' applications.

[9] In October 2001, plaintiff issued a press release announcing that it was offering wireless telecommunications services and mobile telephones in the United States.

[10] Plaintiff became aware of Corporation Solutions' application for registration of the VIRGIN WIRELESS and VIRGIN MOBILE marks by May 2000. In October 2001 and December 2001, defendant VWI filed suits against plaintiff in the federal district courts in Arizona and Delaware, alleging that plaintiff was using VWI's mark. Plaintiff maintains (and the district court found) that it learned in January 2002 that VWI and Cel-Net were operating kiosks under the VIRGIN WIRELESS name and two days later filed the present suit seeking to enjoin defendants from selling mobile phones in VIRGIN-branded retail stores.

[11] On May 2, 2002, the district court considered plaintiff's application for a preliminary injunction. It found that no essential facts were in dispute, and therefore no evidentiary hearing was required. It was uncontested (and the district court accordingly found) that plaintiff sold "electronic apparatus" in its stores, including "various video game systems, portable cassette tape, compact disc, mp3, and mini disc players, portable radios, and disposable cameras," but not including telephones or telephone service, and that the only products the defendants sold in their stores were wireless telephones, telephone accessories, and wireless telephone services

[12] Arguing against plaintiff's likelihood of success, the court noted that plaintiff's registrations did not claim use of the VIRGIN mark "in telecommunications services or in the associated retail sale of wireless telephones and accessories." While plaintiff's 817 and 776 Registrations covered the retail sale of "computers and electronic apparatus," they did not extend to telecommunications services and wireless phones.

[13] The court noted that the defendants were the first to use the VIRGIN mark in telecommunications, and the first to attempt to register VIRGIN for telecommunications and retail telephone sales

DISCUSSION

....

II.

[14] A claim of trademark infringement, whether brought under 15 U.S.C. § 1114(1) (for infringement of a registered mark) or 15 U.S.C. § 1125(a) (for infringement of rights in a mark acquired by use), is analyzed under the familiar two-prong test described in *Gruner + Jahr USA Publ'g v. Meredith Corp.*, 991 F.2d 1072 (2d Cir. 1993). See *Time, Inc. v. Petersen Publ'g Co. L.L.C.*, 173 F.3d 113, 117 (2d Cir. 1999) (noting that *Gruner* test is applicable to claims brought under § 1114(1) and § 1125(a)). The test looks first to whether the plaintiff's mark is entitled to protection, and second to whether defendant's use of the mark is likely to cause consumers confusion as to the origin or sponsorship of

the defendant's goods. *Gruner*, 991 F.2d at 1074. Examining the question as the test dictates, we have no doubt that plaintiff was entitled to a preliminary injunction.

[15] We believe the district court accorded plaintiff too narrow a scope of protection for its famous, arbitrary, and distinctive mark. There could be no dispute that plaintiff prevailed as to the first prong of the test—prior use and ownership. For years, plaintiff had used the VIRGIN mark on huge, famous stores selling, in addition to music recordings, a variety of consumer electronic equipment. At the time the defendants began using VIRGIN, plaintiff owned rights in the mark. The focus of inquiry thus turns to the second prong of the test—whether defendants' use of VIRGIN as a mark for stores selling wireless telephone services and phones was likely to cause confusion. There can be little doubt that such confusion was likely.

[16] The landmark case of *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir. 1961) (Friendly, J.), outlined a series of nonexclusive factors likely to be pertinent in addressing the issue of likelihood of confusion, which are routinely followed in such cases. . .

[17] Six of the *Polaroid* factors relate directly to the likelihood of consumer confusion. These are the strength of the plaintiff's mark; the similarity of defendants' mark to plaintiff's; the proximity of the products sold under defendants' mark to those sold under plaintiff's; where the products are different, the likelihood that plaintiff will bridge the gap by selling the products being sold by defendants; the existence of actual confusion among consumers; and the sophistication of consumers. Of these six, all but the last (which was found by the district court to be neutral) strongly favor the plaintiff. The remaining two *Polaroid* factors, defendants' good or bad faith and the quality of defendants' products, are more pertinent to issues other than likelihood of confusion, such as harm to plaintiff's reputation and choice of remedy. We conclude that the *Polaroid* factors powerfully support plaintiff's position.

[18] *Strength of the mark.* The strength of a trademark encompasses two different concepts, both of which relate significantly to likelihood of consumer confusion. The first and most important is inherent strength, also called "inherent distinctiveness." This inquiry distinguishes between, on the one hand, inherently distinctive marks—marks that are arbitrary or fanciful in relation to the products (or services) on which they are used—and, on the other hand, marks that are generic, descriptive or suggestive as to those goods. The former are the strong marks. *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4, 9 (2d Cir. 1976). The second sense of the concept of strength of a mark is "acquired distinctiveness," i.e., fame, or the extent to which prominent use of the mark in commerce has resulted in a high degree of consumer recognition. See *TCPIP Holding Co. v. Haar Communications Inc.*, 244 F.3d 88, 100 (2d Cir. 2001) (describing these two concepts of strength).

[19] Considering first *inherent distinctiveness*, the law accords broad, muscular protection to marks that are arbitrary or fanciful in relation to the products on which they are used, and lesser protection, or no protection at all, to marks consisting of words that identify or describe the goods or their attributes. The reasons for the distinction arise from two aspects of market efficiency. The paramount objective of the trademark law is to avoid confusion in the marketplace. The purpose for which the trademark law accords merchants the exclusive right to the use of a name or symbol in their area or commerce is *identification*, so that the merchants can establish goodwill for their goods based on past satisfactory performance, and the consuming public can rely on a mark as a guarantee that the goods or services so marked come from the merchant who has been found to be satisfactory in the past. See *Estee Lauder Inc. v. The Gap, Inc.*, 108 F.3d 1503, 1510 (2d Cir. 1997) (quoting *Restatement (Third) of Unfair Competition* § 21 comment i (1995)); *Power Test Petroleum Distrib., Inc. v. Calcu Gas, Inc.*, 754 F.2d 91, 97 (2d Cir. 1985); *McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1131 (2d Cir. 1979). At the same time, efficiency and the public interest require that every merchant trading in a class of goods be permitted to refer to the goods by their name, and to make claims about their quality. Thus, a merchant who sells pencils under the trademark *Pencil* or *Clear Mark*, for example, and seeks to exclude other sellers of pencils from using those words in their trade, is seeking an advantage the trademark law does not intend to offer. To grant such exclusivity would deprive the consuming public

of the useful market information it receives where every seller of pencils is free to call them pencils. *Abercrombie*, 537 F.2d at 9; *CES Publ'g Corp. v. St. Regis Publ'ns, Inc.*, 531 F.2d 11, 13 (2d Cir. 1975). The trademark right does not protect the exclusive right to an advertising message—only the exclusive right to an identifier, to protect against confusion in the marketplace. Thus, as a matter of policy, the trademark law accords broader protection to marks that serve exclusively as identifiers and lesser protection where a grant of exclusiveness would tend to diminish the access of others to the full range of discourse relating to their goods. See *TCPIP*, 244 F.3d at 100; *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 215 (2d Cir. 1999); *Otokoyama Co. Ltd. v. Wine of Japan Import, Inc.*, 175 F.3d 266, 270 (2d Cir. 1999).

[20] The second aspect of efficiency that justifies according broader protection to marks that are inherently distinctive relates directly to the likelihood of confusion. If a mark is arbitrary or fanciful, and makes no reference to the nature of the goods it designates, consumers who see the mark on different objects offered in the marketplace will be likely to assume, because of the arbitrariness of the choice of mark, that they all come from the same source. For example, if consumers become familiar with a toothpaste sold under an unusual, arbitrary brand name, such as *ZzaaqQ*, and later see that same inherently distinctive brand name appearing on a different product, they are likely to assume, notwithstanding the product difference, that the second product comes from the same producer as the first. The more unusual, arbitrary, and fanciful a trade name, the more unlikely it is that two independent entities would have chosen it. In contrast, every seller of foods has an interest in calling its product “delicious.” Consumers who see the word *delicious* used on two or more different food products are less likely to draw the inference that they must all come from the same producer. Cf. *Streetwise Maps*, 159 F.3d at 744 (noting that several map producers use “street” in product names; thus plaintiff’s mark using “street” was not particularly distinctive); *W. Publ'g*, 910 F.2d at 61 (noting numerous registrations of marks using word “golden”). In short, the more distinctive the mark, the greater the likelihood that the public, seeing it used a second time, will assume that the second use comes from the same source as the first. The goal of avoiding consumer confusion thus dictates that the inherently distinctive, arbitrary, or fanciful marks, i.e., strong marks, receive broader protection than weak marks, those that are descriptive or suggestive of the products on which they are used. See *Abercrombie*, 537 F.2d at 9-11; *TCPIP*, 244 F.3d at 100-01.

[21] The second sense of trademark strength, fame, or “acquired distinctiveness,” also bears on consumer confusion. See *TCPIP*, 244 F.3d at 100-01; *Streetwise Maps*, 159 F.3d at 744. If a mark has been long, prominently and notoriously used in commerce, there is a high likelihood that consumers will recognize it from its prior use. Widespread consumer recognition of a mark previously used in commerce increases the likelihood that consumers will assume it identifies the previously familiar user, and therefore increases the likelihood of consumer confusion if the new user is in fact not related to the first. See *Nabisco*, 191 F.3d at 216-17. A mark’s fame also gives unscrupulous traders an incentive to seek to create consumer confusion by associating themselves in consumers’ minds with a famous mark. The added likelihood of consumer confusion resulting from a second user’s use of a famous mark gives reason for according such a famous mark a broader scope of protection, at least when it is also inherently distinctive. See *McGregor*, 599 F.2d at 1132 (noting that secondary meaning may further enlarge the scope of protection accorded to inherently distinctive marks).

[22] Plaintiff’s VIRGIN mark undoubtedly scored high on both concepts of strength. In relation to the sale of consumer electronic equipment, the VIRGIN mark is inherently distinctive, in that it is arbitrary and fanciful; the word “virgin” has no intrinsic relationship whatsoever to selling such equipment. Because there is no intrinsic reason for a merchant to use the word “virgin” in the sale of consumer electronic equipment, a consumer seeing VIRGIN used in two different stores selling such equipment will likely assume that the stores are related.

[23] Plaintiff’s VIRGIN mark was also famous. The mark had been employed with world-wide recognition as the mark of an airline and as the mark for megastores selling music recordings and

consumer electronic equipment. The fame of the mark increased the likelihood that consumers seeing defendants' shops selling telephones under the mark VIRGIN would assume incorrectly that defendants' shops were a part of plaintiff's organization. See *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 873 (2d Cir. 1986).

[24] There can be no doubt that plaintiff's VIRGIN mark, as used on consumer electronic equipment, is a strong mark, as the district court found. It is entitled as such to a broad scope of protection, precisely because the use of the mark by others in connection with stores selling reasonably closely related merchandise would inevitably have a high likelihood of causing consumer confusion.

[25] *Similarity of marks.* When the secondary user's mark is not identical but merely similar to the plaintiff's mark, it is important to assess the degree of similarity between them in assessing the likelihood that consumers will be confused. See *McGregor*, 599 F.2d at 1133. Plaintiff's and defendants' marks were not merely similar; they were identical to the extent that both consisted of the same word, "virgin."

[26] The district court believed this factor did not favor plaintiff because it found some differences in appearance. Defendants' logo used a different typeface and different colors from plaintiff's. While those are indeed differences, they are quite minor in relation to the fact that the name being used as a trademark was the same in each case.

[27] Advertisement and consumer experience of a mark do not necessarily transmit all of the mark's features. Plaintiff, for example, advertised its Virgin Megastores on the radio. A consumer who heard those advertisements and then saw the defendants' installation using the name VIRGIN would have no way of knowing that the two trademarks looked different. See *Sports Auth., Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 962 (2d Cir. 1996). A consumer who had visited one of plaintiff's Virgin Megastores and remembered the name would not necessarily remember the typeface and color of plaintiff's mark. The reputation of a mark also spreads by word of mouth among consumers. One consumer who hears from others about their experience with Virgin stores and then encounters defendants' Virgin store will have no way knowing of the differences in typeface. See *Hills Bros. Coffee, Inc. v. Hills Supermarkets, Inc.*, 428 F.2d 379, 381 (2d Cir. 1970) (per curiam).

[28] In view of the fact that defendants used the same name as plaintiff, we conclude the defendants' mark was sufficiently similar to plaintiff's to increase the likelihood of confusion. This factor favored the plaintiff as a matter of law. We conclude that the district court erred in concluding otherwise on the basis of comparatively trivial and often irrelevant differences.

[29] *Proximity of the products and likelihood of bridging the gap.* The next factor is the proximity of the products being sold by plaintiff and defendant under identical (or similar) marks. See *Arrow Fastener*, 59 F.3d at 396. This factor has an obvious bearing on the likelihood of confusion. When the two users of a mark are operating in completely different areas of commerce, consumers are less likely to assume that their similarly branded products come from the same source. In contrast, the closer the secondary user's goods are to those the consumer has seen marketed under the prior user's brand, the more likely that the consumer will mistakenly assume a common source. See *Cadbury Beverages, Inc. v. Cott Corp.*, 73 F.3d 474, 480-81 (2d Cir. 1996).

[30] While plaintiff had not sold telephones or telephone service prior to defendant's registration evincing intent to sell those items, plaintiff had sold quite similar items of consumer electronic equipment. These included computer video game systems, portable cassette-tape players, compact disc players, MP3 players, mini-disc players, and disposable cameras. Like telephones, many of these are small consumer electronic gadgets making use of computerized audio communication. They are sold in the same channels of commerce. Consumers would have a high expectation of finding telephones, portable CD players, and computerized video game systems in the same stores. We think the proximity in commerce of telephones to CD players substantially advanced the risk that consumer

confusion would occur when both were sold by different merchants under the same trade name, VIRGIN.

[31] Our classic *Polaroid* test further protects a trademark owner by examining the likelihood that, even if the plaintiff's products were not so close to the defendants' when the defendant began to market them, there was already a likelihood that plaintiff would in the reasonably near future begin selling those products. See *Cadbury Beverages*, 73 F.3d at 482. VEL's claim of proximity was further strengthened in this regard because, as the district court expressly found, "plans had been formulated [for VEL] to enter [the market for telecommunications products and services] shortly in the future." VEL had already begun marketing telephone service in England which would operate in the United States, and, as the district court found, had made plans to sell telephones and wireless telephone service under the VIRGIN name from its retail stores.

[32] The district court, nonetheless, found in favor of the defendants with respect to the proximity of products and services. We would ordinarily give considerable deference to a factual finding on this issue. Here, however, we cannot do so because it appears the district court applied the wrong test. The court did not assess the *proximity* of defendants' VIRGIN-branded retail stores selling telephone products to plaintiff's VIRGIN-branded retail stores selling other consumer electronic products. It simply concluded that, because defendants were selling exclusively telephone products and services, and plaintiff's electronic products did not include telephones or related services, the defendants must prevail as to the proximity factor.

[33] This represents a considerable misunderstanding of the *Polaroid* test. The famous list of factors of likely pertinence in assessing likelihood of confusion in *Polaroid* was specially designed for a case like this one, in which the secondary user is not in direct competition with the prior user, but is selling a somewhat different product or service. In *Polaroid*, the plaintiff sold optical and camera equipment, while the defendant sold electronic apparatus. The test the court discussed was expressly addressed to the problem "how far a valid trademark shall be protected with respect to goods *other than those to which its owner has applied it.*" 287 F.2d at 495 (emphasis added); see also *Arrow Fastener*, 59 F.3d at 396 (noting that products need not actually compete with each other). The very fact that the test includes the "proximity" between the defendant's products and the plaintiff's and the likelihood that the plaintiff will "bridge the gap" makes clear that the trademark owner does not lose, as the district court concluded, merely because it has not previously sold the precise good or service sold by the secondary user.

[34] In our view, had the district court employed the proper test of proximity, it could not have failed to find a high degree of proximity as between plaintiff VEL's prior sales of consumer electronic audio equipment and defendants' subsequent sales of telephones and telephone services, which proximity would certainly contribute to likelihood of consumer confusion. And plaintiff was all the more entitled to a finding in its favor in respect of these matters by virtue of the fact, which the district court *did* find, that at the time defendants began using the VIRGIN mark in the retail sale of telephones and telephone services, plaintiff already had plans to bridge the gap by expanding its sales of consumer electronic equipment to include sales of those very goods and services in the near future. Consumer confusion was more than likely; it was virtually inevitable.

[35] *Actual confusion.* It is self-evident that the existence of actual consumer confusion indicates a likelihood of consumer confusion. *Nabisco*, 191 F.3d at 228. We have therefore deemed evidence of actual confusion "particularly relevant" to the inquiry. *Streetwise Maps*, 159 F.3d at 745.

[36] Plaintiff submitted to the district court an affidavit of a former employee of defendant Cel-Net, who worked at a mall kiosk branded as Virgin Wireless, which stated that individuals used to ask him if the kiosk was affiliated with plaintiff's VIRGIN stores. The district court correctly concluded that this evidence weighed in plaintiff's favor.

[37] *Sophistication of consumers.* The degree of sophistication of consumers can have an important bearing on likelihood of confusion. Where the purchasers of products are highly trained professionals, they know the market and are less likely than untrained consumers to be misled or confused by the similarity of different marks. The district court recognized that “[r]etail customers, such as the ones catered to by both the defendants and [plaintiff], are not expected to exercise the same degree of care as professional buyers, who are expected to have greater powers of discrimination.” On the other hand, it observed that purchasers of cellular telephones and the service plans were likely to give greater care than self-service customers in a supermarket. Noting that neither side had submitted evidence on the sophistication of consumers, the court made no finding favoring either side. We agree that the sophistication factor is neutral in this case.

[38] *Bad faith and the quality of the defendants’ services or products.* Two factors remain of the conventional *Polaroid* test: the existence of bad faith on the part of the secondary user and the quality of the secondary user’s products or services. *Polaroid*, 287 F.2d at 495. Neither factor is of high relevance to the issue of likelihood of confusion. A finding that a party acted in bad faith can affect the court’s choice of remedy or can tip the balance where questions are close. It does not bear directly on whether consumers are likely to be confused. *See TCPIP*, 244 F.3d at 102. The district court noted some evidence of bad faith on the defendants’ part, but because the evidence on the issue was scant and equivocal, the court concluded that such a finding “at this stage [would be] speculative.” The court therefore found that this factor favored neither party.

[39] The issue of the quality of the secondary user’s product goes more to the harm that confusion can cause the plaintiff’s mark and reputation than to the likelihood of confusion. *See Arrow Fastener*, 59 F.3d at 398 (noting that first user’s reputation may be harmed if secondary user’s goods are of poor quality). In any event, the district court found this factor to be “neutral” with respect to likelihood of confusion.

[40] In summary we conclude that of the six *Polaroid* factors that pertain directly to the likelihood of consumer confusion, all but one favor the plaintiff, and that one—sophistication of consumers—is neutral. The plaintiff is strongly favored by the strength of its mark, both inherent and acquired; the similarity of the marks; the proximity of the products and services; the likelihood that plaintiff would bridge the gap; and the existence of actual confusion. None of the factors favors the defendant. The remaining factors were found to be neutral. Although we do not suggest that likelihood of confusion may be properly determined simply by the number of factors in one party’s favor, the overall assessment in this case in our view admits only of a finding in plaintiff’s favor that defendants’ sale of telephones and telephone-related services under the VIRGIN mark was likely to cause substantial consumer confusion.

[41] One issue remains. Defendants argue that plaintiff should be barred by laches from seeking injunctive relief. They contend that because of plaintiff’s delay after learning of the defendants’ applications to register the VIRGIN marks, they expended considerable sums and developed goodwill in their use of the VIRGIN marks before plaintiff brought suit. Because the district court ruled in the defendants’ favor it made no express finding on the issue of laches. But the district court explicitly found that plaintiff first learned of defendants’ use of the name VIRGIN in commerce only two days before plaintiff instituted this suit. Given that finding, plaintiff could not be chargeable with laches.

[42] We conclude that, as a matter of law, plaintiff demonstrated irreparable harm and likelihood of success on the merits and was entitled to a preliminary injunction.

CONCLUSION

REVERSED and REMANDED.

Questions and Comments

1. *The Abercrombie Spectrum*. In its discussion of inherent distinctiveness, the court divides the *Abercrombie* spectrum into inherently and non-inherently distinctive marks: “This inquiry distinguishes between, on the one hand, inherently distinctive marks—marks that are arbitrary or fanciful in relation to the products (or services) on which they are used—and, on the other hand, marks that are generic, descriptive or suggestive as to those goods.” Do you detect an error in this division?

Later in the opinion, the court refers to the *Virgin* mark as “arbitrary and fanciful.” Should we treat these two *Abercrombie* categories as indistinguishable for purposes of the inherent distinctiveness analysis? Why might we seek to accord a greater scope of protection to fanciful marks than to arbitrary marks?

2. *Are All Factors Equally Important?* In order to prevail in the overall likelihood of confusion multifactor test, must a plaintiff win all of the factors, a majority of them, some of them? Is the outcome of any particular factor necessary or sufficient to trigger a particular overall test outcome?

Empirical work offers some insight into these questions. See Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CALIF. L. REV. 1581 (2006). The author’s evidence suggests that the plaintiff must win the similarity factor in order to win the overall test. Of the 192 preliminary injunction and bench trial opinions studied, 65 opinions found that the marks were not similar, and each of these 65 opinions found in favor of the defendant in the overall likelihood of confusion test. Notwithstanding the *Virgin* court’s assertion that the intent factor is not “of high relevance” and may only “tip the balance where the questions are close,” the study also suggests that the outcome of the intent factor correlates very strongly with the outcome of the overall test. Sixty-seven of the 192 preliminary injunction and bench trial opinions found that the intent factor favored the plaintiff. Of these 67 opinions, 65 found in favor of the plaintiff in the overall test (and in the two outlying opinions, the court found that the similarity factor favored the defendant). Overall, across the circuits, five core factors appear to drive the outcome of the likelihood of confusion test. In order of importance, these factors are the similarity of the marks, the defendant’s intent, the proximity of the goods, evidence of actual confusion, and the strength of the plaintiff’s mark. The remaining factors appear, in practice, to be largely irrelevant to the outcome of the test.

3. *Why Should Strong Marks Receive More Protection?* The conventional rationale for according a greater scope of protection to strong marks is that, due to their notoriety, they are more easily called to mind by similar marks. See Jacob Jacoby, *The Psychological Foundations of Trademark Law: Secondary Meaning, Genericism, Fame, Confusion and Dilution*, 91 TRADEMARK REP. 1013, 1038-42 (2001). But shouldn’t strong marks actually require less protection? Consider the example of COKE. Having been exposed to the COKE mark countless times throughout their lives, are American consumers more or less likely to detect slight differences between the COKE mark and other similar marks? Some foreign courts have had the temerity to suggest that exceptionally strong marks are less likely to be confused with other marks. See, e.g., *Baywatch Production Co. Inc. v The Home Video Channel*, High Court of Justice, Chancery Division, 31 July 1996 (Crystal J.) (citing *BASF Plc v CEP (UK) Plc* (Knox J.), 16 October 1995)); *Uprise Product Yugen Kaisha v. Commissioner of Japan Patent Office*, Heisei 22 (gyo-ke) 10274 Intellectual Property High Court of Japan (2010). Australian courts have been particularly receptive to this line of argument. See ROBERT BURRELL & MICHAEL HANDLER, *AUSTRALIAN TRADEMARK LAW* 253-55, 403-06 (2d ed. 2016). See generally Barton Beebe & C. Scott Hemphill, *The Scope of Strong Marks: Should Trademark Law Protect the Strong More than the Weak?*, 92 NYU L. REV. 1339 (2017).

4. *Sophistication of the Relevant Consumers*. Courts assess the likelihood of confusion by the “reasonably prudent” consumer of the goods or services at issue. Consumers of more expensive or more technically sophisticated goods are understood to exercise greater care in their purchasing decisions, and thus to be comparatively less likely to be confused. See, e.g., *Florida Int’l Univ. Bd. of*

Trustees v. Florida Nat’l Univ., Inc., 830 F.3d 1242, 1256 (11th Cir. 2016) (in finding no likelihood of confusion between FLORIDA INTERNATIONAL UNIVERSITY and FLORIDA NATIONAL UNIVERSITY, observing that “students looking for a college to attend are likely to be relatively sophisticated and knowledgeable because of the nature, importance, and size of the investment in a college education”); *Heartsprings, Inc. v. Heartspring, Inc.*, 143 F.3d 550, 557 (10th Cir. 1998) (finding that consumers would not likely confuse defendant’s mark HEARTSPRING for a residential school for physically disabled children with plaintiff’s mark HEARTSPRINGS for printed materials teaching children to resolve conflicts non-violently where tuition for defendant’s school ranged from \$90,000 to \$150,000 per year).

A Canadian case captured this aspect of consumer sophistication doctrine quite memorably. In *Atomic Energy of Canada Limited v. Areva NP Canada Ltd.*, 2009 FC 980 (2009), the plaintiff used a stylized “A” (shown below on the left) as its trademark for services relating to the design and construction of nuclear reactors while the defendant also used a stylized “A” (shown below on the right) in connection with the sale of nuclear reactor parts and components. The court noted: “All of [the plaintiff’s] experts acknowledged in cross-examination that the relevant consumers would not be confused into purchasing the wrong nuclear reactor.” *Id.* at ¶19. Citing English case law, the court recognized that “[I]t is not sufficient that the only confusion would be to a very small, unobservant section of society; or as Foster J. put it recently, if the only person who would be misled was a ‘moron in a hurry.’” *Id.* at ¶28. Mr. Justice Zinn added: “In this industry, the fact that Homer Simpson may be confused is insufficient to find confusion.” *Id.*



Are relatively poor individuals less sophisticated consumers and thus more easily confused? One S.D.N.Y. judge seemed to think so. See *Schieffelin & Co. v. The Jack Co.*, 1994 WL 144884 at *55 (S.D.N.Y. 1994) (“Even if some of the prospective purchasers of Dom Perignon are from low income groups, and are therefore less sophisticated shoppers than wealthier purchasers, . . .”). A later court took exception to the *Schieffelin* Court’s assumption. See *Reebok Intern. Ltd. v. K-Mart Corp.*, 849 F.Supp. 252, 268 (S.D.N.Y. 1994) (“[T]he court expressly disagrees with this statement’s implication that there is a direct relationship between income and consumer intelligence. Careless shopping habits are not a necessary by-product of a low income.”). Indeed, couldn’t an argument be made that low income groups would give more care to their purchases?

5. *What About the Interests of Consumers Who Are Not Confused?* In Michael Grynberg, *Trademark Litigation as Consumer Conflict*, 83 N.Y.U. L. REV. 60 (2008), Grynberg argues:

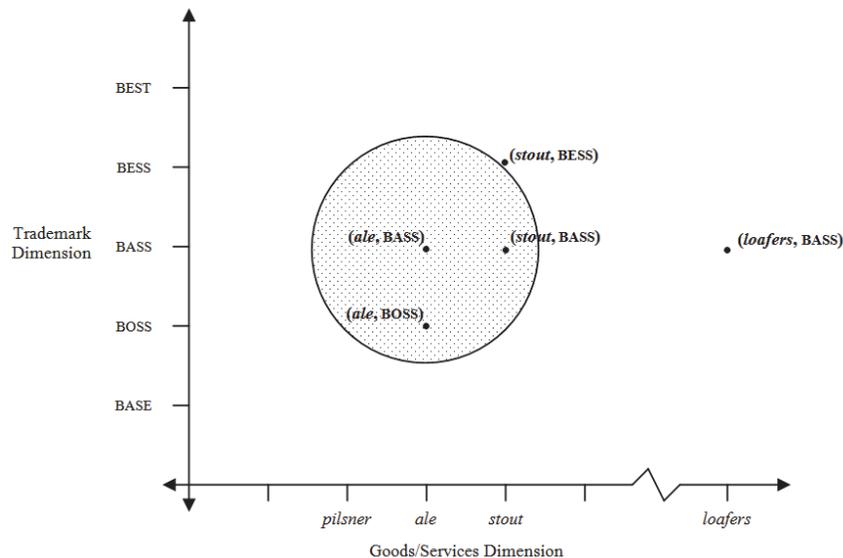
Trademark litigation typically unfolds as a battle between competing sellers who argue over whether the defendant’s conduct is likely to confuse consumers. This is an unfair fight. In the traditional narrative, the plaintiff defends her trademark while simultaneously protecting consumers at risk for confusion. The defendant, relatively speaking, stands alone. The resulting “two-against-one” storyline gives short shrift to the interests of nonconfused consumers who may have a stake in the defendant’s conduct. As a result, courts are too receptive to nontraditional trademark claims where the case for consumer harm is questionable. Better outcomes are available by appreciating trademark litigation’s parallel status as a conflict between consumers. This view treats junior and senior trademark users as proxies for different consumer classes and recognizes that remedying likely confusion among one group of consumers may cause harm to others. Focusing on the interests of benefited and harmed consumers also

minimizes the excessive weight given to moral rhetoric in adjudicating trademark cases. Consideration of trademark’s consumer-conflict dimension is therefore a useful device for critiquing trademark’s expansion and assessing future doctrinal developments.

Id. at 60. Should courts be more solicitous of the interests of sophisticated consumers who are in fact not confused and may benefit from the information provided by the defendant’s conduct?

6. *Is It Necessary for Courts Explicitly to Consider Each Factor?* District courts are generally required explicitly to address each of the factors listed in their circuit’s multifactor test. If a factor is irrelevant, the court must explain why. Failure to do so can result in remand. See, for example, *Sabinsa Corp. v. Creative Compounds*, 609 F.3d 175 (3d Cir. 2010), which reviewed a district court opinion that addressed only three of the ten *Lapp* factors used by the Third Circuit. The Third Circuit explained: “[W]hile it is true that a district court may find that certain of the *Lapp* factors are inapplicable or unhelpful in a particular case, the court must still explain its choice not to employ those factors. Here, the District Court failed to explain whether it viewed these remaining factors as neutral or irrelevant or how it weighed and balanced the combined factors.” *Id.* at 183. Finding that the facts were “largely undisputed,” *id.*, the Third Circuit declined to remand. Instead, it considered each of the ten *Lapp* factors and reversed.

7. *A Two-Dimensional Model of Trademark Scope.* Trademark lawyers typically speak of trademarks in two dimensions, as in the trademark “FORD for cars” or the trademark “ACE for hardware, but not for bandages.” From this we can derive a simple two-dimensional model of trademark infringement, as in the figure below. See Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 UCLA L. REV. 621, 654-655 (2004) This model conceives of any given trademark as forming a point in a two-dimensional features space consisting of a trademark dimension and a goods/services dimension. The trademark dimension consists of a collapsed, one-dimensional continuum of all possible marks arranged according to similarities of “sound, sight, and meaning.” The goods/services dimension similarly consists of a one-dimensional continuum of all possible goods and services arranged according to their degree of similarity.



Distance in this features space is a measure of two concepts. First, distance is a measure of difference. The distance between any two points represents the degree of difference between them. Second, and related, distance is a measure of the likelihood of consumer confusion. The closer two

points are in features space, the greater the proportion of consumers in the relevant consumer population who will likely confuse them.

As we have seen, in order to prevent consumer confusion as to source, trademark law invests a trademark-product combination with some broader scope of protection extending out from the point the combination forms in this features space. Otherwise, a competitor could come very near to that point, as in (*stout*, BASS) or (*ale*, BOSS) in the above figure and, by confusing some proportion of consumers as to source, unfairly appropriate as to those consumers the goodwill of the BASS ale brand. The closer a junior user's trademark-product combination comes to the trademark-product combination of a senior user, the greater the proportion of consumers who will confuse the junior's with the senior's use. At some proximity to the senior's use, trademark law declares that too high a proportion of consumers are or will be confused, and establishes a border, a property line, inside of which no competitor may come. This border, enveloping any given trademark, describes the scope of that trademark's protection and the extent of the producer's property right.

For exceptionally well-known marks, what might be the shape of the mark's scope in this features space? Would it matter where the mark falls on the *Abercrombie* spectrum? What would be the shape of the scope of protection for COCA-COLA? Can any other firm reasonably use that mark on any other good or service? What would be the shape of the scope of FORD for automobiles or APPLE for high technology goods and services?

3. Further Examples of the Application of the Multifactor Test for the Likelihood of Consumer Confusion Test

The application of the multifactor test for the likelihood of confusion is often highly fact-specific. String citations of cases finding confusion and other seemingly similar cases finding no confusion may give the impression that the test is unpredictable. *See, e.g., Bank of Texas v. Commerce Southwest, Inc.*, 741 F.2d 785, 223 U.S.P.Q. 1174 (Fed. Cir. 1984) (BANK OF TEXAS and BANC TEXAS found not confusing); *Laurel Capital Group, Inc. v. BT Fin. Corp.*, 45 F. Supp. 2d 469 (W.D. Pa. 1999) (LAUREL SAVINGS BANK and LAUREL BANK found confusing); *Popular Bank of Fla. v. Banco Popular de Puerto Rico*, 9 F. Supp. 2d 1347 (S.D. Fla. 1998) (POPULAR BANK and BANCO POPULAR found confusing); *Wachovia Bank and Trust Co. v. Crown National Bancorp.*, 27 U.S.P.Q.2d 1698 (W.D.N.C. 1993) (WACHOVIA CROWN ACCOUNT and CROWN ACCOUNT found not confusing). However, close attention to the facts of each case would show no significant inconsistencies in the courts' rulings.

Adding to the difficulty is that there are no clear rules for when marks are too similar or not similar enough to trigger liability. Good trademark lawyers tend to build up over time a feel for what courts will likely find infringing in light of all the facts of the case. Provided below are brief summaries of a few more cases in which courts found or did not find confusion to try to impart to those new to trademark law some further sense of the diverse variety of considerations that can enter into a court's application of the multifactor test.

1. In *Hero Nutritionals LLC v. Nutraceutical Corp.*, No. 11 Civ. 1195, 2013 WL 4480674 (C.D. Cal. Aug. 16, 2013), the plaintiff produced nutritional supplements for children under the registered marks YUMMI and YUMMI BEARS. The defendant began to produce vitamin supplements labelled "Vitamin C-Rex Yummi Gummy." The trade dresses of the competing products are shown below.



In finding no confusion after a bench trial, the court summarized its multifactor analysis:

The balance of the *Sleekcraft* factors does not demonstrate a likelihood of confusion between Hero's marks and Nutraceutical's use of "Yummy Gummy." Hero's marks are weak and entitled only to a narrow scope of protection. Although the words "Yummy" and "yummi" are similar, the overall impression of the marks, including the packaging, labeling, designs, and house marks, are dissimilar. Consumers of children's vitamins at health food stores tend to be more careful and discriminating than the average shopper. Despite years of coexistence in the market, there was no showing of actual confusion, nor has Hero offered a survey to show actual confusion. Other than knowledge of the YUMMI BEARS mark, Hero has made no showing that Nutraceutical's use of "Yummy Gummy" was done in bad faith with an intent to trade off of Hero's good will. Although the products at issue are competitive and are generally sold in the same trade channel, these factors do not outweigh the other considerations leading to the ultimate conclusion that there is no likelihood of confusion.

Id. at *8.

2. In *Spangler Candy Co. v. Tootsie Roll Indus., LLC*, 2019 WL 1170749, 372 F. Supp. 3d 588 (N.D. Ohio 2019), the defendant Tootsie Roll developed a new, red trade dress for its CHARMS MINI POPS lollipops product, shown immediately below on the right. This new trade dress was suspiciously similar to the red trade dress of the plaintiff Spangler's DUM DUMS, which had been gaining market share, shown immediately below on the left. The defendant Tootsie Roll's previous trade dress was yellow, shown below. The court found a likelihood of confusion and summarized its reasoning as follows:

The Dum Dums trade dress is not strong and there is no evidence of actual confusion. But the two companies used the same marketing channels to sell the same product. While the Charms Mini Pops trade dress is distinguishable when seen alone, Tootsie intends the product to be sold side-by-side on the shelf with Dum Dums, which would increase the likelihood of confusion due to the low degree of purchaser care. This intent along with other evidence also supports a conclusion that Tootsie acted with the intent to deceive. Therefore, considering all the factors, I find the evidence suggests the red Charms Mini Pops packaging is confusingly similar to the Dum Dums trade dress.

Id. at *12.



3. In *Eli Lilly & Co. v. Nat. Answers, Inc.*, 86 F. Supp. 2d 834 (S.D. Ind.), aff'd, 233 F.3d 456 (7th Cir. 2000), the plaintiff produced an antidepressant under the registered mark PROZAC. The defendant produced an herbal drug under the name HERBROZAC that it claimed promoted “mood elevation.” In finding a likelihood of confusion and granting the plaintiff’s motion for a preliminary injunction, the district court summarized its multifactor analysis:

Considering all the factors as set forth above, the court concludes that Lilly has shown an unusually strong case on the issue of likelihood of confusion. Most important here are the unusual strength of Lilly’s PROZAC® mark, the strong similarity between PROZAC® and HERBROZAC, and defendant’s intentional selection of the HERBROZAC name precisely because of its similarity to PROZAC® for the purpose of suggesting an association or affiliation between the products. Add to this mixture the fairly close “competitive proximity” of the two products, especially as pharmaceutical companies expand into the herbal and dietary supplement business, and Lilly has made a powerful showing of likelihood of success on its claim for trademark infringement.

Id. at 846.

4. In *Kate Spade LLC v. Saturdays Surf LLC*, 950 F. Supp. 2d 639 (S.D.N.Y. 2013), the plaintiff produced primarily men’s apparel under the mark SATURDAYS SURF NYC. The defendant launched a line of women’s apparel under the mark KATE SPADE SATURDAY. Examples of the parties’ respective uses of their marks are shown below.



In finding no likelihood of confusion after a bench trial, the court summarized its multifactor analysis:

After considering and weighing each of the *Polaroid* factors, I conclude that Saturdays Surf NYC has not shown a likelihood of confusion by a preponderance of the credible evidence. I am particularly persuaded by the relative weakness of the word that the two marks share, the significant distance between the men’s and women’s products, and the consistent inclusion of the famous house mark, Kate Spade, in its Kate Spade Saturday mark.

Id. at 648

5. In the relatively straightforward case of *Nikon, Inc. v. Ikon Corp.*, 987 F.2d 91 (2d Cir. 1993), the plaintiff was a world-famous producer of high-quality cameras under the mark NIKON. The defendant was a lesser known seller of low-cost cameras under the mark IKON. The court found confusion: “Applying the facts found by the court, each factor, with the exception of actual confusion, weighs heavily in favor of Nikon. And there was some evidence of actual confusion.” *Id.* at 96.

6. In *Alliance for Good Gov’t v. Coalition for Better Gov’t*, 901 F.3d 498 (5th Cir. 2018), the plaintiff had been using the mark below on the left since the 1960s to promote political candidates in Louisiana. The defendant organization subsequently developed its own logo, below on the right, in the early 1980s or 1990s to promote political candidates in New Orleans. The district court found a likelihood of confusion and the Fifth Circuit affirmed.



Of special interest is the Fifth Circuit’s analysis of the similarity of the marks, and in particular its reference to the defendant’s attorney’s ignoble attempt (basically a failed con) to distinguish the marks:

Finally, we observe that Coalition attempted to distinguish the two logos—not by appearance, design, color, or font—but by the birds’ species:

DISTRICT COURT: They look exactly alike to me, the two birds.

COUNSEL: [. . .] [N]o, they really aren’t, your Honor, if you look at the wing span. The wing span of the eagle is different from the hawk. It’s much larger and it fans out, and that’s just the way the hawk looks.

COURT: I’ll tell you, unless my eyes are deceiving me, . . . those two look exactly alike. They even look like the same feathers, same number of feathers, same arrangement, head is facing the same way, the same beak. I don’t know if you call them—I don’t know technically what kind of bird it is, but whatever they are, they look exactly alike to me.

COUNSEL: Well, they're both birds of prey; one is an eagle and one is a hawk.

COURT: Okay.

COUNSEL: And when we filed with the Secretary of State to get our font, we said it was a hawk. We were represented by a hawk, not an eagle.

We agree with the district court: the birds are identical. Whether that bird is a *haliaeetus leucocephalus* (bald eagle), a *buteo jamaicensis* (red-tailed hawk), or some other bird, we need not determine.

Id. at 511–12. The plaintiff was subsequently awarded attorney's fees in the dispute, though there have been continuing skirmishes over the amount. *See Alliance for Good Gov't v. Coalition for Better Gov't*, 919 F.3d 291 (5th Cir. 2019). (For more on fee shifting in trademark disputes, see Part VI).

4. Survey Evidence and the Likelihood of Confusion

It is often said that survey evidence is routinely submitted in trademark litigation, particularly on the issue of consumer confusion. In a statement before Congress, the American Bar Association offered a typical expression of this view: “survey evidence is traditionally one of the most classic and most persuasive and most informative forms of trial evidence that trademark lawyers utilize in both prosecuting and defending against trademark claims of various sorts.” *Committee Print to Amend the Federal Trademark Dilution Act: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the Comm. on the Judiciary*, 108th Cong. 14 (2004) (statement of Robert W. Sacoff, Chair, Section of Intellectual Property Law, American Bar Association). In fact, empirical work suggests that survey evidence plays a surprisingly small role in deciding most trademark cases. *See* Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 CALIF. L. REV. 1581, 1641-42 (2006). The author studied all federal court opinions applying a likelihood of confusion multifactor test over a five-year period from 2000 to 2004 and found that only 65 (20%) of the 331 opinions addressed survey evidence, 34 (10%) credited the survey evidence, and 24 (7%) ultimately ruled in favor of the outcome that the credited survey evidence itself favored. Eleven (24%) of the 46 bench trial opinions addressed survey evidence (with eight crediting it), while 24 (16%) of the 146 preliminary injunction opinions addressed survey evidence (with 12 crediting it). *Id.* *See also* Robert C. Bird & Joel H. Steckel, *The Role of Consumer Surveys in Trademark Infringement: Empirical Evidence from the Federal Courts*, 14 PENN. J. BUS. L. 1013 (2012) (finding that survey evidence is infrequently used in trademark litigation and suggesting that “the mere submission of a survey by a defendant appears to help its case, while a plaintiff-submitted survey can potentially hurt its case if the court deems it flawed”). *But see* Dan Sarel & Howard Marmorstein, *The Effect of Consumer Surveys and Actual Confusion Evidence in Trademark Litigation: An Empirical Assessment*, 99 TRADEMARK REP. 1416 (2009) (finding survey evidence presented in one-third of the opinions studied and that survey evidence had a substantial impact in cases involving dissimilar goods). *Cf.* Shari Seidman Diamond & David Franklyn, *Trademark Surveys: An Undulating Path*, 92 TEXAS L. REV. 2029 (2014) (concluding based on a survey of trademark practitioners that surveys can perform a significant role in settlement negotiations).

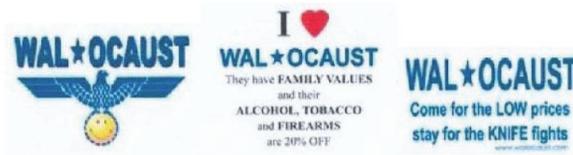
Nevertheless, in the small subset of trademark cases involving high-stakes litigation or one or more well-funded parties, survey evidence is customary, so much so that courts will sometimes draw an “adverse inference” against a party for failing to present it. *See, e.g., Eagle Snacks, Inc. v. Nabisco Brands, Inc.*, 625 F. Supp. 571, 583 (D.N.J. 1985) (“Failure of a trademark owner to run a survey to support its claims of brand significance and/or likelihood of confusion, where it has the financial means of doing so, may give rise to the inference that the contents of the survey would be unfavorable, and may result in the court denying relief.”); *but see, e.g., Tools USA and Equipment Co. v. Champ Frame Straightening Equipment Inc.*, 87 F.3d 654, 661 (4th Cir. 1996) (“Actual confusion can be demonstrated by survey evidence, but contrary to [defendant’s] suggestion, survey evidence is not necessarily the best evidence of actual confusion and surveys are not required to prove likelihood of confusion.”).

When litigants do present survey evidence, courts’ analysis of this evidence can be painstaking, especially when the litigants present dueling survey experts. In the following opinion, *Smith v. Wal-Mart Stores, Inc.*, 537 F.Supp.2d 1302 (N.D.Ga. 2008), the declaratory plaintiff Charles Smith sought to criticize Wal-Mart’s effect on American communities and workers by likening the retailer to the Nazi regime and, after Wal-Mart sent Smith two cease and desist letters, to Al Qaeda. In particular, Smith created and sold online through CafePress.com t-shirts and other merchandise incorporating the term “Walocaust” and various Nazi insignia (shown below) or the term “Wal-Qaeda” and various slogans and images (shown below). Wal-Mart produced survey evidence to support the proposition that American consumers would believe that Wal-Mart was selling the t-shirts or had otherwise authorized their sale, or that in any case, Smith’s conduct tarnished Wal-Mart’s trademark. Both parties moved for summary judgment. Excerpted below is Judge Timothy Batten, Sr.’s extraordinarily fine analysis of the surveys before him, which he conducted under the “actual confusion” factor of the multifactor test for the likelihood of consumer confusion. The analysis is lengthy and very detailed, but it addresses a variety of survey-related issues with which a serious student of trademark litigation should be familiar.

A few additional preliminary comments. First, the surveys at issue are modified forms of the “*Eveready* format” for likelihood of confusion surveys, based on the case *Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366 (7th Cir. 1976), in which the Seventh Circuit credited two surveys as strong evidence of the likelihood of confusion. (Notwithstanding the spelling of “Ever-Ready” in the caption of the case, most commentators, including McCarthy, refer to the survey format as the “*Eveready* format.”) The surveys presented their respondents with the defendant’s products and asked, in essence, “Who do you think puts out [the defendant’s product]?”; “What makes you think so?”; “Please name any other products put out by the same concern which puts out the [defendant’s product] shown here.” *Id.* at 386. Second, the excerpt below addresses, in addition to the likelihood of confusion issue, a cause of action for dilution by tarnishment of Wal-Mart’s mark. We will address dilution more fully in Part II.C.

In reading through the excerpt, consider the following question:

- Do you find the *Eveready* format persuasive? How else might you design a likelihood of confusion survey?
- The “third set of questions” in the surveys, “aimed at testing for confusion as to authorization or sponsorship, asked whether the company that ‘put out’ the shirt needed permission from another company to do so, and if so, which company.” Is this an appropriate survey question to ask consumers?



Appendix B: Challenged Wal-Qaeda Images



Smith v. Wal-Mart Stores, Inc.
537 F.Supp.2d 1302 (N.D.Ga. 2008)

Timothy C. Batten, Sr., District Judge:

....

II. Analysis

C. Trademark Infringement, Unfair Competition, Cybersquatting and Deceptive Trade Practices Claims

1. Actual Confusion

[1] Proof of actual confusion is considered the best evidence of likelihood of confusion. *Roto-Rooter Corp. v. O'Neal*, 513 F.2d 44, 45–46 (5th Cir. 1975). A claimant may present anecdotal evidence of marketplace confusion, and surveys, when appropriately and accurately conducted and reported, are also widely and routinely accepted as probative of actual confusion. *See, e.g., AmBrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1544 (11th Cir. 1986) (considering the proffered survey but giving it little weight); *SunAmerica Corp. v. Sun Life Assurance Co. of Canada*, 890 F.Supp. 1559, 1576 (N.D.Ga.1994) (viewing the proffered survey as confirmation of consistent anecdotal evidence).

[2] Wal-Mart concedes that it has no marketplace evidence of actual consumer confusion. Instead, it presents two consumer research studies conducted by Dr. Jacob Jacoby that purport to prove that consumer confusion and damage to Wal-Mart's reputation are likely.

a. The Jacoby Report

[3] Jacoby developed two surveys for Wal-Mart that both purported to measure consumer confusion and dilution by tarnishment. Specifically, the stated objectives of the research were (1) "To determine whether (and if so, to what extent), when confronted with merchandise bearing Mr. Smith's designs either in person or via the Internet, prospective consumers would be confused into believing that these items either came from Wal-Mart, came from a firm affiliated with Wal-Mart, or had been authorized by Wal-Mart," and (2) "To determine whether (and if so, to what extent) exposure to Mr. Smith's designs would generate dilution via tarnishment."

[4] Deeming it impractical to test all of Smith's designs, Jacoby chose instead to test two products as representative of all of Smith's allegedly infringing products—the white t-shirt with the word "WAL*OCAUST" in blue font over the Nazi eagle clutching a yellow smiley face, and another white t-shirt that depicted the word "WAL-QAEDA" in a blue font as part of the phrase "SUPPORT OUR TROOPS. BOYCOTT WAL-QAEDA."

[5] He also tested consumer reactions to "control" designs, which he compared to consumer responses to the Walocaust and Wal-Qaeda designs. To develop the control for the Walocaust design, Jacoby replaced the star with a hyphen and removed the smiley face from the yellow circle, and for both the Walocaust and Wal-Qaeda controls, he substituted "Z" for "W." These substitutions resulted in control concepts entitled "Zal-ocaust" and "Zal-Qaeda."

[6] Jacoby engaged a market research firm to test each of the t-shirt designs in (1) a "product" study intended to test for post-purchase confusion and tarnishment, and (2) a "website" study intended to test for point-of-sale confusion and tarnishment.¹⁵

¹⁵ This resulted in eight test cells:

[7] The market research company conducted the studies in a mall-intercept format. The company’s researchers would approach people who appeared to be thirteen years old or older and ask a series of screening questions.¹⁶ To qualify for either survey, the respondent was required to be at least thirteen years old¹⁷ and must have in the past year bought, or would in the coming year consider buying, bumper stickers, t-shirts or coffee mugs with words, symbols or designs on them. To qualify for the “website” study, the respondent must also have (1) used the Internet in the past month to search for information about products or services and (2) either (a) in the past year used the Internet to buy or to search for information about bumper stickers, t-shirts or coffee mugs with words, symbols or designs on them, or (b) in the coming year would consider buying over the Internet bumper stickers, t-shirts or coffee mugs with words, symbols or designs on them.¹⁸ If the respondent met the qualifications, he or she was asked to go with the researcher to the mall’s enclosed interviewing facility for a five-minute interview.¹⁹

[8] For the “product” study, the interviewers presented to each respondent one of the four t-shirts described above and asked the respondent to imagine seeing someone wearing the shirt. The interviewer then asked a series of questions.

[9] The first three sets of questions were designed to test for consumer confusion. The interviewers were directed to ask each of the “likelihood of confusion” questions sequentially unless the respondent answered “Sears,” “Wal-Mart,” “Youngblood’s” or “K-Mart,” in which case the interviewer was to record the answer, skip the remaining confusion questions, and go directly to the tarnishment questions.

[10] In the consumer confusion series, the first set of questions tested for confusion as to source. The interviewer would ask “which company or store” the respondent thought “put out” the shirt, and if the respondent named a company or store, the interviewer then asked what about the shirt made the respondent think the shirt was “put out” by that company or store. The second set of questions, which dealt with confusion as to connection or relationship, asked the respondent whether the company or store that “put out” the shirt had some “business connection or relationship with another company” and if so, with what company. The respondent was then asked why he or she believed the companies had a business connection or relationship. A third set of questions, aimed at testing for confusion as to authorization or sponsorship, asked whether the company that “put out” the shirt needed permission from another company to do so, and if so, which company.

| | Test cells | | Control cells | |
|-------------------------------------|--------------------|-------------------|--------------------|-------------------|
| Post-purchase confusion/tarnishment | Wal★ocaust t-shirt | Wal-Qaeda t-shirt | Zal-ocaust t-shirt | Zal-Qaeda t-shirt |
| Point-of-sale confusion/tarnishment | Wal★ocaust website | Wal-Qaeda website | Zal-ocaust website | Zal-Qaeda website |

¹⁶ The research company conducted the surveys in malls in Trumbull, Connecticut; Philadelphia, Pennsylvania; Youngstown, Ohio; Chicago Ridge, Illinois; Louisville, Kentucky; San Antonio, Texas; Colorado Springs, Colorado; and Northridge, California. The website survey was also conducted in Portland, Oregon.

¹⁷ Because CafePress allowed only consumers over the age of thirteen to purchase from its site, Jacoby similarly limited his universe of respondents.

¹⁸ Respondents who worked at an advertising agency, a market research firm or a business located in the mall (or had an immediate family member who did) were excluded, as were people who normally wore eyeglasses or contact lenses but were not wearing them at the time of the screening.

¹⁹ The screening questionnaire provided to the Court indicates that the respondents who then participated in the surveys were given a monetary reward. Neither Jacoby’s report nor any of the supporting survey documents disclosed the amount of the reward.

[11] Finally, if the respondent had not yet answered “Sears,” “Wal-Mart,” “Youngblood’s” or “K-Mart” to any of the first three sets of questions, he or she was then asked what the shirt made him or her “think of” and then “which company or store” the shirt brought to mind.

[12] The fifth set of questions, which tested for dilution by tarnishment, were asked in reference to any company or store the respondent mentioned in his or her answers to the first four sets of questions. The first question asked whether seeing the shirt made the respondent more or less likely to shop at the store he or she had named, and the second question asked whether the perceived association with the store made the respondent more or less likely to buy the shirt.

[13] The interviews for the website study were much like those for the product study, except that instead of being shown the actual shirts, the respondents were exposed to a simulation of Smith’s Walocaust CafePress homepage, his Wal-Qaeda CafePress homepage or the associated control homepage.²⁰ In each of the simulations, all of the hyperlinks were removed from the homepages except for the one hyperlink associated with the t-shirt that Jacoby had decided to test.

[14] Jacoby directed the interviewers to begin each website interview by providing a URL to the respondent and asking the respondent to imagine that the URL was a search term the respondent had heard or seen somewhere and wanted to look up on the Internet. The interviewer would then have the respondent sit at a computer and type the URL into the browser. The URL would take the respondent to the simulated home page for testing.

[15] The interviewer would then direct the respondent to look at the screen and scroll down the page “as [he or she] normally would” and click through to the first t-shirt on the screen. The respondent was then directed to click on the “view larger” box and look at the shirt as though he or she “found it interesting and [was] considering whether or not to order it . . .” The interviewer would then ask the respondent exactly the same series of questions posed in the product study, including the same skip pattern to be applied in the event that the respondent mentioned Sears, Wal-Mart, Youngblood’s or K-Mart in response to any of the consumer confusion questions.

[16] In order to be tallied as “confused,” the respondent had to meet two tests. First, the respondent had to indicate either that the shirt came from Wal-Mart (first confusion series), came from a company that had some business connection or relationship with Wal-Mart (second confusion series), or came from a source that required or obtained permission from Wal-Mart (third confusion series). Second, the respondent had to indicate that his or her reason for that understanding was either because of the prefix “Wal,” the name (or equivalent), the smiley face, or the star after the prefix “Wal.” Thus, a respondent who believed that there was a connection between Wal-Mart and the t-shirt that he or she was shown but who did not mention the prefix “Wal,” the name (or equivalent), the smiley face, or the star, would not be counted as “confused.”

[17] Any respondent who perceived an association between Wal-Mart and the t-shirt that he or she was shown and reported that the perceived association either made the respondent less likely to shop at Wal-Mart or more likely to buy that t-shirt was deemed to satisfy the requirement for dilution.

[18] The field interviewers returned 322 completed interviews for the product study and 335 for the website study. Three responses were eliminated from the sample after the research company conducted a review to ensure that each respondent was qualified to participate in the study and that the questionnaires had been completed properly. The research company then sent the name and phone number of each of the interview respondents to an independent telephone interviewing service for validation, which consisted of calling each mall-intercept respondent to ensure that the respondent had actually participated in the study and that his or her answers were accurately recorded.

²⁰ The simulations were reproduced on a compact disc; the respondents did not view Smith’s actual web pages on the Internet.

[19] In the product study, 181 respondents (fifty-six percent of the usable sample) were positively validated, and sixteen respondents (about five percent) reported either different answers to the survey questions or claimed not to have participated in the study. The remainder either could not be reached during the twenty days Jacoby allocated for the validation or refused to respond to the validation survey.

[20] Jacoby reported the results of those respondents who were positively validated plus the results from the respondents who could not be reached or would not respond to the validation survey, and he eliminated the results of the respondents who provided non-affirming answers during the validation process. This resulted in 305 reported responses to the product study: seventy-three for the Wal*ocaust concept, seventy-six for the Wal–Qaeda concept, seventy-nine for the Zal-ocaust concept, and seventy-seven for the Zal–Qaeda concept.

[21] In the website study, 169 respondents (fifty-one percent of the usable sample) were positively validated, and forty-six respondents (about fourteen percent) reported either different answers to the survey questions or claimed not to have participated in the study. The remainder either could not be reached during the twenty days Jacoby allocated for the validation or refused to respond to the validation survey.

[22] As he did in the product study, Jacoby reported the results of those respondents who were positively validated plus the results from the respondents who could not be reached or would not respond to the validation survey, and he eliminated the results of the respondents who provided non-affirming answers during the validation process. This resulted in 287 reported responses to the {website} study: seventy for the Wal*ocaust concept, seventy-eight for the Wal–Qaeda concept, sixty-nine for the Zal-ocaust concept, and seventy for the Zal–Qaeda concept.

[23] Jacoby reported that the survey reflected high levels of consumer confusion and dilution by tarnishment. He claimed that the post-purchase confusion “product study” indicated a likelihood of confusion in nearly forty-eight percent of the respondents and that the point-of-sale confusion “website” study indicated a likelihood of confusion in almost forty-one percent of the respondents.²¹ Jacoby also claimed that the “dilution” study indicated that almost twelve percent of the respondents were less likely to shop at Wal–Mart after seeing Smith’s designs.

b. Evidentiary Objections

[24] Smith moves to exclude Wal–Mart’s expert report. He claims that Jacoby did not have the requisite Internet expertise to conduct the web-based “point-of-sale” portion of this particular study and that several aspects of Jacoby’s methodology affecting both portions of the study were faulty; thus, he contends, Jacoby’s study is “too deeply flawed to be considered”

[25] Wal–Mart argues that the Jacoby test was performed by a competent expert according to industry standards and therefore is valid. Wal–Mart further contends that the expert witnesses Smith presents in rebuttal are not experts in the area of consumer-goods “likelihood of confusion” trademark studies, and therefore *their* testimony is irrelevant and should be excluded.

[26] Whether a given survey constitutes acceptable evidence depends on the survey’s ability to satisfy the demands of Federal Rule of Evidence 703, which requires consideration of the “validity of the techniques employed.” 233–34 FED. JUD. CTR., REFERENCE MANUAL ON SCI. EVIDENCE (2d ed.2002) (explaining that in the context of surveys for litigation purposes, “[t]he inquiry under Rule 703[, which] focuses on whether facts or data are ‘of a type reasonably relied upon by experts in the particular field in forming opinions or inferences upon the subject’ . . . becomes, ‘Was the . . . survey conducted in accordance with generally accepted survey principles, and were the results used in a

²¹ Jacoby arrived at these numbers by averaging the net survey results for the Walocaust and Wal–Qaeda t-shirts.

statistically correct way?"). See also *BFI Waste Sys. of N. Am. v. Dekalb County*, 303 F.Supp.2d 1335,1346 (N.D.Ga.2004) (noting that the opposing party could have challenged an expert witness's reference to a recent survey by questioning whether the survey methodology satisfied Rule 703).

[27] The Eleventh Circuit has held that alleged technical deficiencies in a survey presented in a Lanham Act action affect the weight to be accorded to the survey and not its admissibility. *Jellibeans, Inc. v. Skating Clubs of Ga., Inc.*, 716 F.2d 833, 844 (11th Cir. 1983). Other courts have held that a significantly flawed survey may be excludable as evidence under either Rule 403 (the rule barring evidence that is more prejudicial than probative) or Rule 702 (the rule barring unreliable expert testimony). *Citizens Fin. Group, Inc. v. Citizens Nat'l Bank*, 383 F.3d 110, 188–21 (3d Cir. 2004) (finding that the district court properly excluded survey evidence under Rules 702 and 403 where the survey contained flaws that were not merely technical, but were so damaging to the reliability of the results as to be "fatal": the survey relied on an improper universe and its questions were imprecise); *Malletier v. Dooney & Bourke, Inc.*, 525 F.Supp.2d 558, 562–63 (S.D.N.Y.2007). Even when a party presents an admissible survey purporting to show consumer confusion, however, the survey "does not itself create a triable issue of fact." *Mattel, Inc. v. MCA Records, Inc.*, 28 F.Supp.2d 1120, 1133 (C.D.Cal.1998) (citing *Universal City Studios, Inc. v. Nintendo Co.*, 746 F.2d 112, 118 (2d Cir. 1984), which found a survey "so badly flawed that it cannot be used to demonstrate the existence of a question of fact of the likelihood of consumer confusion"). *Accord Leelanau Wine Cellars, Ltd. v. Black & Red, Inc.*, 502 F.3d 504, 518 (6th Cir. 2007); *Scott Fetzer Co. v. House of Vacuums, Inc.*, 381 F.3d 477, 488 (5th Cir. 2004) (holding that a court may disregard survey evidence if the survey contains such serious flaws that any reliance on its results would be unreasonable).

[28] To ground a survey as trustworthy, its proponent must establish foundation evidence showing that

- (1) the 'universe' was properly defined, (2) a representative sample of that universe was selected, (3) the questions to be asked of interviewees were framed in a clear, precise and non-leading manner, (4) sound interview procedures were followed by competent interviewers who had no knowledge of the litigation or the purpose for which the survey was conducted, (5) the data gathered was accurately reported, (6) the data was analyzed in accordance with accepted statistical principles and (7) objectivity of the entire process was assured.

Toys R Us, Inc. v. Canarsie Kiddie Shop, 559 F.Supp. 1189, 1205 (D.C.N.Y.1983) (citing MANUAL FOR COMPLEX LITIG., 116 (5th ed.1981), 4 LOUISELL & MUELLER, FED. EVIDENCE § 472 (1979), and J. THOMAS MCCARTHY, TRADEMARKS & UNFAIR COMPETITION § 32:53 (1973)); *accord Rush Indus., Inc. v. Garnier LLC*, 496 F.Supp.2d 220, 227 (E.D.N.Y.2007). Failure to satisfy any of the listed criteria may seriously compromise the survey's impact on a court's likelihood of confusion evaluation. *Id.*

[29] Smith cites several grounds for excluding the Jacoby survey. He argues that the survey is inadmissible because it (1) failed to identify the relevant consumer universe or used a consumer universe that was substantially overbroad; (2) failed to replicate shopping conditions as consumers would encounter them in the marketplace; (3) was improperly leading; (4) violated the survey structure protocol necessary to comply with double-blind standards; and (5) failed to establish a relevant factual basis for Wal-Mart's dilution by tarnishment claims. Smith further argues that even if the Court admits the survey, its consideration should be limited to only the two tested designs, despite Jacoby's claim that they are representative of all the designs Wal-Mart seeks to enjoin.

[30] As an initial matter, the Court observes that Smith does not take issue with Jacoby's qualifications to design and conduct a consumer confusion survey and to analyze its results. It is undisputed that Jacoby is a nationally renowned trademark survey expert who has testified hundreds of times. Smith contends, however, that Jacoby was unqualified to conduct this particular survey

because he “lacks knowledge, experience, [and] sophistication” with regard to products marketed exclusively over the Internet and that as a result Jacoby’s survey protocol contained significant flaws.

[31] Based upon its own review of Jacoby’s education and experience, the Court concludes that Jacoby is qualified to design and conduct a consumer survey and to testify about its results. To the extent that Jacoby’s purported lack of experience with surveys concerning goods sold exclusively online may have led him to test the wrong universe or to fail to replicate the shopping experience, as Smith has alleged, these factors will be examined when the Court evaluates the trustworthiness of the survey.

i. Web-Related Challenges

[32] In undertaking to demonstrate likelihood of confusion in a trademark infringement case by use of survey evidence, the “appropriate universe should include a fair sampling of those purchasers most likely to partake of the alleged infringer’s goods or services.” *Amstar Corp. v. Domino’s Pizza, Inc.*, 615 F.2d 252, 264 (5th Cir. 1980). Selection of the proper universe is one of the most important factors in assessing the validity of a survey and the weight that it should receive because “the persons interviewed must adequately represent the opinions which are relevant to the litigation.” *Id.*

[33] Similarly, “[a] survey that fails to adequately replicate market conditions is entitled to little weight, if any.” *Leelanau Wine Cellars, Ltd. v. Black & Red, Inc.*, 452 F.Supp.2d 772, 783 (W.D.Mich.2006), *aff’d*, 502 F.3d 504 (6th Cir. 2007) (quoting *Wells Fargo & Co.*, 293 F.Supp.2d at 766). Although “[n]o survey model is suitable for every case . . . a survey to test likelihood of confusion must attempt to replicate the thought processes of consumers encountering the disputed mark or marks as they would in the marketplace.”

[34] Smith hired Dr. Alan Jay Rosenblatt as a rebuttal witness to point out Internet-related deficiencies in Jacoby’s survey methodology—particularly deficiencies in universe selection and replication of marketplace conditions—that he claims resulted from Jacoby’s erroneous assumptions about how people reach and interact with websites.

. . . .

(a) Survey Universe

[35] Wal-Mart maintains that Jacoby’s universe selection was proper. Smith counters that it was overly broad.

[36] Although the universe Jacoby selected would include purchasers of Smith’s Walocaust or Wal-Qaeda merchandise, the Court finds that it is significantly overbroad. Because Smith’s merchandise was available only through his CafePress webstores and the links to his CafePress webstores from his Walocaust and Wal-Qaeda websites, it is likely that only a small percentage of the consumers in the universe selected by Jacoby would be potential purchasers of Smith’s products. A survey respondent who purchases bumper stickers, t-shirts or coffee mugs with words, symbols or designs on them may buy such merchandise because the imprint represents his or her school, company, favorite sports team, cartoon character, social group, or any of hundreds of other interests or affiliations; he or she may have no interest at all in purchasing merchandise containing messages about Wal-Mart, pro or con. The respondent may buy from brick-and-mortar stores or well-known retailers with Internet storefronts without being aware of Smith’s website or CafePress, or may have little interest in buying such merchandise over the Internet at all. Therefore, a respondent who clearly falls within Jacoby’s survey universe may nevertheless have no potential to purchase Smith’s imprinted products. *See Leelanau Wine Cellars*, 452 F.Supp.2d at 782.

[37] Other courts have similarly criticized surveys—including surveys Jacoby conducted in other trademark infringement cases—that failed to properly screen the universe to ensure that it was limited to respondents who were potential purchasers of the alleged infringer’s product.

[38] For example, in *Weight Watchers Int'l, Inc. v. Stouffer Corp.*, 744 F.Supp. 1259 (S.D.N.Y.1990), Weight Watchers sued Stouffer for trademark infringement after Stouffer launched an advertising campaign that suggested that new exchange listings on Stouffer's Lean Cuisine packages would allow adherents to the Weight Watchers program to use Lean Cuisine entrees in their diets. *Id.* at 1262. Stouffer's likelihood of confusion survey, also conducted by Jacoby, identified the universe as "women between the ages of 18 and 55 who have purchased frozen food entrees in the past six months and who have tried to lose weight through diet and/or exercise in the past year." *Id.* at 1272. The court found that the universe was overbroad because the screener had not limited it to dieters, but also had included respondents who may have tried to lose weight by exercise only. The court concluded that as a result the survey likely included respondents who were not potential consumers, and because "[r]espondents who are not potential consumers may well be less likely to be aware of and to make relevant distinctions when reading ads than those who are potential consumers," that portion of the survey universe may have failed to make "crucial" distinctions in the likelihood of confusion testing. *Id.* at 1273.

....

(b) *Shopping Experience*

[39] To be valid for the purposes of demonstrating actual confusion in a trademark infringement suit, it is necessary for a survey's protocol to take into account marketplace conditions and typical consumer behavior so that the survey may as accurately as possible measure the relevant "thought processes of consumers encountering the disputed mark . . . as they would in the marketplace." *Simon Prop. Group*, 104 F.Supp.2d at 1038; accord *WE Media, Inc. v. Gen. Elec. Co.*, 218 F.Supp.2d 463, 474 (S.D.N.Y.2002).

[40] Smith contends that Jacoby's point-of-purchase study, which purported to measure consumer confusion over merchandise that Smith sold exclusively online, was improperly designed because it failed to take into account typical consumer Internet behavior. Wal-Mart does not contradict the expert testimony Smith proffers regarding consumer Internet behavior but instead maintains that it is irrelevant.

[41] Jacoby's point-of-purchase survey called for interviewers to provide each respondent with specific "search terms" that would take the respondent to a simulation of one of Smith's websites. The respondent was asked to pretend that the resulting web page was of interest and to act accordingly (looking at the page and scrolling through it as the respondent would "normally" do), and then was directed to scroll down the page, below the first screen, and click on a specific t-shirt link. The respondent was not asked what message he or she took from the website or whether the website was in fact of interest. The survey protocol also gave the respondent no choice but to scroll down to the next screen and click on the t-shirt link, the only live link in the simulation.

[42] In presenting Smith's website and directing the survey respondents to click on one specific t-shirt link, Jacoby's survey design presumed that all consumers who might be interested in a printed t-shirt, mug or bumper sticker would be equally likely to happen across Smith's designs, regardless of the respondent's level of interest in the messages on Smith's webpage.

[43] Although, as Wal-Mart points out, it is possible that some consumers may view web pages randomly and may scroll through and click on links on pages that are not of interest to them, the Court finds that the survey protocol did not sufficiently reflect actual marketplace conditions or typical consumer shopping behavior and therefore was unlikely to have elicited a shopping mindset that would have allowed Jacoby to accurately gauge actual consumer confusion.

[44] Because Smith's merchandise was available only through his CafePress webstores and the links to his CafePress webstores from his Walocaust and Wal-Qaeda websites, it is unlikely that many consumers randomly happen across Smith's products. According to Rosenblatt's uncontroverted testimony, people do not come to websites randomly, and they do not move within websites randomly.

A great majority of Internet users arrive at a particular website after searching specific terms via an Internet search engine or by following links from another website. The user makes a judgment based on contextual cues—what is shown about a prospective website from the text of a search result or what is said about a prospective website in the hyperlinked words and surrounding text of the website currently being viewed—in determining where to surf next. He moves from website to website, he moves within websites, and he performs actions such as signing a petition—or buying a product—by making choices based on what he sees and whether what he sees leads him to believe that going to the next page or following a link to another website will bring him to something he is interested in seeing, doing or buying.

[45] In the marketplace, the visitor would be presented with a screen full of Smith’s anti-Wal-Mart messages. Consumers who were interested in the messages on Smith’s web pages would be motivated to choose the links that would eventually lead to his products, while those who were uninterested in Smith’s messages would simply leave the page. Because the survey protocol directed the respondents to “pretend” to be interested in Smith’s anti-Wal-Mart homepages and then directed them to click on a specific link, there is no assurance that the respondent actually read the homepage or would have been interested enough in it to be motivated to click on the t-shirt link. *See Gen. Motors Corp. v. Cadillac Marine & Boat Co.*, 226 F.Supp. 716, 737 (D.C.Mich.1964) (observing that because survey respondents had little interest in the allegedly infringing product, it followed that their inspection of the advertisement shown to them as part of the survey protocol was “casual, cursory and careless” and therefore of little probative value).

[46] Other courts have similarly criticized surveys that failed to adequately replicate the shopping experience. In *Gen. Motors Corp.*, 226 F.Supp. at 737, the court criticized the proffered survey because it did not take into account typical consumer behavior:

Actual purchasers of a boat would not hastily read an advertisement, nor would a potential purchaser read it carelessly. A reasonable man, anticipating the purchase of a boat, would peruse the material at least well enough to note the manufacturer as being “Cadillac Marine & Boat Company, 406 Seventh Street, Cadillac, Michigan.” Also, most buyers would want to see the boat itself before making a purchase.

Although the purchase of a t-shirt obviously does not involve the same level of financial consideration a consumer typically makes when buying a boat, a consumer is likely to consider the meaning of an imprinted t-shirt such as Smith’s before wearing it in public. A reasonable person who was considering buying a t-shirt that references Al-Qaeda or the Holocaust would likely read the associated webpage at least well enough to see the harsh criticism of Wal-Mart and the prominent disclaimer dispelling any notion of a possible association with the company.

(c) Impact of Internet-Related Flaws on Survey’s Evidentiary Value

[47] For all of these reasons, the survey Jacoby conducted for Wal-Mart is of dubious value as proof of consumer confusion both because its survey universe was overinclusive and because its design failed to approximate real-world marketplace conditions. Jacoby’s survey is subject to the same criticisms as his *Weight Watchers* survey . . . : Jacoby failed to screen the respondents to ensure that they would likely be aware of and make relevant distinctions concerning the specific product. *See Weight Watchers*, 744 F.Supp. at 1273. By failing to approximate actual market conditions, Jacoby further ensured that the survey would not “replicate the thought processes of [likely] consumers [of the junior user’s merchandise] encountering the disputed mark . . . as they would in the marketplace.” *See Simon Prop. Group*, 104 F.Supp.2d at 1038; *accord Gen. Motors Corp.*, 226 F.Supp. at 737. Therefore, the Court must consider these flaws in determining whether the survey is admissible and, if so, what evidentiary weight to afford it.

ii. Structural Flaws

[48] Smith further alleges that the Jacoby study suffers from several structural flaws that diminish the trustworthiness of the results of both the web-based point-of-sale portion and the post-purchase t-shirt portion of the survey. He contends that (1) both the structure of the survey and the wording of several questions suggested the answers Wal-Mart wanted, and (2) the survey results should not be presumed to represent consumer reaction to any of the challenged merchandise that was not actually tested.

[49] Smith hired Dr. Richard Teach as a rebuttal witness to point out deficiencies in Jacoby's website study survey methodology. Teach is an emeritus marketing professor and former dean at the Georgia Tech School of Business who has designed and conducted over one hundred surveys, including about fifty buyer surveys, and has taught survey methodology, statistics and related courses. Teach testifies that he agrees with Rosenblatt's testimony and also offers criticisms of his own. Smith uses Teach's survey expertise to support his *Daubert* argument that because the survey protocol contains multiple technical flaws, the results are unreliable and hence should be afforded very light evidentiary value if not completely excluded from evidence.

[50] Wal-Mart moves to exclude Teach's testimony, supporting its motion with arguments much like those it used in its motion to exclude Rosenblatt's testimony

[51] The Court finds . . . that his extensive experience designing and evaluating surveys qualifies him to provide testimony about technical flaws in the design of Jacoby's study and the impact of those flaws on the trustworthiness of Jacoby's reported results.

[52] [T]o the extent that Teach's testimony focuses on general survey methodology, whether Jacoby's survey protocol deviated from standard methodology, and what impact any deviations may have had on the trustworthiness of Jacoby's reported results, Wal-Mart's motion to exclude it is DENIED.

(a) Leading Survey Structure and Questions

[53] Smith argues that both the structure of the survey and the wording of several questions suggested the answers Wal-Mart wanted. Wal-Mart, of course, contends that Jacoby's survey presented no such risk.

(i) Double-Blind Survey Design

[54] To ensure objectivity in the administration of the survey, it is standard practice to conduct survey interviews in such a way as to ensure that "both the interviewer and the respondent are blind to the sponsor of the survey and its purpose." REFERENCE MANUAL at 266. The parties agree that double-blind conditions are essential because if the respondents know what the interviewer wants, they may try to please the interviewer by giving the desired answer, and if the interviewer knows what his employer wants, he may consciously or unconsciously bias the survey through variations in the wording or the tone of his questions. *See id.*

[55] Smith argues that the skip pattern included in Jacoby's survey hinted to the interviewers that Wal-Mart was the survey's sponsor. The survey protocol directed the interviewers to skip to the final tarnishment question, question five, if the respondent gave any one of four specific store names—Sears, Wal-Mart, K-Mart or Youngblood's—to any of the first three questions. Similarly, if the respondent did not give any of those four names in response to the first three questions, the interviewer was directed to ask "what other companies or stores" the stimulus t-shirt brought to mind, and only if the respondent answered with one of the four names was the interviewer to ask question five, the dilution question. The text on both of the tested t-shirts began with the prefix "Wal," and Wal-Mart was the only one of the four listed names that began with that prefix.

[56] Smith argues that this series of questions combined with the t-shirt stimulus subtly informed the interviewers not only that a store name was desired, but also that a particular store name—Wal-

Mart—was sought. Thus, Smith contends, because the survey failed to meet the double-blind requirement, it was not conducted in an objective manner and must be excluded for what must therefore be biased results. *See* REFERENCE MANUAL at 248 (noting that poorly formed questions may lead to distorted responses and increased error and therefore may be the basis for rejecting a survey).

[57] Wal-Mart argues that the skip patterns followed proper protocol and that even if the interviewers guessed that Wal-Mart was involved, there could be no risk of bias because (1) interviewers are professionally trained and adhere to extremely high ethical standards, and (2) it was impossible to determine from the design of the study who sponsored the study and for which side of a dispute the survey evidence was to be proffered.

[58] Based on the facts that (1) both of the tested t-shirts include the prefix “Wal” and (2) the only store on the specified list of four that included that same prefix was Wal-Mart, it is safe to surmise that the interviewers at least suspected that Wal-Mart was involved in the survey in some manner. Aside from a common sense assumption that the party with deep pockets and reason to be insulted by the tested concepts was likely to have sponsored the research, however, the interviewers had no way to know who was the proponent of the research and who was the opponent. Thus, although the survey design may have breached generally accepted double-blind protocol to some degree, because the breach offered little risk of bias toward one party or the other the Court finds this issue to be of little import in its trustworthiness determination.

(ii) Leading Questions

[59] Smith also argues that the wording of Jacoby’s confusion questions was improperly leading. Although the challenged t-shirts were created and offered for sale by Charles Smith, an individual, via his CafePress webstore, the survey asked about sponsorship only in the context of companies or stores, such as in the survey’s lead question, which asked, “[W]hich company or store do you think puts out this shirt?” Smith contends that this wording suggested to the respondent that the interviewer was looking for the name of a company or store, which would lead the respondent away from the answer that the shirt was put out by an individual who was criticizing a company. Wal-Mart counters that because Smith’s merchandise was sold through his CafePress webstores, the questions were accurately worded and thus not misleading.

[60] The Court agrees with Smith that the disputed questions improperly led respondents to limit their answers to companies or stores. Though Smith did offer his merchandise through his CafePress webstore, as Wal-Mart argues, the Court finds this characterization disingenuous; the party Wal-Mart sued for offering the Walocaust and Wal-Qaeda merchandise for sale is not a company or a store, but instead Charles Smith, an individual. Furthermore, Wal-Mart has failed to point to any authority supporting the use of the “company or store” language in a consumer “likelihood of confusion” apparel survey or any such surveys previously conducted by Jacoby. Thus, the Court must consider this weakness in determining the admissibility or evidentiary weight to be accorded the survey.

(b) Representativeness

(i) Testing Stimuli

[61] Smith also argues that the Jacoby survey results should not be presumed to represent consumer reaction to any of the challenged merchandise that was not actually tested. Jacoby limited his surveys to testing two specific t-shirts (the Wal*ocaust smiley eagle shirt and the “SUPPORT OUR TROOPS” Wal-Qaeda shirt), and the conclusions stated in his report were narrowly drawn to refer to the tested t-shirts. At his deposition, however, he stated that because the tested shirts were “reasonably representative” of all the shirts that included the prefix “Wal” and the star, as in Wal*ocaust, or the prefix “Wal” and a hyphen, as in Wal-Qaeda, his results could be extrapolated from the tested t-shirts to all of the challenged t-shirts that shared those features.

[62] Jacoby’s own deposition testimony supplies a fitting framework for analyzing this issue. When declining to offer an opinion about whether consumers would also be confused over the sponsorship of Smith’s Walocaust website, Jacoby stated that consumers respond differently to a given stimulus depending on the context in which it is presented, and because his survey tested only Smith’s CafePress webstores, his survey provided him with no data upon which to answer the question about consumer confusion regarding Smith’s website.

[63] Applying the same reasoning, the Court finds that test results from one Walocaust or Wal-Qaeda t-shirt provide no data upon which to estimate consumer confusion regarding another Walocaust or Wal-Qaeda t-shirt. A consumer confused about the sponsorship of a shirt that says “SUPPORT OUR TROOPS [.] BOYCOTT WAL-QAEDA” may easily grasp the commentary in the more straightforwardly derogatory “WAL-QAEDA[.] Freedom Haters ALWAYS” concept. Similarly, a consumer confused over the sponsorship of a “Walocaust” shirt paired with an eagle and a smiley face might have a crystal clear understanding of the word’s meaning when it is superimposed over a drawing of a Wal-Mart-like building paired with a sign that advertises family values and discounted alcohol, firearms, and tobacco or when it is presented along with the additional text “The World is Our Labor Camp. Walmart Sucks.” As a result, this weakness will also impact the Court’s assessment of the survey’s evidentiary value.

(ii) *Sample Size and Selection*

[64] Smith also challenges the survey’s small sample size; the Court additionally notes that Jacoby’s study employed mall-intercept methodology, which necessarily results in a non-random survey sample.

[65] It is true that the majority of surveys presented for litigation purposes do, in fact, include small and non-random samples that are not projectible to the general population or susceptible to evaluations of statistical significance. 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:165 (4th ed.2006). Courts have found that “nonprobability ‘mall intercept’ surveys are sufficiently reliable to be admitted into evidence,” reasoning that because “nonprobability surveys are of a type often relied upon by marketing experts and social scientists in forming opinions on customer attitudes and perceptions,” they may be admitted into evidence under Federal Rule of Evidence 703 as being “of a type reasonably relied upon by experts in the particular field in forming opinions or inferences upon the subject.” *Id.*

[66] However, probability surveys are preferred to non-probability surveys. *Id.* (citing Jacob Jacoby, *Survey & Field Experimental Evidence*, in SAUL KASSIN & LAWRENCE S. WRIGHTSMAN, JR., 185–86 THE PSYCHOLOGY OF EVIDENCE AND TRIAL PROCEDURE (1985)). Jacoby himself has written that “behavioral science treatises on research methodology are in general agreement that, all other things being equal, probability sampling is preferred to non-probability sampling.” Jacob Jacoby & Amy H. Handlin, *Non-Probability Sampling Designs for Litig. Surveys*, 81 TRADEMARK REP. 169, 170 (Mar.-Apr.1991) (citing KUL B. RAI AND JOHN C. BLYDENBURGH, POL. SCI. STATS. 99 (Holbrook Press Inc.1973) and quoting its comment that “nonprobability samples do not represent the population truly, and the inapplicability of probability models as well as the impossibility of measuring or controlling random sampling error makes them even less attractive for scientific studies.”). Jacoby has similarly noted that although the vast majority of in-person surveys conducted for marketing purposes employ non-probability design, marketers more typically use telephone interviews, a “sizable proportion” of which employ probability designs. Jacoby & Handlin, 81 TRADEMARK REP. at 172 & Table 1 (estimating that sixty-nine percent of commercial marketing and advertising research is conducted by telephone).

[67] Although courts typically admit nonprobability surveys into evidence, many recognize that “the results of a nonprobability survey cannot be statistically extrapolated to the entire universe,” and they consequently discount the evidentiary weight accorded to them. *Id.*; *accord Am. Home Prods. Corp.*

v. Barr Labs, Inc., 656 F.Supp. 1058, 1070 (D.N.J.1987) (criticizing a Jacoby survey and noting, “While non-probability survey results may be admissible, they are weak evidence of behavior patterns in the test universe.”) Similarly, “[c]onducting a survey with a number of respondents too small to justify a reasonable extrapolation to the target group at large will lessen the weight of the survey.” 6 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 32:171.

[68] This Court finds troubling the Jacoby survey’s implicit assumption that a study protocol insufficient for many marketing purposes and heavily criticized for behavioral science purposes is nevertheless sufficient to aid a factfinder in a legal action challenging free speech. Therefore, this factor will also affect the Court’s assessment of the survey’s evidentiary value.

c. Admissibility

[69] Having identified numerous substantial flaws in Jacoby’s survey, the Court must now determine whether the flaws limit the survey’s evidentiary weight or are so substantial as to render the survey irrelevant or unreliable and therefore inadmissible under Federal Rule of Evidence 403, 702, or 703. *See Starter Corp. v. Converse, Inc.*, 170 F.3d 286, 297 (2d Cir. 1999) (excluding a survey under Rule 403 because the probative value of the survey was outweighed by potential prejudice and further noting that “a survey may be kept from the jury’s attention entirely by the trial judge if it is irrelevant to the issues”) (citing *C.A. May Marine Supply Co. v. Brunswick Corp.*, 649 F.2d 1049 (5th Cir. 1981)); *accord Ramdass v. Angelone*, 530 U.S. 156, 173, 120 S.Ct. 2113, 147 L.Ed.2d 125 (2000) (listing numerous cases in which courts have excluded or minimized survey evidence as unreliable).

[70] Courts in the Eleventh Circuit typically decline to exclude likelihood of confusion surveys and instead consider a survey’s technical flaws when determining the amount of evidentiary weight to accord the survey. *See, e.g., Jellibeans*, 716 F.2d at 845; *Nightlight Sys., Inc. v. Nitelites Franchise Sys., Inc.*, 2007 WL 4563873 at *5 (N.D.Ga. Jul.17, 2007). Consequently, although this is a close case, the Court concludes that the better option is to admit the survey evidence and to consider the survey’s flaws in determining the evidentiary weight to assign the survey in the likelihood of confusion analysis.

[71] The Court finds, however, that because the survey tested only the “SUPPORT OUR TROOPS[.] BOYCOTT WAL-QAEDA” t-shirt and the Walocaust eagle t-shirt, it has no relevance to any of Smith’s other Wal-Mart-related concepts. The Court agrees with Jacoby that context matters—a lot—and therefore will not consider Jacoby’s survey as evidence of likelihood of confusion with regard to the words “Walocaust” and “Wal-Qaeda” in general; the study is admissible only as to the two concepts that Jacoby actually tested. *See Fed.R.Evid.* 702 (limiting expert testimony to that “based upon sufficient facts or data”).

[72] Even with regard to the tested concepts, the Court finds that the survey was so flawed that it does not create a genuine issue of material fact. *See Spraying Sys. Co. v. Delavan, Inc.*, 975 F.2d 387, 394 (7th Cir. 1992) (recognizing that if a proffered survey is severely and materially flawed, it may not be sufficient to establish a genuine issue of material fact even if it purports to show evidence of actual confusion). Jacoby surveyed an overbroad universe, failed to adequately replicate the shopping experience, and asked leading questions. He also surveyed a non-random sample that in any case was too small to allow the results to be projected upon the general market. Thus, the Court finds that the Jacoby survey is so flawed that it does not establish a genuine issue of material fact with regard to actual confusion, much less *prove* actual confusion.

[73] Lack of survey evidence showing consumer confusion is not dispositive, however; the Eleventh Circuit has moved away from relying on survey evidence. *Frehling Enters. v. Int’l Select Group, Inc.*, 192 F.3d 1330, 1341 n. 5 (11th Cir. 1999). In fact, a court may find a likelihood of confusion in the absence of any evidence of actual confusion, even though actual confusion is the best evidence of likelihood of confusion. *E. Remy Martin & Co. v. Shaw-Ross Int’l Imps., Inc.*, 756 F.2d 1525, 1529 (11th Cir. 1985). Accordingly, the Court will now consider the remaining likelihood of confusion factors.

{The court ultimately found no infringement or dilution.}

Questions and Comments

1. *The Authorization or Permission Question.* You will recall that the third group of questions in the surveys at issue in *Smith v. Wal-Mart* asked respondents if they thought the company that “put out” the defendant’s products needed permission from another company to do so, and if so, which company. Isn’t this the very question that the judge is trying to decide in the case? Why should we ask survey respondents for their view on what is in essence a legal question?

2. *Confusion by Whom?* What is the appropriate consumer population to survey, the defendant’s and/or the plaintiff’s? McCarthy sets forth the conventional wisdom: “In a traditional case claiming ‘forward’ confusion, not ‘reverse’ confusion, the proper universe to survey is composed of the potential buyers of the *junior* user’s goods or services. However, in a ‘reverse confusion’ case, the relevant group to be surveyed is the *senior* user’s customer base.” MCCARTHY, at § 32:159 (citations omitted).

3. *Alternative Survey Formats.* Two other methods of surveying for the likelihood of consumer confusion are of particular interest.

- The “*Squirt* format”. In *Squirt Co. v. Seven-Up Co.*, 628 F.2d 1086 (8th Cir. 1980), survey respondents were played radio advertisements for SQUIRT and QUIRST soft drinks and two other products. The respondents were then asked: (1) “Do you think SQUIRT and QUIRST are put out by the same company or by different companies?”, and (2) “What makes you think that?” This method, consisting of either seriatim or simultaneous exposure to the plaintiff’s and defendant’s marks, is especially beneficial for a plaintiff whose mark may not be well-known to the survey respondents. However, some courts have rejected this survey method on the ground that it makes the respondents “artificially aware” of the plaintiff’s mark and does not approximate market conditions. *See, e.g., Kargo Global, Inc. v. Advance Magazine Publishers, Inc.*, No. 06 Civ. 550, 2007 WL 2258688, at *8 (S.D. N.Y. 2007).
- The “*Exxon* format”. In *Exxon Corp. v. Texas Motor Exchange of Houston, Inc.*, 628 F.2d 500 (5th Cir. 1980), survey respondents were shown a photograph of one of the defendant’s signs bearing its Texon trademark. The respondents were then asked: “What is the first thing that comes to mind when looking at this sign?”, and “What was there about the sign that made you say that?” If the respondents did not name a company in response to the first set of questions, they were then asked: “What is the first *company* that comes to mind when you look at this sign?” (emphasis in original survey script) and “What was there about the sign that made you mention (COMPANY)?” Courts have proven to be less receptive to this “word association” method of surveying for consumer confusion. *See, e.g., Major League Baseball Properties v. Sed Non Olet Denarius, Ltd.*, 817 F. Supp. 1103, 1122 (S.D.N.Y. 1993) (“[T]he issue here is not whether defendants’ name brings to mind any other name Rather, the issue here is one of actual confusion. Plaintiff’s survey questions regarding association are irrelevant to the issue of actual confusion.”).

In Itamar Simonson, *The Effect of Survey Method on Likelihood of Confusion Estimates: Conceptual Analyses and Empirical Test*, 83 TRADEMARK REP. 364 (1993), Simonson compared the results of five methods of surveying for the likelihood of confusion, including a simple form of the *Eveready* format, the *Squirt* format, and the *Exxon* format. He found that the *Exxon* format “tends to overestimate the likelihood of confusion, often by a significant amount,” *id.* at 385, and that the *Squirt* format, as expected, “can have a significant effect on confusion estimates when the awareness level of the senior mark is low.” *Id.* at 386.

4. *What Percentage of Confusion is Enough?* “Figures in the range of 25% to 50% have been viewed as solid support for a finding of a likelihood of confusion.” MCCARTHY § 32:188. Still often cited by plaintiffs with especially weak cases, *Jockey International, Inc. v. Burkard*, No 74 Civ. 123, 1975 WL 21128 (S.D. Cal. 1975), found that survey evidence of 11.4 percent supported a likelihood of confusion. *But see Georgia-Pacific Consumer Product LP v. Myers Supply, Inc.*, No. 08 Civ. 6086, 2009 WL 2192721

(W.D. Ark. 2009) (survey evidence of 11.4 percent confusion does not support a likelihood of confusion).

5. *Outside of the world of trademark law, should survey evidence be used to interpret contractual terms?* See Omri Ben-Shahar & Lior Jacob Strahilevitz, *Interpreting Contracts via Surveys and Experiments*, 92 NYU L. REV. 1753 (2017) (proposing and testing a “survey interpretation method” of contractual interpretation in which “interpretation disputes are resolved through large surveys of representative respondents, by choosing the meaning that a majority supports”).

5. “Sponsorship or Affiliation” Confusion

As the surveys at issue in *Smith v. Wal-Mart Stores* suggested, trademark law will find infringement when the defendant’s conduct leads consumers mistakenly to believe that there is a relation of “sponsorship” or “affiliation” between the plaintiff and the defendant. In this excerpt from *Int’l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC*, 823 F.3d 153 (2d Cir. 2016), the Second Circuit very strongly endorsed this expansive understanding of what constitutes actionable consumer confusion.

***Int’l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC* 823 F.3d 153, 161-163 (2d Cir. 2016)**

{The plaintiff developed a certification program and the certification mark CISSP to denote a “Certified Information Systems Security Professional” who has passed the plaintiff’s certification exam. The defendant offered various courses to prepare individuals for the plaintiff’s exam. It was undisputed that the defendant could use the plaintiff’s mark to indicate that the courses were directed towards preparing students to take the plaintiff’s exam. However, the defendant advertised its courses as taught by “Master CISSP Clement Dupuis”, allegedly suggesting that Mr. Dupuis had obtained some higher, “Master” level of certification from the plaintiff. Both parties moved for summary judgment.}

....

A. Types of Confusion Relevant to Infringement Claims

[1] The district court held that the only type of confusion relevant in determining infringement is confusion as to *source*. This is incorrect; protection is not exclusively limited for any type of mark to cases in which there may be confusion as to source. Rather, “[t]he modern test of infringement is whether the defendant’s use [is] likely to cause confusion *not just as to source*, but also as to sponsorship, affiliation or connection.” 4 McCarthy on Trademarks and Unfair Competition [hereinafter “McCarthy”] § 23:76 (4th ed.) (emphasis added). Indeed, our Court has previously observed that in 1962 Congress amended 15 U.S.C. § 1114, the Lanham Act provision that provides penalties for infringement, to “broaden liability” from the prior “statutory requirement [that] confusion, mistake, or deception applied only with respect to purchasers as to the source of origin of such goods or services.” *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 136 (2d Cir. 2009) (internal quotation marks omitted). That provision now penalizes a person who

use[s] in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use *is likely to cause confusion, or to cause mistake, or to deceive*

15 U.S.C. § 1114(1)(a) (emphasis added). As is plain from this statutory text, the Act’s protection against infringement is not limited to any particular type of consumer confusion, much less exclusively to confusion as to source. Rather, the Lanham Act protects against numerous types of confusion, including confusion regarding affiliation or sponsorship. See . . . *Dall. Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 604 F.2d 200, 204–05 (2d Cir. 1979) (“Appellants read the confusion requirement too narrowly. In order to be confused, a consumer need not believe that the owner of the mark actually produced the item and placed it on the market. The public’s belief that the mark’s owner

sponsored or otherwise approved the use of the trademark satisfies the confusion requirement.” (citations omitted)); *see also Team Tires Plus, Ltd. v. Tires Plus, Inc.*, 394 F.3d 831, 835 (10th Cir. 2005) (“[T]he relevant confusion under trademark law is not limited to confusion of consumers as to the source of the goods, but also includes confusion as to sponsorship or affiliation, such as a consumer’s mistaken belief that a retailer is part of a larger franchising operation.”)

[2] This broader prohibition on consumer confusion as to sponsorship or approval is also made explicit in Section 43 of the Lanham Act, which prohibits false advertising and false designation of origin by providing for civil penalties to a person injured by:

Any person who, on or in connection with any goods or services, . . . uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which—

(A) is likely to cause confusion, or to cause mistake, or to deceive as to the *affiliation, connection, or association* of such person with another person, or as to the origin, *sponsorship, or approval* of his or her goods, services, or commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person’s goods, services, or commercial activities

15 U.S.C. § 1125(a)(1) (emphases added).

[3] Indeed, our case law demonstrates that consumer confusion is plainly not limited to source confusion. For example, in *Weight Watchers International, Inc. v. Luigino’s, Inc.*, 423 F.3d 137 (2d Cir. 2005), we recognized that Weight Watchers was likely to succeed on its claim that a frozen food manufacturer had infringed its registered trademark in the term “Points” by prominently displaying the Weight Watchers points value on the packages of its frozen meals. In that case, it was clear from the packaging that Luigino’s was the source of the actual goods—i.e. the frozen meals. Nonetheless, Weight Watchers could succeed on its claim for trademark infringement by showing “that the use of the term ‘Points’ on the front of the package was likely to confuse consumers into believing that Weight Watchers had determined the point values or *otherwise endorsed* the Luigino’s products.” *Id.* at 144 (emphasis added). Moreover, we have held that there may be consumer confusion based on the misuse of a trademark, even where it is conceded that the plaintiff’s mark accurately designated the source of goods. *See Original Appalachian Artworks, Inc. v. Granada Electronics, Inc.*, 816 F.2d 68, 73 (2d Cir. 1987) (holding unauthorized importation and sale of Cabbage Patch dolls manufactured in Spain with the foreign language adoption papers and birth certificate infringed the plaintiff’s trademark in Cabbage Patch dolls “even though the goods do bear [plaintiff’s] trademark and were manufactured under license with [the plaintiff],” because plaintiff’s “domestic good will is being damaged by consumer confusion caused by the importation of the [Spanish] dolls,” which were materially different from American dolls). The district court therefore erred in applying its narrow conception of confusion relevant to infringement claims.

. . . .

{As discussed further in Part III.B, the district court went on to find that the defendant engaged in nominative fair use of the plaintiff’s mark.}

Questions and Comments

1. “*Signifier confusion*” and “*affiliation confusion*.” Barton Beebe and Scott Hemphill propose the following:

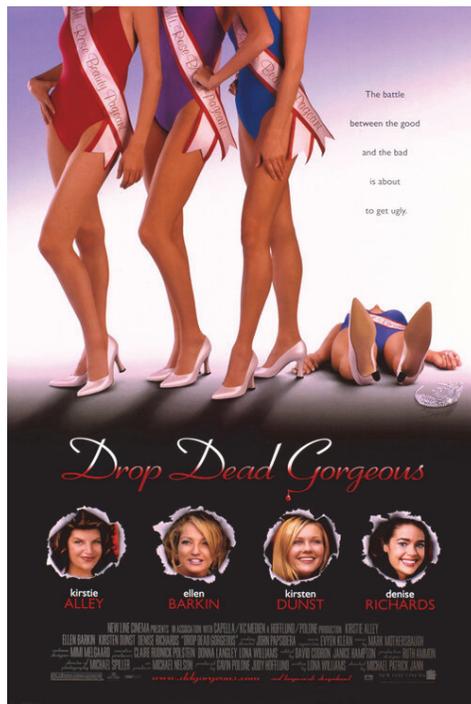
[I]t is helpful to distinguish between two fundamentally different and mutually exclusive forms of consumer confusion, which we term *signifier confusion* and *affiliation*

confusion. Signifier confusion denotes those situations in which a consumer fails to detect the difference between two different marks and perceives each mark to be identical to the other. For example, a consumer may be exposed to the mark STARLUCKS and simply mistakenly read or hear the mark as STARBUCKS.

By contrast, affiliation confusion denotes those situations in which a consumer detects the difference between two different marks (so there is no signifier confusion), but the consumer nevertheless concludes that due to the similarity of the marks, there must be some commercial connection between the users of the marks. For example, a consumer thinks STARLUCKS represents a brand extension, sponsorship or endorsement relationship, or some other form of commercial affiliation. The consumer perceives the plaintiff as the source of or somehow responsible for the defendant’s goods.

Barton Beebe & C. Scott Hemphill, *The Scope of Strong Marks: Should Trademark Law Protect the Strong More Than the Weak?*, 93 N.Y.U. L. REV. 1339, 1361 (2017). Are these two forms of consumer confusion in fact mutually exclusive? Is this distinction helpful?

Trademark scholars have been highly critical of “sponsorship or affiliation” confusion. Presented below is an excerpt from Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413, 417-422 (2010), which collects some of the most egregious examples of plaintiffs’ threats to sue and of courts’ finding of “sponsorship or affiliation” confusion. Many of the unauthorized uses described in the excerpt could quite likely have qualified as “nominative fair uses”, a form of trademark fair use that we will address in Part III on defenses to trademark infringement. Thus the student will have to endure a degree of suspense until we get there. But we consider “sponsorship or affiliation” confusion here because from the perspective of defendants (and from many of those who support free speech), defendants should never have to resort to this *defense* of nominative fair use because courts should not find confusion in the first place on the plaintiff’s side of the case.



From Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413, 417-422 (2010)

[1] In 2006, back when it was good, NBC's hit show *Heroes* depicted an indestructible cheerleader sticking her hand down a kitchen garbage disposal and mangling it (the hand quickly regenerated). It was an Insinkerator brand garbage disposal, though you might have had to watch the show in slow motion to notice; the brand name was visible for only a couple of seconds. Emerson Electric, owner of the Insinkerator brand, sued NBC, alleging the depiction of its product in an unsavory light was both an act of trademark dilution and was likely to cause consumers to believe Emerson had permitted the use. NBC denied any wrongdoing, but it obscured the Insinkerator name when it released the DVD and Web versions of the episode.⁸ And not just television shows but also movies have provoked the ire of trademark owners: Caterpillar sued the makers of the movie *Tarzan* on the theory that the use of Caterpillar tractors in the movie to bulldoze the forest would cause consumers to think Caterpillar was actually anti-environment,⁹ and the makers of *Dickie Roberts: Former Child Star* were sued for trademark infringement for suggesting that the star of the absurdist comedy was injured in a Slip 'N Slide accident.¹⁰ Even museums aren't immune: Pez recently sued the Museum of Pez Memorabilia for displaying an eight-foot Pez dispenser produced by the museum's owners.¹¹ And forget about using kazoos on your duck tours: Ride the Ducks, a tour company in San Francisco that gives out duck-call kazoos to clients on its ducks, sued Bay Quackers, a competing duck tour company that also facilitated quacking by its clients.¹²

[2] Most of these examples involve threats of suit, and they could be dismissed simply as overreaching by a few aggressive trademark owners. But these threats were not isolated incidents, and they shouldn't be quickly ignored. The recipients of all of these threats, like many others who receive similar objections,¹³ knew well that they had to take the asserted claims seriously because courts have

⁸ See Paul R. La Monica, *NBC Sued over 'Heroes' Scene by Garbage Disposal Maker*, CNNMoney.com, Oct. 17, 2006, <http://money.cnn.com/2006/10/17/commentary/mediabiz/index.htm>.

⁹ *Caterpillar Inc. v. Walt Disney Co.*, 287 F. Supp. 2d 913, 917 (C.D. Ill. 2003)

¹⁰ *Wham-O, Inc. v. Paramount Pictures Corp.*, 286 F. Supp. 2d 1254, 1255-58 (N.D. Cal. 2003).

¹¹ *Museum Faces Legal Battle over Giant Pez Dispenser*, KTVU.com, July 1, 2009, <http://www.ktvu.com/print/19911637/detail.html>. The museum was originally called the Pez Museum, but the owners changed the name in response to a previous objection from Pez.

¹² Jesse McKinley, *A Quacking Kazoo Sets Off a Squabble*, N.Y. TIMES, June 3, 2009, at A16. Ducks are open-air amphibious vehicles that can be driven on streets and operated in the water.

¹³ The Chilling Effects Clearinghouse collects letters from trademark owners that make aggressive assertions of trademark (and other intellectual property) rights. See Chilling Effects Clearinghouse, <http://www.chillingeffects.org> (last visited Sept. 9, 2009). As of February 25, 2009, the Chilling Effects database contained 378 such letters. Among the many specious objections are an objection from the National Pork Board (owner of the trademark "THE OTHER WHITE MEAT") to the operator of a breastfeeding advocacy site called "The Lactivist" for selling T-shirts with the slogan "The Other White Milk," *Pork Board Has a Cow over Slogan Parody*, Chilling Effects Clearinghouse, Jan. 30, 2007, <http://www.chillingeffects.org/trademark/notice.cgi?NoticeID=6418>; from Kellogg to the registrant of the domain name "evilpoptarts.com," *Kelloggs Poops on Evilpoptarts.com*, Chilling Effects Clearinghouse, June 5, 2006, <http://www.chillingeffects.org/acpa/notice.cgi?NoticeID=4377>; from Nextel to the registrants of the domain name "nextpimp.com," *Nextel Says "Don't Pimp My Mark"*, Chilling Effects Clearinghouse, June 22, 2005, <http://www.chillingeffects.org/acpa/notice.cgi?NoticeID=2322>; and from the owners of the Marco Beach Ocean Resort to the operators of "urinal.net," a website that collects pictures of urinals in various public places, for depicting urinals at the Resort and identifying them as such, *Mark Owner Pissed About Urinals*, Chilling Effects Clearinghouse, Jan. 4, 2005, <http://www.chillingeffects.org/trademark/notice.cgi?NoticeID=1576>.

sometimes been persuaded to shut down very similar uses. In 1998, for instance, New Line Productions was set to release a comedy about a beauty pageant that took place at a farm-related fair in Minnesota. New Line called the movie *Dairy Queens* but was forced to change the name to *Drop Dead Gorgeous* after the franchisor of Dairy Queen restaurants obtained a preliminary injunction.¹⁴ The owners of a restaurant called the “Velvet Elvis” were forced to change its name after the estate of Elvis Presley sued for trademark infringement.¹⁵ A humor magazine called *Snicker* was forced to pull a parody “ad” for a mythical product called “Michelob Oily,” not because people thought Michelob was actually selling such a beer (only six percent did¹⁶), but because a majority of consumers surveyed thought that the magazine needed to receive permission from Anheuser-Busch to run the ad.¹⁷ And *Snicker* might face more trouble than that; another court enjoined a furniture delivery company from painting its truck to look like a famous candy bar.¹⁸

[3] The Mutual of Omaha Insurance Company persuaded a court to stop Franklyn Novak from selling T-shirts and other merchandise bearing the phrase “Mutant of Omaha” and depicting a side view of a feather-bonneted, emaciated human head.¹⁹ No one who saw Novak’s shirts reasonably could have believed Mutual of Omaha sold the T-shirts, but the court was impressed by evidence that approximately ten percent of all the persons surveyed thought that Mutual of Omaha “[went] along” with Novak’s products.²⁰ The creators of *Godzilla* successfully prevented the author of a book about *Godzilla* from titling the book *Godzilla*, despite clear indications on both the front and back covers that the book was not authorized by the creators.²¹

[4] The Heisman Trophy Trust prevented a T-shirt company called Smack Apparel from selling T-shirts that used variations of the word HEISMAN, such as “HE.IS.the.MAN,” to promote particular players for the Heisman Trophy.²² This was not Smack Apparel’s first trademark lesson: a court previously ordered it to stop selling T-shirts that used university colors and made oblique references to those universities’ football teams because the court believed the designs created “a link in the consumer’s mind between the T-shirts and the Universities” and demonstrated that Smack Apparel “inten[ded] to directly profit [from that link].”²³ Respect Sportswear was denied registration of “RATED R SPORTSWEAR” for men’s and women’s clothing on the ground that consumers would be confused into thinking the Motion Picture Association of America sponsored the clothes.²⁴ A street

¹⁴ *Am. Dairy Queen Corp. v. New Line Prods., Inc.*, 35 F. Supp. 2d 727, 728 (D. Minn. 1998).

¹⁵ *Elvis Presley Enters., Inc. v. Capece*, 141 F.3d 188 (5th Cir. 1998)

¹⁶ *Anheuser-Busch, Inc. v. Balducci Publ’ns*, 28 F.3d 769, 772-73 (8th Cir. 1994). That any consumers were confused was remarkable, and perhaps a statement about the reliability of consumer confusion surveys rather than the stupidity of 6% of the population.

¹⁷ *Id.*

¹⁸ *Hershey Co. v. Art Van Furniture, Inc.*, No. 08-14463, 2008 WL 4724756 (E.D. Mich. Oct. 24, 2008). Hershey has also sued Reese’s Nursery. Complaint at 1, *Hershey Chocolate & Confectionery Corp. v. Reese’s Nursery and Landscaping*, No. 3:09-CV-00017-JPB (N.D. W. Va. Mar. 19, 2009).

¹⁹ *Mutual of Omaha Ins. Co. v. Novak*, 836 F.2d 397, 397 (8th Cir. 1987).

²⁰ *Id.* at 400.

²¹ See *Toho Co. v. William Morrow & Co.*, 33 F. Supp. 2d 1206, 1206, 1212 (C.D. Cal. 1998).

²² *Heisman Trophy Trust v. Smack Apparel Co.*, No. 08 Civ. 9153(VM), 2009 WL 2170352, at *5 (S.D.N.Y. July 17, 2009). Smack Apparel produced several such T-shirts, including one that substituted the number 15 for “IS” in the word HEISMAN and was printed in the colors of the University of Florida, clearly to promote Florida quarterback Tim Tebow’s candidacy. See *Smack Apparel Lawsuit*, LSU Tiger Tailer Newsletter (LSU Trademark Licensing, Baton Rouge, La.), Jan. 30, 2009, at 6.

²³ *Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co.*, 550 F.3d 465, 484 (5th Cir. 2008).

²⁴ *Motion Picture Ass’n of Am. Inc. v. Respect Sportswear Inc.*, 83 U.S.P.Q.2d (BNA) 1555, 1564 (T.T.A.B. 2007).

musician who plays guitar in New York while (nearly) naked was permitted to pursue his claim against Mars on the theory consumers would assume he sponsored M&Ms candies, since Mars advertised M&Ms with a (naked) blue M&M playing a guitar.²⁵ A legitimate reseller of dietary supplements lost its motion for summary judgment in a suit by the supplements' brand owner because the court concluded the reseller might have confused consumers into thinking it was affiliated with the brand owner when it purchased ad space on Google and truthfully advertised the availability of the supplements.²⁶ Amoco persuaded a court that consumers might believe it sponsored Rainbow Snow's sno-cones, mostly because Rainbow Snow's shops were located in the same area as some of Amoco's Rainbo gas stations.²⁷ The National Football League successfully sued the state of Delaware for running a lottery based on point spreads in NFL games, even though the Lottery never used the NFL name or any of its marks for the purpose of identifying or advertising its games.²⁸ The court was persuaded that the betting cards' references to NFL football games by the names of the cities whose teams were playing might cause consumers to believe the NFL sponsored the lottery game.²⁹ And the owners of a Texas golf course that replicated famous golf holes from around the world were forced to change their course because one of the holes was, in the view of the Fifth Circuit, too similar to the corresponding South Carolina golf hole it mimicked.³⁰

[5] Whatever fraction of the total universe of trademark cases these cases constitute, there are enough of them that recipients of cease and desist letters from mark owners have to take the objections seriously. Indeed many simply cave in and change their practices rather than face the uncertainty of a lawsuit. The producers of the TV show *Felicity* changed the name of the university attended by characters on the show after New York University, the school originally referenced, objected to the depiction of those students as sexually active.³¹ The producers of a movie originally

²⁵ *Burck v. Mars, Inc.*, 571 F. Supp. 2d 446 (S.D.N.Y. 2008) (denying Mars' motion to dismiss plaintiff's false endorsement claim).

²⁶ *Standard Process, Inc. v. Total Health Discount, Inc.*, 559 F. Supp. 2d 932, 941 (E.D. Wis. 2008).

²⁷ *Amoco Oil Co. v. Rainbow Snow*, 748 F.2d 556, 559 (10th Cir. 1984). Rainbow Snow sold its snow cones from fourteen round, ten-by-six-foot booths, which were blue with a 180-degree, red-orange-yellow-green rainbow appearing on the upper half of the face of the booth and prominently displayed the name "Rainbow Snow" in white letters below the rainbow. *Id.* at 557. Signs at Amoco's Rainbo gas stations displayed the word "Rainbo" in white, with the word appearing against a black background and below a red-orange-yellow-blue truncated rainbow logo. *Id.*

²⁸ *NFL v. Governor of Del.*, 435 F. Supp. 1372, 1376, 1380-81 (D. Del. 1977). The lottery game was called "Scoreboard" and the individual games were identified as "Football Bonus," "Touchdown," and "Touchdown II." *Id.* at 1380.

²⁹ The cards on which the customers of the Delaware Lottery marked their betting choices identified the next week's NFL football games by the names of the cities whose NFL teams were scheduled to compete against each other (e.g., *Washington v. Baltimore*). *Id.* The parties stipulated that, in the context in which they appeared, these geographic names were intended to refer to, and consumers understood them to refer to, particular NFL football teams. *Id.* This was enough for the court to find sponsorship or affiliation confusion because, "[a]pparently, in this day and age when professional sports teams franchise pennants, teeshirts, helmets, drinking glasses and a wide range of other products, a substantial number of people believe, if not told otherwise, that one cannot conduct an enterprise of this kind without NFL approval." *Id.* at 1381. The court therefore entered a limited injunction "requiring the Lottery Director to include on Scoreboard tickets, advertising and any other materials prepared for public distribution a clear and conspicuous statement that Scoreboard [was] not associated with or authorized by the National Football League." *Id.*

³⁰ *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 526 (5th Cir. 1998).

³¹ Sara Lipka, *PG-13? Not This College. Or That One. Or . . .*, CHRON. HIGHER EDUC., June 26, 2009, at 1; William McGeveran, *Trademarks, Movies, and the Clearance Culture*, Info/Law, July 2, 2009, <http://blogs.law.harvard.edu/infolaw/2009/07/02/tm-movie-clearance/>.

titled *Stealing Stanford* changed the title of their movie after Stanford University objected to the movie's storyline, which centered on a student who stole money to pay tuition.³² It's possible that the producers of the show and the movie would have had legitimate defenses had they decided to use the real universities' names despite the objections, but in light of the case law outlined above, neither was willing to defend its right to refer to real places in their fictional storylines.³³ And anecdotes like these are becoming depressingly common. Production of the film *Moneyball*, which was based on Michael Lewis's best-selling profile of Oakland Athletics General Manager Billy Beane, was halted just days before shooting was set to begin in part because Major League Baseball disapproved of the script's depiction of baseball and therefore objected to use of its trademarks in the film.³⁴ Apparently Major League Baseball believes it can control the content of any film that refers to real baseball teams.

[6] What unifies all the cases that have given these creators such pause is that courts found actionable confusion notwithstanding the fact that consumers couldn't possibly have been confused about the actual source of the defendants' products

Though many of the examples provided in the Lemley & McKenna excerpt show severe overreach by trademark owners, there are of course counterexamples in which most would agree that trademark owners should have every right to seek to prevent association or affiliation confusion. For example, consumers might care strongly about whether a company is truthfully declaring itself to be an "Official Sponsor of the United States Olympic Team" or an "Official Sponsor of the United States Women's National Team."

In the following case, *Board of Supervisors for Louisiana State University Agricultural & Mechanical College v. Smack Apparel Co.*, 550 F.3d 465 (5th Cir. 2008), parts of which were excerpted in Part I.A.1.b, the Fifth Circuit addressed the argument that consumers do not care if the merchandise they purchase is authorized. The plaintiffs Louisiana State University, the University of Oklahoma, Ohio State University, the University of Southern California, and Collegiate Licensing Company (the official licensing agent for the universities) brought suit against defendant Smack Apparel for its unauthorized sale of apparel bearing the universities' colors and various printed messages associated with the universities. The Eastern District of Louisiana granted the plaintiffs' motion for summary judgment on the issue of trademark infringement. The Fifth Circuit affirmed. Excerpted here is the Fifth Circuit's discussion of sponsorship confusion and whether consumers prefer authorized merchandise in certain situations. Do you find it persuasive?

Note that the apparel at issue, further examples of which are given below, did not bear the universities' full names or mascots.

³² McGeeveran, *supra*. Apparently Harvard was less troubled about a student being depicted as having stolen money to pay its tuition: the movie was retitled *Stealing Harvard*.

³³ See also Vince Horiuchi, *HBO Disputes Trademark Infringement in 'Big Love,'* SALT LAKE TRIB., July 8, 2009 (discussing a lawsuit filed by the University of Utah over the three-second depiction of a fictional research report bearing the University of Utah logo).

³⁴ Michael Cieply, *Despite Big Names, Prestige Film Falls Through*, N.Y. TIMES, July 2, 2009, at B1.



Board of Supervisors for Louisiana State University Agricultural & Mechanical College v. Smack Apparel Co.

550 F.3d 465, 478-488 (5th Cir. 2008)

REAVLEY, Circuit Judge:

....

B. Likelihood of confusion

[1] Once a plaintiff shows ownership in a protectible trademark, he must next show that the defendant's use of the mark "creates a likelihood of confusion in the minds of potential customers as to the 'source, affiliation, or sponsorship' " of the product at issue. *Westchester Media v. PRL USA Holdings, Inc.*³⁸ When assessing the likelihood of confusion, we consider a nonexhaustive list of so-called "digits of confusion," including: "(1) the type of mark allegedly infringed, (2) the similarity between the two marks, (3) the similarity of the products or services, (4) the identity of the retail outlets and purchasers, (5) the identity of the advertising media used, (6) the defendant's intent, and (7) any evidence of actual confusion."⁴⁰ Courts also consider (8) the degree of care exercised by potential purchasers.⁴¹ No single factor is dispositive, and a finding of a likelihood of confusion need not be supported by a majority of the factors.⁴²

[2] Smack argues that there were genuine issues of material fact whether its t-shirt designs were likely to cause confusion among consumers. We disagree. The first digit, the type of mark, refers to the strength of the mark. Generally, the stronger the mark, the greater the likelihood that consumers will be confused by competing uses of the mark. We agree with the district court that the plaintiffs' marks, which have been used for over one hundred years, are strong. As noted above, Smack concedes that the Universities' color schemes are well-known and are used to identify the plaintiff Universities. It argues, however, that the district court disregarded evidence of third-party use of the Universities' team colors in a non-trademark manner, and it cites *Sun Banks of Florida, Inc. v. Sun Federal Savings and Loan Association*⁴⁶ in support of its argument.

³⁸ 214 F.3d 658, 663 (5th Cir.2000) (citation omitted).

⁴⁰ *Id.* at 664.

⁴¹ *Am. Rice*, 518 F.3d at 329.

⁴² *Id.*

⁴⁶ 651 F.2d 311 (5th Cir.1981).

[3] In *Sun Banks*, we held that “extensive” third-party use can weaken a mark and negate a likelihood of confusion. In that case there were “over 4400 businesses” in Florida that were using the word “Sun” in their names, and we noted that “a significant number” fell within the same category of financial institutions as the plaintiff.⁴⁸

[4] Smack presented photographs of three businesses in Louisiana, eight businesses in Ohio, and approximately 20 businesses in Oklahoma that incorporated in their signage color schemes similar to the school colors of LSU, OSU, and OU, respectively. The businesses included several restaurants and bars, a driving school, a pain management clinic, a theater, a furniture store, a dry cleaners, a motel, a donut shop, an apartment complex, and a car care company. All third-party use of a mark, not just use in the same industry as a plaintiff, may be relevant to whether a plaintiff’s mark is strong or weak.⁴⁹ But the key is whether the third-party use diminishes in the public’s mind the association of the mark with the plaintiff—surely lacking where colors are shown on a store wall. See *Univ. of Ga. Athletic Ass’n v. Laite*.⁵⁰ Smack’s evidence falls far below that of extensive use, and the specific photographs of third-party use here fail to create an issue of fact concerning the public’s association between the plaintiffs and color schemes and other indicia that clearly reference the Universities. We conclude that the Universities possess strong marks in their use of color schemes and other identifying indicia on college sports-themed merchandise.

[5] The second digit is the similarity of the marks. This factor requires consideration of the marks’ appearance, sound, and meaning. The district court held that the marks at issue are virtually identical. Smack argues that there was no evidence that any of its shirts were identical to any shirts licensed by the Universities and that its t-shirt designs are not at all similar to any of the Universities’ licensed products. Smack’s contention is belied by the record, and even a cursory comparison of Smack’s designs with the plaintiffs’ licensed products reveals striking similarity.

[6] For example, one of Smack’s shirt designs in purple and gold is referred to as the “sundial” shirt and was targeted toward LSU fans. The front of the shirt proclaims “2003 National Champions,” and the back contains the scores from twelve games won by LSU. The scores are arranged in a circle with a short phrase poking fun at each opponent. The shirt also contains the final score of the 2004 Sugar Bowl, which LSU won, and the phrase “Sweet as Sugar!” Although the shirt does not use the initials “LSU” anywhere, its identification of LSU as the national champion is unmistakable from the colors and from the references to the games in which LSU played. This shirt is strikingly similar to LSU’s own merchandise that also uses the purple and gold colors and proclaims LSU as the national champion. Several of the official designs contain the scores of the games from LSU’s season and at least two designs present those scores in a circular arrangement. The official designs also contain the phrases “Ain’t It Sweet!” and “Pour It On!”

[7] Another Smack shirt directed at LSU fans is the “Beat Oklahoma” shirt. It states, “Bring it Back to the Bayou.” This is very similar to two official designs that state in part “Bring It Home” and “We’ll Have Big Fun on the Bayou.”

[8] The evidence of similarity is not limited to the shirts targeted toward LSU fans. For example, the “Bourbon Street or Bust!” shirt directed at OU fans highlights the letters “OU” in a different type face in the words “Bayou” and “your.” It also states “Sweet as Sugar,” references beads, and contains a

⁴⁸ *Sun Banks*, 651 F.2d at 316.

⁴⁹ *Union Nat’l Bank of Tex.*, 909 F.2d at 848 n. 24; see also 2 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 11:88 (4th ed.) (“[E]vidence of extensive third party use on a wide range of goods and services does tend to weaken strength and narrow the scope of protection.”).

⁵⁰ 756 F.2d 1535, 1545 n. 27 (11th Cir.1985).

picture of a mardi gras mask. OU presented evidence of official t-shirt designs that also highlight the letters “OU,” contain phrases such as “Ain’t Nothin’ Sweeter” and “100% Pure Sugar,” and contain depictions of mardi gras masks and beads. Another Smack OU design encourages, “Let’s Make it Eight,” while official designs proclaim “Sugar is Sweet But ... 8 is Great!”

[9] In the district court, Smack presented the affidavit of its principal, Wayne Curtiss, who explained that Smack uses humor and creative language to distinguish its t-shirt designs from those of the purportedly more conservative licensed or school-endorsed apparel. Curtiss asserted that the “got seven?” and “got eight?” shirts directed toward OSU and USC fans, respectively, are parodies of the “got milk” campaign. He further averred that he has used a similar design on shirts for LSU and OU fans. It is clear from the record, however, that use of creative language is not unique to Smack and does not make Smack’s shirts dissimilar to the Universities’ own products. For example, LSU presented evidence of a school-endorsed design that included the phrase “got sugar?” We conclude that Smack’s shirts and the Universities’ products are similar in look, sound, and meaning, and contain very similar color schemes, words, and images. The similarities in design elements are overwhelming and weigh heavily in favor of a likelihood of confusion. The district court correctly held there is no genuine issue of material fact with respect to this digit of confusion.⁵⁴

[10] The third digit in the likelihood of confusion analysis is the similarity of the products or services. We disagree with Smack’s assertion that the district court did not find a great deal of similarity between the plaintiffs’ products and the t-shirts at issue, as the district court specifically held that “[i]t is undisputed that both Smack and the universities market shirts bearing the same color schemes, logos, and designs.”⁵⁵ The district court went on to reject Smack’s argument that its t-shirts differed from the Universities’ products because of the use of irreverent phrases or slang language, reasoning that Smack’s use of such phrases and language was a misuse of the Universities’ good will in its marks. Smack denies that it appropriated the Universities’ good will, but it does not make an argument here that its shirts are distinguishable from those of the Universities because of particular language on its shirts. We therefore find this factor weighs in favor of a likelihood of confusion.

[11] Smack concedes that the fourth factor of the analysis—identity of retail outlets and purchasers—weighs in favor of a likelihood of confusion because the Universities’ licensed products are often sold wholesale to the same retailers who purchase Smack’s products.

[12] The fifth digit is the identity of advertising media. The district court found that Smack used the Universities’ color schemes, logos, and designs in advertising its shirts at the same or similar venues as those used by the Universities. The court based its finding on Smack’s admission that it participated in the same trade shows as the Universities and that it displayed its shirts at the trade shows. The Universities do not point us to evidence that trade shows are a significant advertising channel for the kinds of products at issue in this case. Although the t-shirts are sold to the public at the same retail outlets as officially licensed merchandise, Curtiss testified that beside limited sales on Smack’s web site, Smack does not sell directly to the public and does not advertise. Curtiss testified that Smack sells mainly to wholesalers. Some of these wholesalers may include Smack’s shirts in

⁵⁴ Because we conclude that there is no issue of fact as to the similarity of the use of the marks in the t-shirt designs, we need not consider Smack’s contention that the district court erroneously stated there had been instances where consumers actually believed Smack’s shirts were affiliated with or sponsored by the Universities. Smack points to a stipulation by the parties at the summary judgment stage that there was no evidence any consumer purchased a Smack shirt believing it to be licensed by one of the Universities. Actual confusion on the part of a consumer is not required to find a likelihood of confusion, however. *Elvis Presley Enters.*, 141 F.3d at 203.

⁵⁵ *Bd. of Supervisors*, 438 F.Supp.2d at 660.

advertisements that promote their own business, but Curtiss was unable to provide much information about these ads. We conclude that this digit, based on trade show advertising, is minimally probative.

[13] The sixth digit of confusion further supports a likelihood of confusion. Although not necessary to a finding of likelihood of confusion, a defendant's intent to confuse may alone be sufficient to justify an inference that there is a likelihood of confusion. As noted by the district court, Smack admitted that it "used school colors and "other indicia" with the intent of identifying the university plaintiffs as the subject of the message expressed in the shirt design." Curtiss testified that it was "no coincidence" that Smack's shirts incorporated the color schemes of the plaintiff Universities and that he designed the shirts to make people think of the particular school that each shirt targeted. Smack asserts that its intent to copy is not the same as an intent to confuse. The circumstances of this case show, however, that Smack intended to capitalize on the potential for confusion. Smack knew that its shirts were sold in the same venues as and sometimes alongside officially licensed merchandise, and it intentionally incorporated color marks to create the kind of association with the Universities that would influence purchasers.

[14] The Eleventh Circuit found a likelihood of confusion based on a similar intent by the defendant to capitalize on the popularity of a college sports team. *Univ. of Ga. Athletic Ass'n v. Laite*.⁵⁹ In *Laite*, the defendant used school colors and a mark strikingly similar to the University of Georgia's bulldog mascot on cans to sell "Battlin' Bulldog Beer." After concluding that the defendant's bulldog mark was similar to the university's mark, the court turned to the defendant's intent, concluding "there can be no doubt that Laite hoped to sell 'Battlin' Bulldog Beer' not because the beer tastes great, but because the cans would catch the attention of University of Georgia football fans."⁶¹ Significantly, the court found "the defendant's intent and the similarity of design between the two marks sufficient to support the district court's finding of a 'likelihood of confusion'"⁶² The same is true here. Smack did not hope to sell its t-shirts because of some competitive difference in quality or design compared with the Universities' licensed products, but rather it intended to take advantage of the popularity of the Universities' football programs and the appearance of the school teams in the college bowl games. We have previously said that when a "mark was adopted with the intent of deriving benefit from the reputation of [the mark holder] that fact alone 'may be sufficient to justify the inference that there is confusing similarity.'" *Amstar Corp. v. Domino's Pizza, Inc.*⁶³ We believe that Smack's admitted intent and the similarity in appearance between Smack's shirts and the Universities' licensed products is strong evidence of a likelihood of confusion.

[15] Smack argues that an intent to confuse is negated by its use of its own logo and the words "Talkin' the Talk," which it maintains identifies it as the source of the shirt. We are not persuaded. Smack's logo appears in a space that is only 2.5 inches wide. We cannot conclude, without more, that this small and inconspicuous placement of the logo would disabuse consumers of a mistaken belief that the Universities sponsored, endorsed or were otherwise affiliated with the t-shirts.⁶⁴ Smack has not pointed to evidence that its own logo is recognizable by consumers or that it was acting to trade off its own reputation as a producer of specialty t-shirts. Nor are we convinced that Smack's logo on the shirts acts as a disclaimer. The Universities point out that they require all licensed products to contain

⁵⁹ 756 F.2d 1535 (11th Cir.1985).

⁶¹ *Id.* at 1545 (footnote omitted).

⁶² *Id.* at 1545.

⁶³ 615 F.2d 252, 263 (5th Cir.1980) (quoting RESTATEMENT OF TORTS § 729, comment f (1938)).

⁶⁴ *See Pebble Beach*, 155 F.3d at 552 (noting that "conspicuous disclaimers that disclaim affiliation may reduce or eliminate confusion").

the licensee's name. Therefore, a consumer could believe that Smack's logo merely indicated that it was a licensee.⁶⁶ We conclude that the intent digit weighs in favor of a conclusion that there is a likelihood of confusion.

[16] The seventh digit is evidence of actual confusion. Evidence that consumers have been actually confused in identifying the defendant's use of a mark as that of the plaintiff may be the best evidence of a likelihood of confusion. It is well established, however, that evidence of actual confusion is not necessary for a finding of a likelihood of confusion. The district court did not resolve whether there was sufficient evidence of actual confusion, and because such evidence is not required we also find it unnecessary to pass on the question further.⁶⁹

[17] With respect to the eighth digit of confusion—the degree of care exercised by potential purchasers—the district court held that the t-shirts at issue are relatively inexpensive impulse items that are not purchased with a high degree of care. Where items are relatively inexpensive, a buyer may take less care in selecting the item, thereby increasing the risk of confusion. Smack contends there was insufficient evidence for the district court's conclusion. In response, the Universities note Curtiss' testimony that he hoped customers' decisions to purchase Smack's shirts would be "quick," and they point out that the shirts sell for less than \$18. Smack cites no evidence to demonstrate an issue of fact on this point, and we agree with the district court that this digit weighs in favor of a likelihood of confusion.

[18] After reviewing the record, we conclude that there is no genuine issue of fact that Smack's use of the Universities' color schemes and other identifying indicia creates a likelihood of confusion as to the source, affiliation, or sponsorship of the t-shirts. As noted above, the digits of confusion—particularly the overwhelming similarity of the marks and the defendant's intent to profit from the Universities' reputation—compel this conclusion. This is so, we have noted, because Smack's use of the Universities' colors and indicia is designed to create the illusion of affiliation with the Universities and essentially obtain a "free ride" by profiting from confusion among the fans of the Universities' football teams who desire to show support for and affiliation with those teams.⁷² This creation of a link in the consumer's mind between the t-shirts and the Universities and the intent to directly profit therefrom results in "an unmistakable aura of deception" and likelihood of confusion.

[19] Smack contends that there is no evidence that consumers care one way or the other whether t-shirts purchased for wear at a football game are officially licensed and that, absent evidence that consumers prefer licensed merchandise, it was error for the district court to conclude there was a likelihood of confusion. Smack relies in part on our decision in *Supreme Assembly, Order of Rainbow for Girls v. J.H. Ray Jewelry Company*.⁷⁴ The context of that case is different from the instant case.

[20] In *Rainbow for Girls*, a fraternal organization and its official jeweler sued a retailer for trademark infringement based on the retailer's sale of jewelry bearing the organization's registered

⁶⁶ See *A.T. Cross Co. v. Jonathan Bradley Pens, Inc.*, 470 F.2d 689, 692 (2d Cir.1972) (defendant's placement of its own name on pen also bearing mark similar to plaintiff's mark "does not save the day; a purchaser could well think plaintiff had licensed defendant as a second user and the addition is thus 'an aggravation, and not a justification' " (citation omitted)).

⁶⁹ The Universities contend that there was evidence of actual confusion consisting of consumer surveys concerning two of the six t-shirt designs and testimony from Curtiss that "I have had people come up and go-at the booth and go, 'Are these licensed?' " The evidence is arguably minimal, see *Amstar*, 615 F.2d at 263, but as discussed we need not resolve the matter.

⁷² See *Boston Athletic Ass'n v. Sullivan*, 867 F.2d 22, 33 (1st Cir.1989) ("Defendants' shirts are clearly designed to take advantage of the Boston Marathon and to benefit from the good will associated with its promotion by plaintiffs. Defendants thus obtain a 'free ride' at plaintiffs' expense.").

⁷⁴ 676 F.2d 1079 (5th Cir.1982).

mark. Purchasers in the fraternal-organization jewelry market bought jewelry to show membership and status in the organization. We upheld the district court’s finding of no likelihood of confusion, concluding that “[t]he fact that purchasers purchased Rainbow jewelry as a direct result of the presence of the Rainbow emblem does not compel the conclusion that they did so believing that the jewelry was in any way endorsed, sponsored, approved or otherwise associated with Rainbow, *given the court’s findings*.”⁷⁶ The district court had held that there was no historic custom or practice specific to Rainbow jewelry or to the fraternal jewelry industry that Rainbow jewelry could be manufactured only with Rainbow’s sponsorship or approval. Instead, the court noted that fraternal organizations exercised little control over the manufacture of jewelry bearing their emblems. Furthermore, the court had held that because Rainbow’s “official jeweler” was itself well-advertised and used its own distinctive mark on the jewelry, any jewelry without that distinctive mark could not cause confusion. We noted that the district court’s findings distinguished the case from our decision in *Boston Professional Hockey Association v. Dallas Cap & Emblem Manufacturing*.

[21] In *Boston Hockey*, we held that the defendant infringed the plaintiff’s trademark rights by selling embroidered patches containing the emblems of professional hockey teams.⁸¹ There, the emblems were sold for use by the public to show “allegiance to or identification with the teams.”⁸² We held that the likelihood of confusion requirement was met because the defendant duplicated and sold the emblems “knowing that the public would identify them as being the teams’ trademarks” and because the public’s “certain knowledge . . . that the source and origin of the trademark symbols were in plaintiffs satisfies the requirements of the act.”⁸³

[22] Subsequently, in *Kentucky Fried Chicken Corporation v. Diversified Packaging Corporation*, we recognized that *Boston Hockey* might be read to dispose of the confusion issue when buyers undoubtedly know that the plaintiff is the source and origin of a mark.⁸⁴ We reiterated that a showing of likelihood of confusion was still required. But we noted that the circumstances in *Boston Hockey* supported the likelihood of confusion there insofar as the sale of products “universally associated” with the hockey team “supported the inescapable inference that many would believe that the product itself originated with or was somehow endorsed by Boston Hockey.” In *Rainbow for Girls*, the district court opinion, which we upheld, also recognized in reference to *Boston Hockey* that “(i)t is not unreasonable to conclude, given the degree to which sports emblems are used to advertise teams and endorse products, that a consumer seeing the emblem or name of a team on or associated with a good or service would assume some sort of sponsorship or association between the product’s seller and the team.”⁸⁷

[23] We agree with this reasoning as applied to this case, which is more like *Boston Hockey* than *Rainbow for Girls*. We hold that given the record in this case and the digits of confusion analysis discussed above—including the overwhelming similarity between the defendant’s t-shirts and the Universities’ licensed products, and the defendant’s admitted intent to create an association with the plaintiffs and to influence consumers in calling the plaintiffs to mind—that the inescapable conclusion is that many consumers would likely be confused and believe that Smack’s t-shirts were sponsored or endorsed by the Universities. The Universities exercise stringent control over the use of their marks on apparel through their licensing program. It is also undisputed that the Universities annually sell

⁷⁶ *Id.* at 1084 (emphasis added).

⁸¹ 510 F.2d 1004 (5th Cir. 1975).

⁸² *Id.* at 1011.

⁸³ *Id.* at 1012.

⁸⁴ 549 F.2d 368, 389 (5th Cir. 1977).

⁸⁷ *Rainbow for Girls*, 676 F.2d at 1085.

millions of dollars worth of licensed apparel. We further recognize the public's indisputable desire to associate with college sports teams by wearing team-related apparel. We are not persuaded that simply because some consumers might not care whether Smack's shirts are officially licensed the likelihood of confusion is negated. Whether or not a consumer *cares* about official sponsorship is a different question from whether that consumer would likely *believe* the product is officially sponsored. For the foregoing reasons, we conclude that a likelihood of confusion connecting the presence of the Universities' marks and the Universities' themselves was demonstrated in this case.

....

Questions and Comments

1. *Materiality and Consumer Confusion.* How might courts constrain the enormous expansion of "sponsorship or affiliation" confusion? Lemley & McKenna:

[W]e argue that courts can begin to rein in some of these excesses by focusing their attention on confusion that is actually relevant to purchasing decisions. Uses of a trademark that cause confusion about actual source or about responsibility for quality will often impact purchasing decisions, so courts should presume materiality and impose liability when there is evidence such confusion is likely. Uses alleged to cause confusion about more nebulous relationships, on the other hand, are more analogous to false advertising claims, and those uses should be actionable only when a plaintiff can prove the alleged confusion is material to consumers' decision making.

Mark A. Lemley & Mark McKenna, *Irrelevant Confusion*, 62 STAN. L. REV. 413, 416 (2010).

2. *The "Circularity" Problem in Trademark Law.* Trademark commentators have long identified a fundamental problem with basing the subject matter and scope of trademark rights on consumer perception. The problem is that consumer perception is itself based at least in part on what the law allows to occur in the marketplace—and even more problematically, on what consumers *think* the law allows to occur in the marketplace. McCarthy explains:

Th[e] reality of modern brand extensions raises the "circularity" question. If consumers think that most uses of a trademark require authorization, then in fact they will require authorization because the owner can enjoin consumer confusion caused by unpermitted uses or charge for licenses. And if owners can sue to stop unauthorized uses, then only authorized uses will be seen by consumers, creating or reinforcing their perception that authorization is necessary. This is a "chicken and the egg" conundrum. Which comes first? The trademark right on far-flung items or the license? Licensing itself may affect consumer perception if consumers see a plethora of items with the mark perhaps accompanied by an "authorized by" label.

MCCARTHY § 24:9. *See also* Mark A. Lemley, *The Modern Lanham Act and the Death of Common Sense*, 108 YALE L.J. 1687, 1708 (1999) ("Ironically, having accepted the merchandising rationale for certain sorts of trademarks, we may find it hard to undo. It is possible that consumers have come to expect that "Dallas Cowboys" caps are licensed by the Cowboys, not because they serve a trademark function, but simply because the law has recently required such a relationship. If this expectation exits, consumers may be confused if the law changes."); Robert C. Denicola, *Freedom to Copy*, 108 YALE L.J. 1661, 1668 (1999).

3. *Trademark rights in fictional elements of expressive works?* In *Lucasfilm Ltd. LLC v. Ren Ventures Ltd.*, No. 17 Civ. 07249, 2018 WL 2392963 (N.D. Cal. Apr. 24, 2018), the defendants produced a mobile game app entitled "Sabacc—The High Stakes Card Game," which was based on the card game Sabacc described in several novels from the fictional *Star Wars* universe (and which was featured in the *Star Wars* film *Solo: A Star Wars Story*). The plaintiff asserted trademark rights in the name. In denying the

defendants' motion to dismiss, the Northern District of California cited several previous cases in which courts recognized trademark rights in fictional elements of expressive works:

Defendants next contend that the name of a fictional good or service in an expressive work does not function as a mark for the expressive work in which the fictional good or service appears. On the contrary, courts have long held that fictional elements of expressive works can function as trademarks when those elements symbolize the plaintiff or its product to the consuming public. *See DC Comics, Inc. v. Filmation Assocs.*, 486 F. Supp. 1273, 1277 (S.D.N.Y. 1980). Following this principal, courts have extended trademark protection to the "General Lee" car from the television series "The Dukes of Hazzard," *see Warner Bros., Inc. v. Gay Toys, Inc.*, 658 F.2d 76, 78 (2d Cir. 1981), the fictional restaurant "The Krusty Krab" from the "SpongeBob SquarePants" television series, *see Viacom Int'l Inc. v. IJR Capital Invs., LLC*, 242 F. Supp. 3d 563, 569 (S.D. Tex. 2017), the "Hobbit" characters from J.R.R. Tolkien's works, *see Warner Bros. Entm't v. Glob. Asylum, Inc.*, No. CV 12-9547, 2012 WL 6951315 at *3-5 (C.D. Cal. Dec. 10, 2012), the fictional element "Kryptonite" associated with Superman comics, *see DC Comics v. Kryptonite Corp.*, 336 F. Supp. 2d 324, 332, 35 (S.D.N.Y. 2004), and the physical appearance of the E.T. character from its titular motion picture film, *see Universal City Studios, Inc. v. J.A.R. Sales, Inc.*, No. 82-4892, 1982 WL 1279 at *4 (C.D. Cal. Oct. 20, 1982).

In the face of this weight of authority, defendants point to several administrative decisions from the Trademark Trial and Appeal Board (TTAB) where the Board refused to recognize certain fictional elements as being trademarks. *See Mot. to Dismiss* at 17-18. Yet these decisions merely suggest that fanciful elements do not *always* function as marks for the expressive works in which they appear, not that they may *never* do so. For example, in *Paramount Pictures Corp. v. Romulan Invasions*, 7 U.S.P.Q.2d 1897 (T.T.A.B. Mar. 31, 1988), Paramount sought to enjoin a rock band from registering "The Romulans" as the group's name, on the grounds that "Romulans" are a fictional alien race appearing in the *Star Trek* franchise. While the Board provided no explanatory reasoning for its conclusion that Paramount's use of the name did not confer trademark rights, a reasonable consumer would not likely assume the rock band was affiliated with the *Star Trek* franchise on account of its name alone. Thus, the Board concluded Paramount's use of "Romulans" should not preclude registration of the rock band's name.

Lucasfilm Ltd. LLC, 2018 WL 2392963, at *3-4.

6. Initial Interest Confusion

Virgin Enterprises focused on "point of sale" confusion, i.e., consumer confusion as to source at the moment when the consumer purchases the defendant's goods or services. We turn now to other modes of confusion. We consider first "initial interest confusion," which "occurs when a customer is lured to a product by the similarity of the mark, even if the customer realizes the true source of the goods before the sale is consummated." *Promatek Indus., Ltd. v. Equitrac Corp.*, 300 F.3d 808, 812 (7th Cir. 2002), as amended (Oct. 18, 2002) (citation omitted). *See also Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331, 1342 (2d Cir. 1975) (finding "initial confusion" when the declaratory plaintiff used the mark GROTRIAN-STEINWEG for pianos even if no consumers ultimately purchased the plaintiff's pianos believing them to be STEINWAY pianos). The case that follows considers initial interest confusion in the context of online shopping on Amazon.com's website.

In reading through the majority opinion and dissent below, consider the extent to which trademark law should be not merely reactive to consumer conduct (i.e., merely *descriptive* of actual consumer conduct), but also normative with respect to consumer conduct (i.e., affirmatively *prescriptive* of proper consumer conduct). In other words, on the following facts, should trademark law allow some degree of confusion in the short term so that consumers can learn in the long term not to

be confused by Amazon’s conduct? Should trademark law seek over time to change consumers’ habits in how they might interpret shopping websites or other shopping venues? Are federal judges and federal trademark litigation properly suited to this task? *See* Graeme B. Dinwoodie, *Trademark Law and Social Norms* (2006) (discussing courts’ “reactive” and “proactive” approaches to the development of trademark law); Alfred C. Yen, *The Constructive Role of Confusion in Trademark Law*, 93 N.C. L. REV. 77 (2014) (criticizing trademark law’s absolute “eradicate confusion norm” and arguing that some degree of consumer confusion may encourage consumers to develop the cognitive skills needed to navigate complex marketplaces).

Note also that in the following case, the dissenter, Judge Bea, originally authored the majority opinion, which was issued on July 6, 2015, with Judge Silverman dissenting. The third panelist, Judge Quist, then switched his vote. The panel issued a superseding opinion, with Judge Silverman writing for the majority. Did Judge Quist make the right decision?

Multi Time Machine v. Amazon.com
804 F.3d 930 (9th Cir. Oct. 21, 2015), superseding 792 F.3d 1070 (9th Cir. July 6, 2015)

SILVERMAN, Circuit Judge:

[1] In the present appeal, we must decide whether the following scenario constitutes trademark infringement: A customer goes online to Amazon.com looking for a certain military-style wristwatch—specifically the “MTM Special Ops”—marketed and manufactured by Plaintiff Multi Time Machine, Inc. The customer types “mtm special ops” in the search box and presses “enter.” Because Amazon does not sell the MTM Special Ops watch, what the search produces is a list, with photographs, of several other brands of military style watches that Amazon *does* carry, specifically identified by their brand names—Luminox, Chase–Durer, TAWATEC, and Modus.

[2] MTM brought suit alleging that Amazon’s response to a search for the MTM Special Ops watch on its website is trademark infringement in violation of the Lanham Act. MTM contends that Amazon’s search results page creates a likelihood of confusion, even though there is no evidence of any actual confusion and even though the other brands are clearly identified by name. The district court granted summary judgment in favor of Amazon, and MTM now appeals.

[3] We affirm. “The core element of trademark infringement” is whether the defendant’s conduct “is likely to confuse customers about the source of the products.” *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1290 (9th Cir. 1992). Because Amazon’s search results page clearly labels the name and manufacturer of each product offered for sale and even includes photographs of the items, no reasonably prudent consumer accustomed to shopping online would likely be confused as to the source of the products. Thus, summary judgment of MTM’s trademark claims was proper.

I. Factual and Procedural Background

[4] MTM manufactures and markets watches under various brand names including MTM, MTM Special Ops, and MTM Military Ops. MTM holds the federally registered trademark “MTM Special Ops” for timepieces. MTM sells its watches directly to its customers and through various retailers. To cultivate and maintain an image as a high-end, exclusive brand, MTM does not sell its watches through Amazon.com. Further, MTM does not authorize its distributors, whose agreements require them to seek MTM’s permission to sell MTM’s products anywhere but their own retail sites, to sell MTM watches on Amazon.com. Therefore, MTM watches have never been available for sale on Amazon.com.

[5] Amazon is an online retailer that purports to offer “Earth’s Biggest Selection of products.” Amazon has designed its website to enable millions of unique products to be sold by both Amazon and third party sellers across dozens of product categories.

[6] Consumers who wish to shop for products on Amazon’s website can utilize Amazon’s search function In order to provide search results in which the consumer is most likely to be interested,

Amazon’s search function does not simply match the words in the user’s query to words in a document, such as a product description in Amazon.com’s catalog. Rather, Amazon’s search function—like general purpose web search engines such as Google or Bing—employs a variety of techniques, including some that rely on user behavior, to produce relevant results. By going beyond exactly matching a user’s query to text describing a product, Amazon’s search function can provide consumers with relevant results that would otherwise be overlooked.

[7] Consumers who go onto Amazon.com and search for the term “mtm special ops” are directed to a search results page. On the search results page, the search query used—here, “mtm special ops”—is displayed twice: in the search query box and directly below the search query box in what is termed a “breadcrumb.” The breadcrumb displays the original query, “mtm special ops,” in quotation marks to provide a trail for the consumer to follow back to the original search. Directly below the breadcrumb, is a “Related Searches” field, which provides the consumer with alternative search queries in case the consumer is dissatisfied with the results of the original search. Here, the Related Search that is suggested to the consumer is: “mtm special ops watch.” Directly below the “Related Searches” field is a gray bar containing the text “Showing 10 Results.” Then, directly below the gray bar is Amazon’s product listings. The gray bar separates the product listings from the breadcrumb and the “Related Searches” field. The particular search results page at issue is displayed below:

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MTM watches are not listed on the page for the simple reason that neither Amazon nor MTM sells MTM watches on Amazon.

[8] MTM filed a complaint against Amazon, alleging that Amazon’s search results page infringes MTM’s trademarks in violation of the Lanham Act. Amazon filed a motion for summary judgment, arguing that (1) it is not using MTM’s mark in commerce and (2) there is no likelihood of consumer confusion. In ruling on Amazon’s motion for summary judgment, the district court declined to resolve the issue of whether Amazon is using MTM’s mark in commerce, and, instead, addressed the issue of likelihood of confusion. In evaluating likelihood of confusion, the district court utilized the eight-factor test set forth in *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979). Relying on our recent decision in *Network Automation, Inc. v. Advanced Systems Concepts*, 638 F.3d 1137 (9th Cir. 2011), the district court focused in particular on the following factors: (1) the strength of MTM’s mark; (2) the evidence of actual confusion and the evidence of no confusion; (3) the type of goods and degree of care

likely to be exercised by the purchaser; and (4) the appearance of the product listings and the surrounding context on the screen displaying the results page. Upon reviewing the factors, the district court concluded that the relevant *Sleekcraft* factors established “that there is no likelihood of confusion in Amazon’s use of MTM’s trademarks in its search engine or display of search results.” Therefore, the district court granted Amazon’s motion for summary judgment.

....

III. Discussion

....

[9] Here, the district court was correct in ruling that there is no likelihood of confusion. Amazon is responding to a customer’s inquiry about a brand it does not carry by doing no more than stating clearly (and showing pictures of) what brands it does carry. To whatever extent the *Sleekcraft* factors apply in a case such as this—a merchant responding to a request for a particular brand it does not sell by offering other brands clearly identified as such—the undisputed evidence shows that confusion on the part of the inquiring buyer is not at all likely. Not only are the other brands clearly labeled and accompanied by photographs, there is no evidence of actual confusion by anyone.

[10] To analyze likelihood of confusion, we utilize the eight-factor test set forth in *Sleekcraft* . . . [T]he *Sleekcraft* factors are not exhaustive and other variables may come into play depending on the particular facts presented. *Network Automation*, 638 F.3d at 1145–46. This is particularly true in the Internet context. See *Brookfield*, 174 F.3d at 1054 (“We must be acutely aware of excessive rigidity when applying the law in the Internet context; emerging technologies require a flexible approach.”). Indeed, in evaluating claims of trademark infringement in cases involving Internet search engines, we have found particularly important an additional factor that is outside of the eight-factor *Sleekcraft* test: “the labeling and appearance of the advertisements and the surrounding context on the screen displaying the results page.” *Network Automation*, 638 F.3d at 1154.

[11] In the present case, the eight-factor *Sleekcraft* test is not particularly apt. This is not surprising as the *Sleekcraft* test was developed for a different problem—i.e., for analyzing whether two competing brands’ marks are sufficiently similar to cause consumer confusion. See *Sleekcraft*, 599 F.2d at 348. Although the present case involves brands that compete with MTM, such as Luminox, Chase–Durer, TAWATEC, and Modus, MTM does not contend that the marks for these competing brands are similar to its trademarks. Rather, MTM argues that the design of Amazon’s search results page creates a likelihood of initial interest confusion² because when a customer searches for MTM Special Ops watches on Amazon.com, the search results page displays the search term used—here, “mtm special ops”—followed by a display of numerous watches manufactured by MTM’s competitors and offered for sale by Amazon, without explicitly informing the customer that Amazon does not carry MTM watches.

[12] Thus, the present case focuses on a different type of confusion than was at issue in *Sleekcraft*. Here, the confusion is not caused by the design of the competitor’s mark, but by the design of the web page that is displaying the competing mark and offering the competing products for sale. *Sleekcraft* aside, the ultimate test for determining likelihood of confusion is whether a “reasonably prudent

² “Initial interest confusion is customer confusion that creates initial interest in a competitor’s product. Although dispelled before an actual sale occurs, initial interest confusion impermissibly capitalizes on the goodwill associated with a mark and is therefore actionable trademark infringement.” *Playboy Enters. v. Netscape Commc’ns Corp.*, 354 F.3d 1020, 1025 (9th Cir. 2004).

Following the issuance of the original opinion in this action, several amici filed briefs questioning the validity of the doctrine of initial interest confusion in the context of the Internet. However, in the present appeal, the parties did not dispute the application of the doctrine of initial interest confusion, and we as a three-judge panel are bound by the precedent of our court. See *Miller v. Gammie*, 335 F.3d 889, 899 (9th Cir. 2003) (“[A] three-judge panel may not overrule a prior decision of the court.”).

consumer” in the marketplace is likely to be confused as to the origin of the goods. *Dreamwerks*, 142 F.3d at 1129. Our case can be resolved simply by a evaluation of the web page at issue and the relevant consumer. *Cf. Brookfield*, 174 F.3d at 1054 (“[I]t is often possible to reach a conclusion with respect to likelihood of confusion after considering only a subset of the factors.”). Indeed, we have previously noted that “[i]n the keyword advertising context [i.e., where a user performs a search on the internet, and based on the keywords contained in the search, the resulting web page displays certain advertisements containing products or services for sale,] the ‘likelihood of confusion will ultimately turn on what the consumer saw on the screen and reasonably believed, given the context.’” *Network Automation*, 638 F.3d at 1153. In other words, the case will turn on the answers to the following two questions: (1) Who is the relevant reasonable consumer?; and (2) What would he reasonably believe based on what he saw on the screen?

[13] Turning to the first question, we have explained that “[t]he nature of the goods and the type of consumer is highly relevant to determining the likelihood of confusion in the keyword advertising context.” *Network Automation*, 638 F.3d at 1152. “In evaluating this factor, we consider ‘the typical buyer exercising ordinary caution.’” *Au-Tomotive Gold, Inc. v. Volkswagen of Am., Inc.*, 457 F.3d 1062, 1076 (9th Cir. 2006) (quoting *Sleekcraft*, 599 F.2d at 353). “Confusion is less likely where buyers exercise care and precision in their purchases, such as for expensive or sophisticated items.” *Id.* Moreover, “the default degree of consumer care is becoming more heightened as the novelty of the Internet evaporates and online commerce becomes commonplace.” *Network Automation*, 638 F.3d at 1152.

[14] The goods in the present case are expensive. It is undisputed that the watches at issue sell for several hundred dollars. Therefore, the relevant consumer in the present case “is a reasonably prudent consumer accustomed to shopping online.” *Toyota Motor Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1176 (9th Cir. 2010).

[15] Turning to the second question, as MTM itself asserts, the labeling and appearance of the products for sale on Amazon’s web page is the most important factor in this case. This is because we have previously noted that clear labeling can eliminate the likelihood of initial interest confusion in cases involving Internet search terms . . . MTM agrees that summary judgment of its trademark claims is appropriate if there is clear labeling that avoids likely confusion.

[16] Here, the products at issue are clearly labeled by Amazon to avoid any likelihood of initial interest confusion by a reasonably prudent consumer accustomed to online shopping. When a shopper goes to Amazon’s website and searches for a product using MTM’s trademark “mtm special ops,” the resulting page displays several products, all of which are clearly labeled with the product’s name and manufacturer in large, bright, bold letters and includes a photograph of the item. In fact, the manufacturer’s name is listed twice. For example, the first result is “Luminox Men’s 8401 Black Ops Watch by Luminox.” The second result is “Chase–Durer Men’s 246.4BB7–XL–BR Special Forces 1000XL Black Ionic–Plated Underwater Demolition Team Watch by Chase–Durer.” Because Amazon clearly labels each of the products for sale by brand name and model number accompanied by a photograph of the item, it is unreasonable to suppose that the reasonably prudent consumer accustomed to shopping online would be confused about the source of the goods.

[17] MTM argues that initial interest confusion might occur because Amazon lists the search term used—here the trademarked phrase “mtm special ops”—three times at the top of the search page. MTM argues that because Amazon lists the search term “mtm special ops” at the top of the page, a consumer might conclude that the products displayed are types of MTM watches. But, merely looking at Amazon’s search results page shows that such consumer confusion is highly unlikely. None of these watches is labeled with the word “MTM” or the phrase “Special Ops,” let alone the specific phrase “MTM Special Ops.” Further, some of the products listed are not even watches. The sixth result is a book entitled “Survive!: The Disaster, Crisis and Emergency Handbook by Jerry Ahem.” The tenth result is a book entitled “The Moses Expedition: A Novel by Juan Gómez–Jurado.” No reasonably prudent

consumer, accustomed to shopping online or not, would assume that a book entitled “The Moses Expedition” is a type of MTM watch or is in any way affiliated with MTM watches. Likewise, no reasonably prudent consumer accustomed to shopping online would view Amazon’s search results page and conclude that the products offered are MTM watches. It is possible that someone, somewhere might be confused by the search results page. But, “[u]nreasonable, imprudent and inexperienced web-shoppers are not relevant.” *Tabari*, 610 F.3d at 1176; *see also Network Automation*, 638 F.3d at 1153 (“[W]e expect consumers searching for expensive products online to be even more sophisticated.”). To establish likelihood of confusion, MTM must show that confusion is *likely*, not just *possible*. *See Murray*, 86 F.3d at 861.

[18] MTM argues that in order to eliminate the likelihood of confusion, Amazon must change its search results page so that it explains to customers that it does not offer MTM watches for sale before suggesting alternative watches to the customer. We disagree. The search results page makes clear to anyone who can read English that Amazon carries only the brands that are clearly and explicitly listed on the web page. The search results page is unambiguous—not unlike when someone walks into a diner, asks for a Coke, and is told “No Coke. Pepsi.” *See Multi Time Mach., Inc. v. Amazon.com, Inc.*, 792 F.3d 1070, 1080–81 (9th Cir. 2015) (Silverman, J., dissenting).

....

[19] The likelihood of confusion is often a question of fact, but not always. In a case such as this, where a court can conclude that the consumer confusion alleged by the trademark holder is highly unlikely by simply reviewing the product listing/advertisement at issue, summary judgment is appropriate.

[20] Further, we are able to conclude that summary judgment is appropriate in the present case without delving into any factors other than: (1) the type of goods and the degree of care likely to be exercised by the purchaser; and (2) the labeling and appearance of the products for sale and the surrounding context on the screen displaying the results page . . . However, if we were to evaluate each of the remaining *Sleekcraft* factors, those factors would not change our conclusion, here, because those factors are either neutral or unimportant . . .

IV. Conclusion

[21] In light of Amazon’s clear labeling of the products it carries, by brand name and model, accompanied by a photograph of the item, no rational trier of fact could find that a reasonably prudent consumer accustomed to shopping online would likely be confused by the Amazon search results. Accordingly, we affirm the district court’s grant of summary judgment in favor of Amazon.

BEA, Circuit Judge, dissenting:

[1] Today the panel holds that when it comes to internet commerce, judges, not jurors, decide what labeling may confuse shoppers. In so doing, the court departs from our own trademark precedent and from our summary judgment jurisprudence. Because I believe that an Amazon shopper seeking an MTM watch might well initially think that the watches Amazon offers for sale when he searches “MTM Special Ops” are affiliated with MTM, I must dissent.

[2] If her brother mentioned MTM Special Ops watches, a frequent internet shopper might try to purchase one for him through her usual internet retail sites, perhaps Overstock.com, Buy.com, and Amazon.com. At Overstock’s site, if she typed “MTM special ops,” the site would respond “Sorry, your search: ‘mtm special ops’ returned no results.” Similarly, at Buy.com, she would be informed “0 results found. Sorry. Your search for **mtm special ops** did not return an exact match. Please try your search again.”

[3] Things are a little different over at “Earth’s most customer-centric company,” as Amazon styles itself. There, if she were to enter “MTM Special Ops” as her search request on the Amazon

website, Amazon would respond with its page showing (1) MTM Special Ops in the search field (2) “MTM Specials Ops” again—in quotation marks—immediately below the search field and (3) yet again in the phrase “Related Searches: *MTM special ops watch*,” (emphasis in original) all before stating “Showing 10 Results.” What the website’s response will not state is the truth recognized by its competitors: that Amazon does not carry MTM products any more than do Overstock.com or Buy.com. Rather, below the search field, and below the second and third mentions of “MTM Special Ops” noted above, the site will display aesthetically similar, multi-function watches manufactured by MTM’s competitors. The shopper will see that Luminox and Chase–Durer watches are offered for sale, in response to her MTM query.²

[4] MTM asserts the shopper might be confused into thinking a relationship exists between Luminox and MTM; she may think that MTM was acquired by Luminox, or that MTM manufactures component parts of Luminox watches, for instance. As a result of this initial confusion, MTM asserts, she might look into buying a Luminox watch, rather than junk the quest altogether and seek to buy an MTM watch elsewhere. MTM asserts that Amazon’s use of MTM’s trademarked name is likely to confuse buyers, who may ultimately buy a competitor’s goods.

[5] MTM may be mistaken. But whether MTM is mistaken is a question that requires a factual determination, one this court does not have authority to make.

[6] By usurping the jury function, the majority today makes new trademark law. When we allow a jury to determine whether there is a likelihood of confusion, as I would, we do not *make* trademark law, because we announce no new principle by which to adjudicate trademark disputes. Today’s brief majority opinion accomplishes a great deal: the majority announces a new rule of law, resolves whether “clear labeling” favors Amazon using its own judgment, and, sub silentio, overrules this court’s “initial interest confusion” doctrine.

[7] Capturing initial consumer attention has been recognized by our court to be a grounds for finding of infringement of the Lanham Act since 1997 It may not apply where the competing goods or services are “clearly labeled” such that they cause only mere diversion, but whether such goods or services are clearly labeled so as to prevent a prudent internet shopper’s initial confusion depends on the overall function and presentation of the web page. The issue is whether a prudent internet shopper who made the search request and saw the Amazon result—top to bottom—would more likely than not be affected by that “initial interest confusion.” That is, an impression—when first shown the results of the requested MTM Special Ops search—that Amazon carries watches that have some connection to MTM, and that those watches are sold under the name Luminox or Chase–Durer. Whether there is likelihood of such initial interest confusion, I submit, is a jury question. Intimations in our case law that initial interest confusion is bad doctrine notwithstanding, it is the law of our circuit, and, I submit, the most fair reading of the Lanham Act.

[8] Tellingly, the majority does not cite to the statutory text, which provides that the nonconsensual use of a registered trademark will infringe where “such use is likely to cause confusion,

² As of June 17, 2015, the shopper might be subject to even more confusion if she began her search of Amazon’s wares through Google. If she searched Google for “Amazon MTM special ops watch,” one of the search results would be a static page on Amazon’s website. Amazon’s static webpage stated that “At Amazon.com, we not only have a large collection of mtm special ops watch products [which, of course, is flatly untrue], but also a comprehensive set of reviews from our customers. Below we’ve selected a subset of mtm special ops watch products [a repetition of the untruth] and the corresponding reviews to help you do better research, and choose the product that best suits your needs.” Amazon, <http://www.amazon.com/gp/feature.html?ie=UTF8&docId=1001909381>. Amazon has since removed the page.

or cause mistake, or deceive.” 15 U.S.C. § 1114(1)(a). The majority reads the statute to contain language that it does not, essentially reading the clause “at point of sale” into the end of § 1114(1)(a). Similarly, the majority reads 15 U.S.C. § 1125 to apply only at point of sale—the majority writes that it is unreasonable to suppose that a reasonably prudent consumer accustomed to shopping online would be confused about the source of the goods where Luminox and Chase-Durer watches are labeled as such, but does not address the possibility that a reasonably prudent consumer might initially assume that those brands enjoyed some affiliation with MTM which, in turn, could cause such a shopper to investigate brands which otherwise would not have been of interest to her.

....

[9] On this record, a jury could infer that users who are confused by the search results are confused as to why MTM products are not listed. There is a question of fact whether users who are confused by the search result will wonder whether a competitor has acquired MTM or is otherwise affiliated with or approved by MTM. See *Brookfield Communications*, 174 F.3d at 1057. This is especially true as to a brand like MTM, as many luxury brands with distinct marks are produced by manufacturers of lower-priced, better-known brands—just as Honda manufactures Acura automobiles but sells Acura automobiles under a distinct mark that is marketed to wealthier purchasers, and Timex manufactures watches for luxury fashion houses Versace and Salvatore Ferragamo. Like MTM, Luminox manufactures luxury watches, and a customer might think that MTM and Luminox are manufactured by the same parent company. The possibility of initial interest confusion here is likely much higher than if, for instance, a customer using an online grocery website typed “Coke” and only Pepsi products were returned as results. No shopper would think that Pepsi was simply a higher end version of Coke, or that Pepsi had acquired Coke’s secret recipe and started selling it under the Pepsi mark.

[10] In any event, even as to expensive goods—for instance, pianos sold under a mark very similar to the famous Steinway and Sons brand’s mark—the issue is not that a buyer might buy a piano manufactured by someone other than Steinway thinking that it was a Steinway. The issue is that the defendant’s use of the mark would cause initial interest confusion by attracting potential customers’ attention to buy the infringing goods because of the trademark holder’s hard-won reputation. *Brookfield*, 174 F.3d at 1063 (citing *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons*, 523 F.2d 1331, 1341–42 (2d Cir. 1975)).

[11] Assuming arguendo that the majority properly found that Amazon’s search results are clearly labeled, the majority extends its factual determinations further by determining that in this case, clear labeling outweighs the other eight factors considered in trademark suits, factors that remain the law of this circuit [W]here the *Sleekcraft* factors could tip in either direction, there is a jury question Simply stating that the *Sleekcraft* factors do not favor the plaintiff, or don’t bear on the clarity of the labeling, does not resolve the underlying factual question.

Questions and Comments

1. *Initial Interest Confusion and Trade Dress*. In *Gibson Guitar Corp. v. Paul Reed Smith Guitars, LP*, 423 F.3d 539 (6th Cir. 2005), Gibson and Paul Reed Smith both manufactured single cutaway guitars, the shape of which is shown below in Gibson’s trademark registration for its product configuration. Gibson conceded that there was no likelihood of point-of-sale confusion due to Paul Reed Smith’s prominent labelling, but argued that there was a likelihood of initial interest confusion in that consumers would see a PRS single cutaway guitar from across a store and believe it to be a Gibson guitar. The Sixth Circuit declined to apply initial interest confusion to trade dress. It reasoned:

The potential ramifications of applying this judicially created doctrine to product-shape trademarks are different from the ramifications of applying the doctrine to trademarks on a product’s name, a company’s name, or a company’s logo. Cf. *Versa Prods. Co. v. Bifold Co.*, 50 F.3d 189, 201–03, 207, 209, 212–13, 215 (3rd Cir. 1995) (discussing the related

context of product-configuration trade dress). Specifically, there are only a limited number of shapes in which many products can be made. A product may have a shape which is neither functional nor generic (and hence which can be trademarked) but nonetheless is still likely to resemble a competing product when viewed from the far end of a store aisle. Thus, many legitimately competing product shapes are likely to create some initial interest in the competing product due to the competing product's resemblance to the better-known product when viewed from afar. In other words, application of the initial-interest-confusion doctrine to product shapes would allow trademark holders to protect not only the actual product shapes they have trademarked, but also a "penumbra" of more or less similar shapes that would not otherwise qualify for trademark protection.

Id. at 551.

(In ruling in favor of Paul Reed Smith on all surviving claims brought against it, the court ruled that Paul Reed Smith's functionality objection to the validity of Gibson's mark was moot).

Int. Cl.: 15

Prior U.S. Cl.: 36

Reg. No. 1,782,606

Registered July 20, 1993

United States Patent and Trademark Office

TRADEMARK
PRINCIPAL REGISTER



GIBSON GUITAR CORP. (DELAWARE CORPORATION)
P.O. BOX 10087
641 MASSMAN DRIVE
NASHVILLE, TN 37210

THE MARK CONSISTS OF A UNIQUELY SHAPED CONFIGURATION FOR THE BODY PORTION OF THE GUITAR AS ILLUSTRATED IN THE DRAWING BY THE SOLID LINES.
SEC. 2(F).

FOR: GUITARS, IN CLASS 15 (U.S. CL. 36).
FIRST USE 12-0-1952; IN COMMERCE 12-0-1952.

SER. NO. 73-675,665, FILED 7-31-1987.

THE LINING OF THE DRAWING IS NOT INTENDED TO INDICATE COLOR.

MARY FRANCES BRUCE, EXAMINING ATTORNEY

2. *When do courts find initial interest confusion?* Initial interest confusion remains a highly controversial basis for a finding of infringement, one which courts typically resort to only in a limited set of contexts. Courts appear to be more likely to find initial interest confusion if the defendant has engaged in patently bad faith "bait and switch" sales practices or in conduct akin to intentional cybersquatting, if the relevant consumers are unsophisticated, or if the defendant competes directly with the plaintiff. *See, e.g., Epic Sys. Corp. v. YourCareUniverse, Inc.*, 244 F. Supp. 3d 878, 902 (W.D. Wisc. 2017) ("Courts are most likely to apply the doctrine of initial interest confusion doctrine in circumstances involving directly competing products, particularly when the potential purchasers are lay consumers making decisions in a relatively short amount of time with limited information."). Furthermore, in reviewing the initial interest confusion case law, Gilson concludes that to prevail on an initial interest confusion basis, the plaintiff must show that it has been economically damaged by the defendant's conduct. *See GILSON* § 5.14[01][1][a]. *See also Lamparello v. Falwell*, 420 F.3d 309, 317 (4th Cir. 2005) ("The few appellate courts that have ... imposed liability under [the initial interest confusion] theory for using marks on the Internet have done so only in cases involving ... one

business's use of another's mark for its own financial gain. . . . Profiting financially from initial interest confusion is . . . a key element for imposition of liability under this theory.”). In general, it appears that courts have developed initial interest confusion doctrine to provide them with some degree of flexibility to reach what they deem to be the right result as a matter of equity in situations where there is no consumer confusion at the point of sale.

3. *Critiquing Initial Interest Confusion*. For a thorough critique of initial interest confusion doctrine, see Jennifer E. Rothman, *Initial Interest Confusion: Standing at the Crossroads of Trademark Law*, 27 *CARDOZO L. REV.* 105 (2005). Rothman observes: “The courts’ initial motivation for adopting initial interest confusion was a legitimate effort to prevent baiting and switching practices. However, since then courts have unreasonably stretched the doctrine to cover many circumstances which should be considered fair competition or which are better addressed by other existing statutes.” *Id.* at 113.

7. Post-Sale Confusion



*Mastercrafters' clock (left) and LeCoultre's clock (right)**

While initial interest confusion addresses the likelihood of confusion before the point of sale, post-sale confusion, as its name suggests, addresses confusion after the point of sale. One of the first cases to recognize some form of post-sale confusion was *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-LeCoultre Watches, Inc.*, 221 F.2d 464 (2d Cir. 1955). In *Mastercrafters*, the declaratory plaintiff Mastercrafters produced an electric clock made to look like the declaratory defendant's expensive and prestigious Atmos table clock, a non-electric clock that wound itself from changes in atmospheric pressure. Mastercrafters sold its clock for about \$30; LeCoultre sold the Atmos clock for not less than \$175 (about \$1,700 in today's money). Mastercrafters sought a declaration that its conduct did not constitute unfair competition. Judge Frank held in favor of LeCoultre. Though there was no point-of-sale confusion, there was nevertheless unfair competition:

True, a customer examining plaintiff's clock would see from the electric cord, that it was not an 'atmospheric' clock. But, as the {district} judge found, plaintiff copied the design of the Atmos clock because plaintiff intended to, and did, attract purchasers who wanted a "luxury design" clock. This goes to show at least that some customers would buy plaintiff's cheaper clock for the purpose of acquiring the prestige gained by displaying what many visitors at the customers' homes would regard as a prestigious article. Plaintiff's wrong thus consisted of the fact that such a visitor would be likely to assume that the clock was an Atmos clock. Neither the electric cord attached to, nor the plaintiff's name on, its clock would be likely to come to the attention of such a visitor; the likelihood of such confusion suffices to render plaintiff's conduct actionable.

Id. at 464.

* Courtesy of Rebecca Tushnet & Georgetown Law Library, *Intellectual Property Teaching Resources* (2020).

The post-sale confusion theory has been controversial, as the dissent in the following case suggests. In reading through *Ferrari S.P.A. v. Roberts*, 944 F.2d 1235 (6th Cir. 1991), which involves the unauthorized production of “Fauxrraris”, consider the following questions:

- Should courts take into account the confusion as to source of consumers who would never actually purchase the plaintiff’s goods (or the defendant’s goods for that matter)?
- Should trademark law be used to protect status goods? If it should not be so used, how can we make sure we do not throw out the baby with the bathwater? In other words, how can we design trademark law so that it will not protect status goods but will nevertheless continue to perform its traditional source-denoting function for non-status goods? Who decides which goods are status goods and which are non-status goods? Is a pickup truck a status good?

Ferrari S.P.A. v. Roberts
944 F.2d 1235 (6th Cir. 1991)



1971 Ferrari 365 GTS4 Daytona Spyder*



Ferrari Testarossa

RYAN, Circuit Judge.

[1] This is a trademark infringement action brought pursuant to the Lanham Act, 15 U.S.C. § 1051, *et seq.* The principal issue is whether the district court correctly concluded that plaintiff Ferrari enjoyed unregistered trademark protection in the exterior shape and appearance of two of its

* <http://blog.hemmings.com/index.php/tag/ferrari-365-gts4-daytona-spyder/>.

automobiles and, if so, whether defendant Roberts' replicas of Ferrari's designs infringed that protection, in violation of section 43(a) of the Lanham Act

[2] We hold that the district court properly decided all of the issues and, therefore, we shall affirm.

I. The Facts

[3] Ferrari is the world famous designer and manufacturer of racing automobiles and upscale sports cars. Between 1969 and 1973, Ferrari produced the 365 GTB/4 Daytona. Because Ferrari intentionally limits production of its cars in order to create an image of exclusivity, only 1400 Daytonas were built; of these, only 100 were originally built as Spyders, soft-top convertibles. Daytona Spyders currently sell for one to two million dollars. Although Ferrari no longer makes Daytona Spyders, they have continuously produced mechanical parts and body panels, and provided repair service for the cars.

[4] Ferrari began producing a car called the Testarossa in 1984. To date, Ferrari has produced approximately 5000 Testarossas. Production of these cars is also intentionally limited to preserve exclusivity: the entire anticipated production is sold out for the next several years and the waiting period to purchase a Testarossa is approximately five years. A new Testarossa sells for approximately \$230,000.

[5] Roberts is engaged in a number of business ventures related to the automobile industry. One enterprise is the manufacture of fiberglass kits that replicate the exterior features of Ferrari's Daytona Spyder and Testarossa automobiles. Roberts' copies are called the Miami Spyder and the Miami Coupe, respectively. The kit is a one-piece body shell molded from reinforced fiberglass. It is usually bolted onto the undercarriage of another automobile such as a Chevrolet Corvette or a Pontiac Fiero, called the donor car. Roberts marketed the Miami Spyder primarily through advertising in kit-car magazines. Most of the replicas were sold as kits for about \$8,500, although a fully accessorized "turnkey" version was available for about \$50,000.

[6] At the time of trial, Roberts had not yet completed a kit-car version of the Miami Coupe, the replica of Ferrari's Testarossa, although he already has two orders for them. He originally built the Miami Coupe for the producers of the television program "Miami Vice" to be used as a stunt car in place of the more expensive Ferrari Testarossa.

[7] The district court found, and it is not disputed, that Ferrari's automobiles and Roberts' replicas are virtually identical in appearance.

[8] Ferrari brought suit against Roberts in March 1988 alleging trademark infringement, in violation of section 43(a) of the Lanham Act, and obtained a preliminary injunction enjoining Roberts from manufacturing the replica cars. The injunction was later amended to permit Roberts to recommence production of the two models.

[9] Five months later, Roberts filed a voluntary petition in bankruptcy. Despite the Chapter 11 proceedings, the bankruptcy court, in a carefully limited order, lifted the automatic stay and permitted Ferrari to continue to prosecute this action. Prior to trial, the district court denied Roberts' request for a jury, and the case was tried to the court resulting in a verdict for Ferrari and a permanent injunction enjoining Roberts from producing the Miami Spyder and the Miami Coupe.

II.

. . . .

[10] The protection against infringement provided by section 43(a) is not limited to "goods, services or commercial activities" protected by registered trademarks. It extends as well, in certain circumstances, to the unregistered "trade dress" of an article. "Trade dress" refers to "the image and overall appearance of a product." *Allied Mktg. Group, Inc. v. CDL Mktg., Inc.*, 878 F.2d 806, 812 (5th Cir. 1989)

[11] Ferrari's Lanham Act claim in this case is a "trade dress" claim. Ferrari charges, and the district court found, that the unique and distinctive exterior shape and design of the Daytona Spyder and the Testarossa are protected trade dress which Roberts has infringed by copying them and marketing his replicas.

[12] Roberts asserts that there has been no infringement under section 43(a) for a number of reasons: (1) the design of Ferrari's vehicles are protected only under design patent law, *see* 35 U.S.C. § 171, and not the Lanham Act; (2) there is no actionable likelihood of confusion between Ferrari's vehicles and Roberts' replicas at the point of sale; and (3) the "aesthetic functionality doctrine" precludes recovery.

[13] We shall take up each argument in turn.

III.

[14] To prove a violation of section 43(a), Ferrari's burden is to show, by a preponderance of the evidence:

- 1) that the trade dress of Ferrari's vehicles has acquired a "secondary meaning,"
- 2) that there is a likelihood of confusion based on the similarity of the exterior shape and design of Ferrari's vehicles and Roberts' replicas, and
- 3) that the appropriated features of Ferrari's trade dress are primarily nonfunctional.

See *Kwik-Site Corp. v. Clear View Mfg. Co., Inc.*, 758 F.2d 167, 178 (6th Cir. 1985).

A. Secondary Meaning

....

[15] Ferrari's vehicles would not acquire secondary meaning merely because they are unique designs or because they are aesthetically beautiful. The design must be one that is instantly identified in the mind of the informed viewer as a Ferrari design. The district court found, and we agree, that the unique exterior design and shape of the Ferrari vehicles are their "mark" or "trade dress" which distinguish the vehicles' exterior shapes not simply as distinctively attractive designs, but as Ferrari creations.

[16] We also agree with the district court that Roberts' admission that he intentionally copied Ferrari's design, the survey evidence introduced by Ferrari, and the testimony of {various witnesses} amount to abundant evidence that the exterior design features of the Ferrari vehicles are "trade dress" which have acquired secondary meaning.

....

B. Likelihood of Confusion

1. District Court's Findings

....

[17] The district court found, based upon an evaluation of the eight *Frisch* factors, that the similarity of the exterior design of the Ferrari vehicles and the Roberts replicas was likely to confuse the public. The court noted that while no evidence was offered on two of the factors, evidence of actual confusion and likelihood of expansion of the product lines, two others, marketing channels and purchaser care, favored Roberts and the remaining factors "radically favor[ed] Ferrari." Summarized, the district court's findings on the *Frisch* "likelihood of confusion" factors are as follows:

| Factors | Favor |
|--|-------------|
| 1. Strength of the mark | Ferrari |
| 2. Relatedness of the goods | Ferrari |
| 3. Similarity of the marks | Ferrari |
| 4. Evidence of actual confusion | No evidence |
| 5. Marketing channels used | Roberts |
| 6. Likely degree of purchaser care | Roberts |
| 7. Roberts' intent in selecting "mark" | Ferrari |
| 8. Likelihood of expansion of product lines. | No evidence |

[18] Recalling that the claimed mark involved here is the trade dress—the exterior shape and design of the Ferrari vehicles—it is clear that Ferrari’s mark is very strong. The strength of the mark is its distinctiveness and Ferrari’s designs are unquestionably distinctive. The survey evidence we have discussed, as well as the testimony that the shape of the plaintiff’s vehicles “says Ferrari,” is evidence of that distinctiveness. Indeed, Roberts’ purposeful effort to copy the Ferrari designs is strong circumstantial evidence of the distinctiveness of the originals.

[19] There is no dispute about the relatedness of the goods factor. The products produced by both parties are sports cars.

[20] Likewise, the similarity of the marks—the exterior designs of the vehicles—is indisputable. Ferrari offered survey evidence which showed that 68% of the respondents could not distinguish a photograph of the McBurnie replica, upon which Roberts’ Miami Spyder is based, from a photograph of the genuine Ferrari Daytona Spyder. In these photographs, the cars were shown without identifying insignia. Drawings for Roberts’ cars show identifying insignia, an “R” on the parking lens and vent window, but the cars produced at the time of trial did not include the “R”. Because the survey respondents saw photographs of the McBurnie cars, and because all of the identifying insignia were removed, the survey has limited value in showing the likelihood of confusion between the Roberts and Ferrari vehicles if displayed with identifying emblems. The survey, however, does show that the trade dress of the two car designs, the shapes and exteriors, were quite similar. An examination of the photographs of the cars which are in evidence confirms the striking similarity of the dress of the originals and the replicas. They are virtually indistinguishable.

[21] Finally, Roberts conceded that his intent in replicating the exterior design of Ferrari’s vehicles was to market a product that looked as much as possible like a Ferrari original, although Roberts made no claim to his customers that his replicas were Ferraris. “[The] intent of [a party] in adopting [another’s mark] is a critical factor, since if the mark was adopted with the intent of deriving benefit from the reputation of [the plaintiff,] *that fact alone may be sufficient to justify the inference that there is confusing similarity.*” *Frisch’s Restaurants*, 670 F.2d at 648 (emphasis in original) (quoting *Amstar Corp. v. Domino’s Pizza, Inc.*, 615 F.2d 252, 263 (5th Cir.), *cert. denied*, 449 U.S. 899, 101 S.Ct. 268, 66 L.Ed.2d 129 (1980)); *see also Mastercrafters*, 221 F.2d at 467. This is especially true in cases, such as this one, where the defendant sold a comparatively cheap imitation of an expensive, exclusive item. As the court in *Rolex Watch* explained:

By selling the bogus watches, only one inference may be drawn: the Defendants intended to derive benefit from the Plaintiff’s reputation. This inference is no less reasonable when weighed against the Defendants’ assertion that in selling these watches, they did not fail to inform the recipients that they were counterfeits.

Rolex Watch, U.S.A., Inc. v. Canner, 645 F.Supp. 484, 492 (S.D.Fla.1986). Intentional copying, however, is not actionable under the Lanham Act “absent evidence that the copying was done with the intent to derive a benefit from the reputation of another.” *Zin-Plas Corp. v. Plumbing Quality AGF Co.*, 622 F.Supp. 415, 420 (W.D.Mich.1985). “Where the copying by one party of another’s product is not done to deceive purchasers and thus derive a benefit from another’s name and reputation, but rather to avail oneself of a design which is attractive and desirable, a case of unfair competition is not made out.” *West Point Mfg.*, 222 F.2d at 586. In this case, where Ferrari’s design enjoyed strong secondary meaning and Roberts admitted that he designed his cars to look like Ferrari’s, the intent to copy was clear.

[22] We conclude that aside from the presumption of likelihood of confusion that follows from intentional copying, Ferrari produced strong evidence that the public is likely to be confused by the similarity of the exterior design of Ferrari’s vehicles and Roberts’ replicas.

2. Roberts’ Objections

[23] Roberts disagrees with the legal significance of the district court’s findings of likelihood of confusion. He argues that for purposes of the Lanham Act, the requisite likelihood of confusion must be confusion at the point of sale—purchaser confusion—and not the confusion of nonpurchasing, casual observers. The evidence is clear that Roberts assured purchasers of his replicas that they were not purchasing Ferraris and that his customers were not confused about what they were buying.

....

b. Confusion at Point of Sale

[24] Roberts argues that his replicas do not violate the Lanham Act because he informed his purchasers that his significantly cheaper cars and kits were not genuine Ferraris and thus there was no confusion at the point of sale. The Lanham Act, however, was intended to do more than protect consumers at the point of sale. When the Lanham Act was enacted in 1946, its protection was limited to the use of marks “likely to cause confusion or mistake or to deceive purchasers as to the source of origin of such goods or services.” In 1967, Congress deleted this language and broadened the Act’s protection to include the use of marks “likely to cause confusion or mistake or to deceive.” Thus, Congress intended “to regulate commerce within [its control] by making actionable the deceptive and misleading use of marks in such commerce; [and] . . . to protect persons engaged in such commerce against unfair competition . . .” 15 U.S.C. § 1127. Although, as the dissent points out, Congress rejected an anti-dilution provision when recently amending the Lanham Act, it made no effort to amend or delete this language clearly protecting the confusion of goods *in commerce*. The court in *Rolex Watch* explicitly recognized this concern with regulating commerce:

The real question before this Court is whether the alleged infringer has placed a product *in commerce* that is “likely to cause confusion, or to cause mistake, or to deceive.” . . . The fact that an immediate buyer of a \$25 counterfeit watch does not entertain any notions that it is the real thing has no place in this analysis. Once a product is injected into commerce, there is no bar to confusion, mistake, or deception occurring at some future point in time.

Rolex Watch, 645 F.Supp. at 492-93 (emphasis in original). The *Rolex Watch* court noted that this interpretation was necessary to protect against the cheapening and dilution of the genuine product, and to protect the manufacturer’s reputation. *Id.* at 495; see also *Mastercrafters*, 221 F.2d at 466. As the court explained:

Individuals examining the counterfeits, believing them to be genuine Rolex watches, might find themselves unimpressed with the quality of the item and consequently be inhibited from purchasing the real time piece. Others who see the watches bearing the Rolex trademarks on so many wrists might find themselves discouraged from acquiring a genuine because the items have become too common place and no longer possess the prestige once associated with them.

Rolex Watch, 645 F.Supp. at 495; see also *Mastercrafters*, 221 F.2d at 466. Such is the damage which could occur here. As the district court explained when deciding whether Roberts' former partner's Ferrari replicas would be confused with Ferrari's cars:

Ferrari has gained a well-earned reputation for making uniquely designed automobiles of quality and rarity. The DAYTONA SPYDER design is well-known among the relevant public and exclusively and positively associated with Ferrari. If the country is populated with hundreds, if not thousands, of replicas of rare, distinct, and unique vintage cars, obviously they are no longer unique. Even if a person seeing one of these replicas driving down the road is not confused, Ferrari's exclusive association with this design has been diluted and eroded. If the replica Daytona looks cheap or in disrepair, Ferrari's reputation for rarity and quality could be damaged

Ferrari, 11 U.S.P.Q.2d at 1848. The dissent argues that the Lanham Act requires proof of confusion at the point of sale because the eight factor test used to determine likelihood of confusion focuses on the confusion of the purchaser, not the public. The dissent submits that three of the factors, marketing channels used, likely degree of purchaser care and sophistication, and evidence of actual confusion, specifically relate to purchasers. However, evidence of actual confusion is not limited to purchasers. The survey evidence in this case showed that members of the public, but not necessarily purchasers, were actually confused by the similarity of the products. Moreover, the other five factors, strength of the mark, relatedness of the goods, similarity of the marks, defendant's intent in selecting the mark, and likelihood of product expansion, do not limit the likelihood of confusion test to purchasers.

[25] Since Congress intended to protect the reputation of the manufacturer as well as to protect purchasers, the Act's protection is not limited to confusion at the point of sale. Because Ferrari's reputation in the field could be damaged by the marketing of Roberts' replicas, the district court did not err in permitting recovery despite the absence of point of sale confusion.

....

KENNEDY, Circuit Judge, dissenting.

[26] I respectfully dissent because the majority opinion does more than protect consumers against a likelihood of confusion as to the source of goods; it protects the source of the goods, Ferrari, against plaintiff's copying of its design even if the replication is accompanied by adequate labelling so as to prevent consumer confusion. I believe the majority commits two errors in reaching this result. The majority first misconstrues the scope of protection afforded by the Lanham Act by misapplying the "likelihood of confusion" test and reading an anti-dilution provision into the language of section 43(a). The majority then affirms an injunction that is overbroad

I. Section 43(a) and Trade Dress Protection

[27] The majority invokes the appropriate test to determine whether protection is available for an unregistered trademark pursuant to section 43(a) of the Lanham Act. *Kwik-Site Corp. v. Clear View Mfg. Co.*, 758 F.2d 167 (6th Cir. 1985) (secondary meaning; likelihood of confusion; and nonfunctionality of trade dress). While I agree that Ferrari's designs have acquired secondary meaning and are primarily nonfunctional, I disagree with the majority's construction and application of the likelihood of confusion test and their conclusion that the Lanham Act protects against dilution of a manufacturer's goods.

[28] This Circuit applies an eight-factor test to determine whether relevant consumers in the marketplace will confuse one item with another item. *Frisch's Restaurants, Inc. v. Elby's Big Boy, Inc.*, 670 F.2d 642 (6th Cir.), cert. denied, 459 U.S. 916 (1982). The majority correctly points out one purpose this test is *not* designed to accomplish: "Where the copying by one party of another's product is not done to *deceive purchasers* and thus derive a benefit from another's name and reputation, but rather to avail oneself of a design which is attractive and desirable, a case of unfair competition is not

made out.” *West Point Mfg. v. Detroit Stamping Co.*, 222 F.2d 581, 586 (6th Cir.) (emphasis added), *cert. denied*, 350 U.S. 840 (1955). This passage properly notes that the statute is triggered when a copier attempts to “palm off” his replica as an original. In other words, the protection afforded by the Lanham Act is primarily to potential purchasers. The protection accruing to a producer is derivative of and only incidental to this primary protection: a producer can market his goods with the assurance that another may not market a replica in a manner that will allow potential purchasers to associate the replica with the producer of the original. Unfortunately, the majority merely pays lip service to this fundamental tenet in its application of the eight-factor test.

[29] The majority never clearly defines the target group that is likely to be confused. Although *West Point* counsels that purchasers must be deceived, the majority concludes that the target group is the “public.” The majority errs to the extent that its analysis shifts from potential purchasers to the broader more indefinite group of the “public.”

[30] The eight-factor test contemplates that the target group is comprised of potential purchasers. For example, the importance of one factor—evidence of actual confusion—is determined by the kinds of persons confused and degree of confusion. “Short-lived confusion or confusion of individuals casually acquainted with a business is worthy of little weight . . .” *Homeowners Group, Inc. v. Home Marketing Specialists, Inc.*, 931 F.2d 1100, 1110 (6th Cir. 1991) (quoting *Safeway Stores, Inc. v. Safeway Discount Drugs, Inc.*, 675 F.2d 1160, 1167 (11th Cir. 1982)). Two other factors obviously refer to potential purchasers: the marketing channels used and the likely degree of purchaser care and sophistication. Thus, three of the eight factors expressly focus on the likelihood of confusion as to potential purchasers.

[31] Other courts have made clear that section 43(a) is concerned with the welfare of potential purchasers in the marketplace. *See Kwik-Site*, 758 F.2d at 178 (referring to “intending purchasers” when discussing likelihood of confusion); *see also Coach Leatherware Co. v. AnnTaylor, Inc.*, 933 F.2d 162, 168 (2d Cir. 1991) (stating that plaintiff must prove that “purchasers are likely to confuse the imitating goods with the originals”); *West Point*, 222 F.2d at 592 (referring to “purchasers exercising ordinary care to discover whose products they are buying . . .” (quoting *Reynolds & Reynolds Co. v. Norick*, 114 F.2d 278 (10th Cir. 1940))).

[32] Plaintiff’s replicas are not likely to confuse potential purchasers. Plaintiff’s vehicles display an “R” on the parking lenses and vent windows. No symbols or logos affiliated with Ferrari are displayed. Roberts informs all purchasers that his product is not affiliated with Ferrari. In light of these distinctions, and the high degree of customer care and sophistication that normally accompanies such a purchase—defendant’s vehicles at issue sell for a minimum of \$230,000, as well as the distinctly different marketing channels employed by the parties, I find the evidence insufficient to prove a likelihood of confusion by potential purchasers in the marketplace.

[33] To be sure, some courts have expanded the application of the likelihood of confusion test to include individuals other than point-of-sale purchasers. These courts have included potential purchasers who may contemplate a purchase in the future, reasoning that in the pre-sale context an “observer would identify the [product] with the [original manufacturer], and the [original manufacturer]’s reputation would suffer damage if the [product] appeared to be of poor quality.” *Polo Fashions, Inc. v. Craftex, Inc.*, 816 F.2d 145, 148 (4th Cir. 1987); *see Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches, Inc.*, 221 F.2d 464 (2d Cir.), *cert. denied*, 350 U.S. 832 (1955); *Rolex Watch, U.S.A., Inc. v. Canner*, 645 F.Supp. 484 (S.D.Fla.1986).

[34] In applying the test in this manner, these courts appear to recognize that the deception of a consumer under these circumstances could dissuade such a consumer from choosing to buy a particular product, thereby foreclosing the possibility of point-of-sale confusion but nevertheless injuring the consumer based on this confusion. The injury stems from the consumer’s erroneous conclusion that the “original” product is poor quality based on his perception of a replica that he thinks

is the original. These cases protect a potential purchaser against confusion as to the source of a particular product. Hence, even when expanding the scope of this test, these courts did not lose sight of the focus of section 43(a): the potential purchaser. The majority applies the likelihood of confusion test in a manner which departs from this focus.

[35] The cases which have expanded the scope of the target group are distinguishable from the instant case, however. In *Rolex*, the counterfeit watches were labelled “ROLEX” on their face. Similarly, the *Mastercrafters* court found that the clock was labelled in a manner that was not likely to come to the attention of an individual. It is also noteworthy that the Second Circuit has limited *Mastercrafters* “by pointing out that “[i]n that case there was abundant evidence of actual confusion, palming off and an intent to deceive.” *Bose Corp. v. Linear Design Labs, Inc.*, 467 F.2d 304, 310 n. 8 (2d Cir. 1972) (quoting *Norwich Pharmacal Co. v. Sterling Drug, Inc.*, 271 F.2d 569 (2d Cir. 1959), *cert. denied*, 362 U.S. 919 (1960)). No evidence was introduced in the instant case to show actual confusion, palming off or an intent to deceive and, as previously noted, plaintiff does not use any name or logo affiliated with Ferrari on its replicas.

[36] Further, these cases conclude that the proper remedy is to require identification of the source of the replica, not prohibit copying of the product. *See West Point*, 222 F.2d at 589 (stating that under such circumstances “the only obligation of the copier is to identify its product lest the public be mistaken into believing that it was made by the prior patentee”); *see also Coach Leatherware*, 933 F.2d at 173 (Winter, J., dissenting in part) (stating that “[a copier] thus has every right to copy [a product] so long as consumers know they are buying [the copied product]”). Accordingly, even if I were to conclude that plaintiff’s copies created confusion in the pre-sale context, I would tailor the remedy to protect only against such confusion; this would best be accomplished through adequate labelling. The majority’s remedy goes well beyond protection of consumers against confusion as to a product’s source. It protects the design itself from being copied. *See supra* at 1239.

[37] In sum, the relevant focus of the eight-factor test should be upon potential purchasers in the marketplace. Plaintiff’s replicas present no likelihood of confusion because plaintiff provides adequate labelling so as to prevent potential purchasers, whether in the pre-sale or point-of-sale context, from confusing its replicas with Ferrari’s automobiles. The majority errs by expanding the target group to include the “public,” an expansion unsupported by the language and purpose of the Lanham Act. To the extent that the majority expands the target group, the test increasingly protects the design from replication and the producer from dilution, rather than the potential purchaser from confusion.¹

[38] The majority does more than implicitly recognize a dilution cause of action by its misapplication of the eight-factor test; it expressly reads such a cause of action into the statute. To

¹ I also note that the survey relied upon by the majority to prove a likelihood of confusion is fatally flawed. Generally, “[i]n assessing the likelihood of confusion, a court’s concern is ‘the performance of the marks in the commercial context.’” *Homeowners Group, Inc. v. Home Marketing Specialists, Inc.*, 931 F.2d 1100, 1106 (6th Cir. 1991) (quoting *Frisch’s Restaurants, Inc. v. Shoney’s, Inc.*, 759 F.2d 1261, 1266 (6th Cir. 1985)). “It is the overall impression of the mark, not an individual feature, that counts.” *Id.* at 1109. Applied to the instant case, this means that the analysis must be based on the products as they appear in the marketplace. The ultimate question is “whether relevant consumers are likely to believe that the products or services offered by the parties are affiliated in some way.” *Id.* at 1107.

The survey lacks any probative value on the issue of consumer confusion because of the manner in which it was conducted. The survey was conducted by showing photographs of Ferrari’s cars and Roberts’ replicas *stripped of their identifying badges*. By conducting the survey in this manner, no assessment could be made of the likelihood of confusion in the “commercial context.” Purchasers of plaintiff’s cars are not purchasing from photographs. Accordingly, the survey is meaningless as to the likelihood of confusion.

justify this interpretation, the majority points out that Congress deleted the word “purchasers” from the statutory language in 1967. According to the majority, this congressional act demonstrates that Congress intended “to protect against the cheapening and dilution of the genuine product, and to protect the manufacturer’s reputation.” I fail to see how this one congressional act leads to such a conclusion.

[39] As an initial matter, the majority’s method of reasoning should compel it to reach a different conclusion. In 1989, Congress specifically considered and rejected adding an anti-dilution provision to the Lanham Act.² This action, it can be asserted, demonstrates that Congress does not now consider the protection of the Lanham Act to encompass injuries to a manufacturer based on dilution. The majority cannot look to one action of Congress to bolster its position, but ignore other actions which undercut its position.

[40] More importantly, the language of the Lanham Act does not afford such protection to producers of goods. As noted in the previous section, the Lanham Act’s protection runs to relevant consumers in the marketplace; its protection to producers is incidental to this primary protection. Requiring adequate labelling ensures that a producer will not have the poor quality of a replica imputed to its product by a confused potential purchaser. This is the only benefit accruing to a producer. Trademark dilution is not a cause of action under the Lanham Act. *See Eveready Battery Co. v. Adolph Coors Co.*, 765 F.Supp. 440 (N.D.Ill.1991).

....

Questions and Comments

1. *Are the Ferrari exterior designs functional?* The district court found that they were not and the Sixth Circuit affirmed:

The district court found that Ferrari proved, by a preponderance of the evidence, that the exterior shapes and features of the Daytona Spyder and Testarossa were nonfunctional. The court based this conclusion on the uncontroverted testimony of Angelo Bellei, who developed Ferrari’s grand touring cars from 1964-75, that the company chose the exterior designs for beauty and distinctiveness, not utility.

Ferrari S.P.A., 944 F.2d at 1246.

8. Reverse Confusion

Consider a quick example of a claim of “reverse confusion.” In *Dreamwerks Production, Inc. v. SKG Studio*, 142 F.3d 1127 (9th Cir. 1998), the plaintiff had been using the mark DREAMWERKS since 1984 in connection with services for organizing science fiction conventions in the Northeast and Midwest of the U.S. In 1994, Steven Spielberg, Jeffrey Katzenberg and David Geffen established the massive Hollywood studio known as DreamWorks SKG. The plaintiff sued for “reverse confusion.” It argued that consumers would now believe that the plaintiff’s services somehow originated in the defendant. In the *Dreamwerks* case, the Ninth Circuit reversed the district court’s summary judgment in favor of the defendant and held that the matter should go to trial. The court observed: “Dreamwerks notes that

² The most recent amendment to the Lanham Act, the Trademark Law Revision Act of 1988, Pub.L. No. 100-667, 102 Stat. 3935 (1988) (effective Nov. 16, 1989), as originally introduced in both houses of Congress, permitted separate causes of action for dilution, disparagement and tarnishment. All of these provisions were deleted from the legislation which eventually was enacted. House Rep. 100-1028 (Oct. 3, 1988), *reprinted in* United States Trademark Ass’n, *The Trademark Law Revision Act of 1988, The Legislative History, Reports, Testimony, and Annotated Statutory Text* 277, 278 (1989); Cong.Rec. H10411, H10421 (Oct. 19, 1988). {As Part II.C discusses, Congress eventually created Lanham Act § 43(c) in 1995 to provide for federal antidilution protection and amended § 43(c) in 2006.}

whatever goodwill it has built now rests in the hands of DreamWorks; if the latter should take a major misstep and tarnish its reputation with the public, Dreamwerks too would be pulled down.” *Id.* at 1130. The case eventually settled.

In many typical “forward confusion” cases, such as in the *Virgin Wireless* case above, the senior user of the mark is a much larger company than the junior user of the mark. Thus, the senior Goliath claims that the junior David’s use of the mark will likely confuse consumers into believing that the junior’s goods are coming from the senior user, the company with which consumers are much more familiar.

By contrast, reverse confusion typically involves a situation in which the junior user of the mark is an enormous company with the resources extensively to advertise its use of the mark. The risk is that the junior Goliath will overwhelm the meaning of the senior David’s mark, so that consumers will believe that the senior users goods are coming from the junior user. This was exactly the claim the plaintiff made in the following opinion, *Uber Promotions, Inc. v. Uber Technologies, Inc.*

Note, importantly, how certain of the factors in the multifactor test for the likelihood of consumer confusion change in a reverse confusion analysis.



Uber Promotions, Inc. v. Uber Technologies, Inc.
162 F.Supp.3d 1253 (N.D. Fla. 2016)

Mark E. Walker, United States District Judge:

I. INTRODUCTION

[1] You live in Gainesville and need to book a party bus, or perhaps a non-party bus or a limo to take a number of people to an event. You run a Google search for “Gainesville party bus” and, not satisfied with any of the offerings on page one of the results, turn to page two. There is a listing there for “Uber Promotions.” Thinking that perhaps this is somehow affiliated with Uber, a nationally known taxi-like service that has recently come to town, you click on the link. You are taken to a webpage with a bright green and purple “über PROMOTIONS” logo. The crux of this trademark infringement case is (roughly speaking) whether you could reasonably conclude that Uber Promotions and Uber the taxi-like service are in some way connected.

[2] Plaintiff Uber Promotions, Inc. (“Promotions”) is a Gainesville, Florida company that provides a variety of services, including “promotional and event planning services, . . . graphic, web design and print media photography services, . . . modelling and talent agency services, [and] . . . private venue rental services.” It also provides “passenger transportation services, including through limousine and charter services.” Promotions claims that it has been using “UBER,” “ÜBER,” “UBER PROMOTIONS,” and “ÜBER PROMOTIONS” since at least 2006. Promotions is run by its President, Joey Friedman, and its Vice-President, Michael Farzad.

[3] Defendant Uber Technologies, Inc. (“Tech”) is a San Francisco-based corporation (though it’s incorporated in Delaware) that puts out a well-known software app allowing people to “get a ride on

demand from a nearby driver registered with the UBER [Technologies] service.” Tech refers to these drivers—who use their own cars to transport passengers—as “driver partners.” Tech launched its service in 2010 as UBERCAB and received a federal registration for that trademark on August 31 of that year. Later in 2010, Tech began using the mark “UBER” and registered that trademark on June 14, 2011. *Id.* at 10.

[4] At first, Tech operated in just a few select cities, but it has expanded rapidly over the past few years. Tech first operated in Florida during the 2012 Republican National Convention in Tampa. Tech’s first permanent entry into the Florida market came in November 2013 when it launched UberBLACK {featuring higher-end vehicles from driver partners who are professional drivers} in Jacksonville. Tech expanded further into Florida throughout 2014; in August of that year, Tech started operating in Gainesville.

[5] Apparently alarmed by Tech’s expansion into Florida—and in particular by the use of “Uber Promotions” on one of Tech’s Twitter accounts—Promotions sent Tech a letter in April 2014 demanding that Tech “discontinue the use of the terms ‘Uber Promotions’ in connection with [Tech’s] marketing and advertising campaigns . . . and undertake in writing that [Tech] will not at any time in the future use any of Uber Promotions name [sic] in any future marking [sic] or advertising campaigns, Twitter Accounts, or apply for registration of any trademarks/service mark that may be confusingly similar to Uber Promotions.” Tech responded by (1) removing the term “Uber” from the title of a page on its website that had previously been titled “Uber Promotions” and (2) responding (through counsel) to Promotions’ letter as follows:

Re: UBER PROMOTIONS

Dear Ms. [REDACTED]

Thank you for your April 18th letter.

Uber disagrees that there is any potential for confusion regarding its use of the “Uber Promotions” heading on Twitter. However, to resolve the matter amicably, and without admission, Uber has removed the “Uber Promotions” reference.

Very truly yours,

Tech apparently did not hear from Promotions again until this suit was filed.

[6] Shortly after this suit was filed, Tech unveiled a new service called UberEVENTS. This service allows customers to purchase rides for others that can be used at a particular time in the future. So, if a customer is hosting a large birthday party at a local park, that customer can purchase rides in advance with Tech driver partners for guests to use to go from their homes to the park and back again. Technically, the customer purchases a single code or a set of codes which are then sent to guests; the guests then use Tech’s app as they normally would to request rides and use the code to pay for those rides. This service “has been a popular option for corporate events.” A customer wishing to purchase rides for their guests can do so through Tech’s website.

[7] In this suit, Promotions brings various claims against Tech under the Lanham Act and Florida state law alleging trademark infringement and unfair competition. Promotions seeks preliminary injunctive relief to keep Tech from continuing to use its “UBER” marks in connection with its services throughout Florida.

III. Likelihood of Success on the Merits

{Following doctrine discussed above in Part I.E, the court found that Promotions enjoyed priority in the UBER mark in the Gainesville area by virtue of its common law use in that area prior to Tech’s federal registration.}

C. Likelihood of Confusion in the Gainesville Area

1. Type of Confusion?

[8] Promotions argues that both forward and reverse confusion are occurring and are likely to occur, but admits that reverse confusion seems like a much larger threat. That is an understatement. This is, in many ways, a classic reverse confusion case, and there is scant evidence that would support a finding that Promotions is substantially likely to prevail on anything other than a reverse confusion theory.⁶

[9] “[R]everse confusion occurs when ‘the junior user saturates the market with a similar trademark and overwhelms the senior user.’” *A&H Sportswear, Inc. v. Victoria’s Secret Stores, Inc.*, 237 F.3d 198, 228 (3d Cir. 2000) (quoting *Fisons Horticulture, Inc. v. Vigoro Indus., Inc.*, 30 F.3d 466, 475 (3d Cir. 1994)). “The harm flowing from reverse confusion is that ‘[t]he public comes to assume the senior user’s products are really the junior user’s or that the former has become somehow connected to the latter [T]he senior user loses the value of the trademark—its product identity, corporate identity, control over its goodwill and reputation, and ability to move into new markets.’” *Id.* (quoting *Ameritech, Inc. v. Am. Info. Tech. Corp.*, 811 F.2d 960, 964 (6th Cir. 1987)). “As in a direct confusion claim, the ultimate question in a reverse confusion claim is whether there is a likelihood of consumer confusion as to the source or sponsorship of a product.” *Id.* at 229.

2. Factors to Consider

[10] Before jumping in, it is important to note four things

[11] Second, it is vital to always keep in mind the “actual market conditions and the type of confusion alleged” when conducting the analysis. *Malletier v. Burlington Coat Factory Warehouse Corp.*, 426 F.3d 532, 534 (2d Cir. 2005) (Calabresi, J.). . . Here, reverse confusion is at issue, which means the “market conditions” we should be concerned with are the conditions under which a consumer encounters the senior user’s (Promotions’) mark.

[12] Third, it is also vital to keep in mind “the persons who are (or are not) likely to be confused.” See *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 979 n.22 (11th Cir. 1983). This is a reverse confusion case, which means that the largest class of people who might be confused are people familiar with Tech’s marks who then encounter Promotions’ marks. See *Banff, Ltd. v. Federated Dep’t Stores, Inc.*, 841 F.2d 486, 490 (2d Cir. 1988) (tying reverse confusion to “consumers initially aware of [the junior user’s mark who] may believe that [the senior user’s] mark they later encounter originates with [the junior user]”). Certainly confusion could occur with consumers initially aware of Promotions’ mark who then encounter Tech’s mark—this has apparently actually happened, in fact—but this is less likely given the relative commercial strength of the companies and their marks. Promotions primarily serves and advertises to college students and others in the same age range—young people, roughly speaking. Thus, when assessing likelihood of confusion, the key demographic to keep in mind is young people, particularly college students, in the Gainesville area.⁸

[13] Fourth, when an alleged infringer’s marks are used in connection with multiple goods or services, it may be that the use of those marks in connection with some goods or services—but not others—creates a likelihood of consumer confusion. See, e.g., *H. Lubovsky, Inc. v. Esprit de Corp.*, 627 F.Supp. 483, 492–93 (S.D.N.Y.1986) (finding no likelihood of confusion as to the defendant’s use of its

⁶ “[A]llegations of forward confusion and reverse confusion do not form distinct claims—they are alternative theories that can be used separately or together in a trademark infringement claim under the Lanham Act.” *Troublé v. Wet Seal, Inc.*, 179 F.Supp.2d 291, 297 (S.D.N.Y.2001).

⁸ This is not to say that other demographics don’t matter at all. Of course some older people may come across Promotions’ marks, and even if they aren’t likely to use Promotions’ services, their confusion may ultimately do harm to Promotions.

marks on sportswear, but a likelihood of confusion as to the use of its marks on shoes). In this case, Tech uses its “UBER” mark in connection with a number of services: UberX, UberXL, UberBLACK, UberEVENTS, and so on. As explained more fully below in Part III.C.11, the UberEVENTS service is different from Tech’s other services in that it is more closely related to Promotions’ transportation services. For that reason, it will be treated separately. In what follows, the seven factors are analyzed without taking into account Tech’s UberEVENTS service.

3. Strength of the Mark

[14] The first factor to be considered is the strength of Promotions’ marks. *Dana v. Dantanna’s*, 611 F.3d 767, 774-75 (11th Cir. 2010). However, because this is a reverse-confusion case, it is the conceptual and not the commercial strength of Promotions’ marks that matters. *See A&H Sportswear*, 237 F.3d at 231-32.* The parties disagree on this point, with Promotions claiming that “UBER” and “ÜBER” are arbitrary or fanciful in nature, and thus “strong” marks, and Tech claiming that they are descriptive (at least when combined with “PROMOTIONS”) and thus weaker. Furthermore, Tech points out that many companies have registered marks with “UBER” in them, thus reducing the conceptual strength of Promotions’ marks.

[15] It seems clear that Promotions’ use of “UBER” by itself is at least suggestive, if not arbitrary. Although Promotions’ founders may have chosen the name of their company because it means “the best,” their motivation or intent behind picking the name is irrelevant; what matters is what impression the mark leaves on consumers Clearly “UBER” by itself is not descriptive

[16] “UBER PROMOTIONS” or “ÜBER PROMOTIONS” is a closer call, not least because of the “self-laudatory mark” principle. This principle is simply the idea that, generally speaking, a term such as “best” or “super” that “extol[s] some feature or attribute of . . . goods or services” is descriptive in nature and likely to be too weak to be trademarked. 2 MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 11:17, Westlaw (4th ed., database updated Dec. 2015) [hereinafter MCCARTHY]. The German term “über” means “above” or “over” or “beyond,” and can also be combined with other German terms to form compound nouns such as “Übermensch” (“Superman”) and adverbs such as “überaus” (“extremely” or “exceedingly”). The English term “über” or “uber”—which of course is just an Anglicized version of “über”—means “being a superlative example of its kind or class.” Tech argues that “ÜBER PROMOTIONS” is “conceptually weak” because, like “Super Promotions” or “Best Promotions,” it is self-laudatory and descriptive.

[17] This argument is not very convincing. A term such as “uber” “may slide along the continuum between suggestiveness and descriptiveness depending on usage, context, and other factors that affect the relevant public’s perception of the term.” *In re Nett Designs, Inc.*, 236 F.3d 1339, 1341 (Fed.Cir. 2001) (discussing the term “ultimate”). “Uber,” while not an extremely uncommon term, is less frequently encountered—and thus less likely to be perceived by the relevant public as merely self-laudatory—than a term like “super” or even “ultimate.” Simply put, Promotions would likely be able to convince a factfinder that “ÜBER PROMOTIONS” is more suggestive than descriptive, and deserving of trademark protection even without any secondary meaning. That said, “UBER” and especially “UBER PROMOTIONS” are not especially strong marks conceptually, and so this factor tips in favor of Tech—that is, slightly against a finding of likelihood of confusion.

4. Similarity of the Marks

[18] The second factor is the similarity of Promotions’ and Tech’s marks. In assessing similarity, it is important to view the marks as an ordinary consumer would, and not in an artificial context. *See Sun-Maid Raisin Growers of Cal. v. Sunaid Food Prods., Inc.*, 356 F.2d 467, 469 (5th Cir. 1966); *see also*

* {See Note 1 following the opinion excerpt for further discussion of the roles that conceptual and commercial strength play in the reverse confusion context.}

A&H Sportswear, 237 F.3d at 216 (noting that when comparing marks, “an effort must be made to move into the mind of the roving consumer”). This means, among other things, remembering that memory is imperfect, and that a consumer encountering one mark after exposure to another mark may be confused even when the marks differ greatly in some important respects

[19] Promotions can only hope to prevail on a reverse-confusion theory, so our typical consumer is someone who is familiar with Tech and who then encounters Promotions. But there are many classes of consumers “familiar with” Tech—there are those who have used Tech’s services by accessing them through Tech’s app; those who have perhaps been along for an Uber ride with someone else { } but who have not themselves downloaded or used Tech’s app; and those who have heard of Tech and have a general idea of what services it provides, but who have never used Tech’s app or been along for a ride with a Tech driver partner. And there are many ways in which a consumer might “encounter” Promotions—through its website; by seeing a flyer; through its Facebook page; or by finding it through a Google search. In assessing the similarity of the marks, each type of familiarity and each type of encounter must be kept in mind.

[20] Tech is probably correct that for Tech users/customers, the visual differences between Tech’s app and Promotions’ logo, together with the fact that Promotions usually includes “Promotions” in its name, suggest that confusion is relatively unlikely. But the visual differences are much less significant for those consumers less familiar with Tech. The examples of Tech’s advertising and promotional materials provided in the record suggest that the most important feature of Tech’s mark is the word “Uber” and not any particular design element.¹² Moreover, many consumers may have just *heard* of Tech or read a news story referencing it, in which case the visual differences are quite unimportant. Similarly, the use of “Promotions” by Promotions is not very important in assessing similarity in the eyes of consumers relatively less familiar with Tech. Those consumers will simply remember “Uber” and will recognize that relatively uncommon word in Promotions’ advertisements. *Cf. A&H Sportswear*, 237 F.3d at 216 (“the general rule that marks should be viewed in their entirety does not undermine the common-sense precept that the more forceful and distinctive aspects of a mark should be given more weight [in assessing mark similarity], and the other aspects less weight”). In addition, Tech often uses “Uber Promotions” in connection with various promotional campaigns, which could easily create confusion.

[21] In sum, Tech’s and Promotions’ marks are fairly similar, at least to a certain portion of the public. Tech may be quite correct that “anyone who uses [Tech’s] services and comes across [Promotions’] advertising will know the difference,” but there are many who have come across Tech but have not used its services. For that group, the marks may be quite similar. . . . This factor tilts slightly in favor of Promotions.

5. Similarity of Services

[22] The third factor is the “similarity between the goods and services offered under the two marks.” *Dantanna’s*, 611 F.3d at 775. Because the ultimate “likelihood of confusion” question is whether consumers may come to believe that Promotions’ services are in some way affiliated with

¹² In the time between the hearing and this Order, Tech “rebranded” with a new logo and graphic scheme. *See, e.g.,* Brian Mastroianni, *Uber re-brands itself with a new logo*, CBS News (Feb. 2, 2016), www.cbsnews.com/news/uber-rebrands-itself-with-new-app-logo/. The new “look,” while still conservative compared to Promotions’ graphic presentation, is slightly more colorful. This new look in and of itself doesn’t affect the “similarity of marks” analysis in any significant way given that the people most likely to be confused have probably only *heard* of Tech. The *fact* of the change—and the fact that it was so well-publicized—might tend to increase reverse confusion by creating doubt among those familiar with Tech about what its “look” really is, but such an effect would not change this Court’s conclusion that the “similarity of marks” factor weighs slightly in favor of Promotions.

Tech's services, it is not necessary that the services offered by the two companies be precisely the same, or even that they be competitive with one another; rather, confusion may result where the services are so related that a single entity is likely to be behind both.

[23] Despite the fact that both Tech's and Promotions' services involve passenger transportation, there is no doubt that the services differ in many important respects. Tech's services all involve driver partners using their own vehicles to transport customers. Promotions, in contrast, arranges for or provides transportation via more traditional passenger transportation vehicles such as charter buses, party buses, and limos. Tech's focus is on the transportation of individuals or small groups, whereas Promotions focuses more on group transportation.

[24] These differences are not so great that they weigh heavily against confusion, particularly in light of Tech's expanding roster of transportation options. Around August 2015, for instance, Tech introduced UberXL to the Gainesville market. This option allows customers to request larger cars such as SUVs or minivans. UberPOOL, a service that allows customers traveling in similar directions to share a car and save money, is not yet available in Gainesville, but it very well could be soon. This growing family of Tech services and options makes it more likely that a consumer might mistake Promotions' services as being in some way affiliated with Tech.

[25] Those more familiar with Tech will likely be saved from confusion by the fact that Promotions' services lack the most salient (or perhaps infamous) feature of Tech's services: the use of driver partners, many of whom are moonlighting as drivers, using their own vehicles as taxis. On the other hand, those who only know that Tech has something to do with transportation or that it provides something like a taxi service could very well think that Promotions and Tech are affiliated based on Promotions' services. Ultimately, this factor doesn't weigh heavily in favor of either party, though it tilts slightly in favor of Tech.

6. Similarity of Sales Methods

[26] The fourth factor is the "similarity of the actual sales methods used by the holders of the marks, such as their sales outlets and customer base." *Dantanna's*, 611 F.3d at 775. "This factor takes into consideration where, how, and to whom the parties' products [or services] are sold." *Frehling Enters., Inc. v. Int'l Select Grp., Inc.*, 192 F.3d 1330, 1339 (11th Cir. 1999).

[27] This factor weighs heavily in favor of Tech. Tech's services are accessed through an app on a smartphone or other mobile device, whereas one must call, e-mail, text, or send a Facebook message to Promotions in order to set up a ride. Anyone who has used Tech's services has necessarily downloaded and used its app, and it seems relatively unlikely that such users would think that Promotions was affiliated with Tech. And even people who have only heard of Tech may very well know that its services have something to do with an app, and may therefore be less likely to be confused when confronted with Promotions' services, which are accessed via quite different mechanisms.

7. Similarity of Advertising Methods

[28] The fifth factor is the "similarity of advertising methods" used by Tech and Promotions. *Dantanna's*, 611 F.3d at 775. Both Tech and Promotions make extensive use of social media to advertise. In fact, there is evidence that some of Tech's "affiliates"—people who advertise Tech's services via social media in exchange for a commission—have placed advertisements for Tech's services on Promotions' Facebook page. While Tech is correct that the look of Promotions' advertisements is quite different from the look of Tech's advertisements, the fact remains that both companies' extensive use of social media—and especially Tech's affiliates' use of Promotions' own Facebook page to post advertisements—raises the likelihood that consumers will come into contact with both marks, which in turn raises the likelihood of confusion.

[29] Furthermore, Tech has apparently used Google AdWords to ensure that certain searches conducted using Google will lead to an ad for Tech being displayed above the search results.¹³ Tech is of course allowed to advertise, but advertising in this way will increase the likelihood of consumer confusion. Overall, this factor weighs slightly in favor of Promotions.

8. Intent to Infringe

[30] The sixth factor is the “intent of the alleged infringer to misappropriate the proprietor’s good will.” *Dantanna’s*, 611 F.3d at 775. This factor needs to be tweaked in a reverse-confusion case, since the concern is not that an alleged infringer will try to use a plaintiff’s good name to gain business, but rather that it will “push[] its [smaller] rival out of the market,” thus “usurp[ing] [the rival’s] business identity.” *A&H Sportswear*, 237 F.3d at 232. Furthermore, only intent to “usurp identity” *through confusion* is relevant; there is nothing unlawful about intending to compete. *Id.*

[31] It is difficult to believe that Tech acted with the intent to push Promotions out of the Gainesville market by using a confusingly similar mark. Elephants don’t look out for gerbils when they plow through the bush. Tech adopted its mark before it ever knew of Promotions and expanded nationally thereafter. Surely it *knew* that it would collide with Promotions once it entered Gainesville, but that doesn’t mean it *intended* to confuse consumers and thereby hurt Promotions. This factor is not particularly relevant to the analysis in this case.

9. Actual Confusion

[32] The final factor is “the existence and extent of actual confusion in the consuming public.” *Dantanna’s*, 611 F.3d at 775. Evidence of actual confusion “is the most persuasive evidence in assessing likelihood of confusion.” *Id.* at 779. Clearly understanding this, the parties vigorously dispute how to interpret the numerous phone calls received by Promotions from customers looking for Tech. Promotions claims that these phone calls constitute “extraordinary” evidence of actual confusion, while Tech argues that these calls are the result of “inattention and indifference,” not confusion.

[33] Each party overstates its case. Undoubtedly some of the people who called Promotions looking for Tech were indeed “confused” within the meaning of the Lanham Act—that is, they understood they were calling Promotions and thought Promotions was affiliated with Tech. But Tech doesn’t have an easy-to-find phone number,¹⁴ so it is likely that many of the callers *thought they were calling Tech*. This is supported by the large number of callers inquiring about becoming driver partners—a key feature of Tech’s business model completely missing from Promotions’ business model. This theory is further bolstered by the fact that if one searches “Uber Gainesville phone number” or “Uber Gainesville phone” using Google, it is Promotions’ phone number that comes up. Given what’s in the record, it’s likely that a large fraction of the callers didn’t even grasp that they were calling something called Uber Promotions, but instead thought they were calling Uber Technologies. This is akin to being given a wrong number by a telephone operator.¹⁵

¹³ This Court confirmed Promotions’ allegations to that effect by conducting a Google search using the search terms “gainesville uber.” The results page features an ad for Tech above the search results.

¹⁴ Tech does have an emergency phone number that can be found using its app.

¹⁵ During Michael Farzad’s deposition, he received two phone calls from “confused” customers. After he mentioned this to Tech’s counsel, the following exchange took place:

Q. With respect to the calls that you received today, were either of those individuals confused at the point in which they were using your services?

A. No. They’re calling me because they think I’m Uber Technologies and they want to reserve services and ask questions.

Q. So those individuals were looking for Uber Technologies?

[34] If this is confusion at all, it is not the type of confusion that's important in a trademark-infringement case.¹⁶ “Not all conceivable forms of confusion are relevant to trademark infringement. Confusion is relevant when it exists in the minds of persons in a position to influence the purchasing decision or persons whose confusion presents a significant risk to the sales, goodwill, or reputation of the trademark owner.” *Hotel Meliá*, 728 F.3d at 64–65 (quotations and citations omitted). A person who does not even grasp that he is talking to Promotions on the phone, or that Promotions even exists separate and apart from Tech, is obviously not going to form a bad opinion of Promotions based on his “confusion,” nor is Promotions going to lose any business. And that’s assuming that the caller can even be termed “confused”—as Tech points out, courts in similar factual situations have suggested that such misdirected communications can be attributed to inattentiveness or carelessness. *See Therma-Scan, Inc. v. Thermoscan, Inc.*, 295 F.3d 623, 636 (6th Cir. 2002).

[35] The e-mails received by Promotions from customers looking for Tech are slightly more helpful to Promotions’ case, but some of them again suggest carelessness as much as, if not more than, confusion. The e-mail from a customer in Vietnam is clearly intended for Tech—the e-mailer followed up with an “oops” e-mail almost immediately. The Los Angeles customer appears to be someone so easily confused that even trademark law cannot protect her.

[36] The two instances of confusion on the part of former customers of Promotions are more helpful to Promotions’ case. These customers clearly understood what Promotions is, understood what Tech is, and thought they were affiliated. Similarly, the evidence in the record of a few Tech customers—and even some driver partners and others affiliated with Tech—thinking that Tech and Promotions were somehow related is evidence of actual confusion within the meaning of the Lanham Act.¹⁷

[37] In sum, there is definitely evidence of actual confusion in the record, though not as much as Promotions claims or as little as Tech claims. The evidence of customers calling and e-mailing Promotions looking for Tech is in many ways the least important subset of this evidence. The types of requests being made by the callers, the fact that Tech doesn’t have an easy-to-find phone number, the fact that someone conducting a Google search for a local Gainesville number for Tech would get Promotions’ number, the relative commercial strength of the two companies—all of these facts strongly suggest that most of the callers were not confused within the meaning of the Lanham Act, but were either misdirected, careless, or both. As for the e-mails, there are only five of them presented in

A. Right, and they left messages on my phone and they—they’re thinking that they’re speaking to Uber Technologies.

This doesn’t prove anything, of course, but it tends to support the conclusion that many of the callers to Promotions don’t even realize they’re talking to Promotions.

¹⁶ At least not in this case. If Tech were the senior user and Promotions the junior user, the fact that consumers were being diverted to Promotions—even if they initially thought they were dealing with Tech and were in fact trying to reach Tech—would be highly relevant on an “initial interest confusion” theory in a suit brought by Tech. *See Axiom Worldwide*, 522 F.3d at 1221–22. But such confusion is not very important to this case, because such callers are not confused as to source, just misdirected. There is not, to this Court’s knowledge, a “reverse initial interest confusion” theory of trademark infringement, nor would one make sense; the plaintiff proceeding under such a theory would be hard-pressed to articulate what harm it was suffering.

¹⁷ Some of this confusion might be “forward” or “direct” confusion—people encountering Tech and thinking it’s related to Promotions. Evidence of such confusion is relevant even in a case relying on a reverse-confusion theory. *See A&H Sportswear*, 237 F.3d at 233 (“[T]he manifestation of consumer confusion as ‘direct’ or ‘reverse’ may merely be a function of the context in which the consumer first encountered the mark. Isolated instances of ‘direct’ confusion may occur in a reverse confusion case, and vice-versa.”).

the record, at least two of which could easily be chalked up to carelessness. Furthermore, many of the callers and e-mailers who were confused were likely quickly put straight, and “[s]hort-lived confusion or confusion of individuals casually acquainted with a business is worthy of little weight.” *Safeway Stores, Inc. v. Safeway Discount Drugs, Inc.*, 675 F.2d 1160, 1167 (11th Cir. 1982). That said, it strains credulity to think that at least *some* of the many dozens of callers were not actually confused, and certainly two of the e-mailers were. The evidence of confusion on the part of former Promotions customers and current Tech customers and driver partners is worth more weight than the phone call and e-mail evidence, *see id.*, but there are only a few such instances. Still, even a few instances of actual confusion on the part of customers is “worthy of some consideration.” *Id.* Putting all of this together, the actual confusion factor weighs in favor of Promotions, but it by no means weighs so heavily that a finding of a likelihood of confusion is inevitable.

10. Likelihood of Confusion?

[38] The “intent to infringe” factor is unimportant, the “strength of the mark” factor does not really favor a finding of confusion, and the “similarity of marks” and the “similarity of advertising methods” factors together favor a finding of confusion. The remaining three factors—actual confusion, similarity of services, and similarity of sales methods—deserve more discussion.

[39] The one factor that weighs most heavily against Promotions is the dissimilarity in the sales methods of the two companies. Tech’s services are accessed through a smartphone app.¹⁸ One cannot call for a ride with one of Tech’s driver partners, nor can one go to a website and reserve a ride. This is in stark contrast to the manner in which Promotions’ services are accessed. This difference is critically important for the following reason: anyone who has used Tech’s services necessarily understands that those services are accessed via a smartphone app, and is unlikely to think that Tech has all of a sudden started to make its services accessible via other means. The analysis of the “similarity of services” factor (see Part III.C.5 above) also suggests that people who have used Tech’s services are unlikely to be confused when they encounter Promotions’ marks.

[40] What this means is that the group of people who might be likely to be confused are people who have heard of, *but not used*, Tech’s services. But the people who matter most in this group are those who will actually encounter Promotions’ mark, and that subgroup is likely largely comprised of college-aged (and slightly older) people. This subgroup is relatively tech-savvy and therefore likely to be sensitive to the differences between the sales methods of Tech and Promotions, even if all they know about Tech is that it provides transportation services through an app. Moreover, if a person in this subgroup has heard of Tech, she might be aware that Tech is available in many locations, not just Gainesville, and the local focus of Promotions’ advertising will not tend to create confusion.

[41] Were there no evidence of actual confusion, the foregoing analysis based on the other factors would counsel against finding that Promotions had shown a substantial likelihood of success on the issue of likelihood of confusion, though it would be a close call. But there *is* evidence of actual confusion, and the Eleventh Circuit has repeatedly emphasized the importance of such evidence. *See, e.g., Caliber Auto. Liquidators, Inc. v. Premier Chrysler, Jeep, Dodge, LLC*, 605 F.3d 931, 936 (11th Cir. 2010) (“evidence of actual confusion is the most weighty consideration” in the likelihood of confusion analysis). Great weight is given to this factor for two reasons. First, actual confusion is direct evidence of precisely the occurrence that the “likelihood of confusion” inquiry is trying to assess the probability of. Second, giving great weight to evidence of actual confusion helps ensure that a judge doesn’t rely (perhaps subconsciously) too heavily on his *own* subjective view of the likelihood of confusion. *Cf. Jada Toys, Inc. v. Mattel, Inc.*, 518 F.3d 628, 633 (9th Cir. 2008) (holding that a finding of no likelihood of confusion based solely on dissimilarity of marks was improper because it created “the potential for a judge to elevate his or her own subjective impressions of the relative dissimilarity of the marks over

¹⁸ With the exception of the UberEVENTS service, which will be discussed later.

evidence of, for example, actual confusion”). In analyzing the other factors, this Court has of course tried to put itself into the shoes of an average consumer, and has tried to avoid giving too much weight to its own subjective impressions, but such efforts are perhaps doomed. *See Societe Anonyme de la Grande Distillerie E. Cusenier Fils Aine & Cie. v. Julius Wile Sons & Co.*, 161 F.Supp. 545, 547 (S.D.N.Y.1958) (“[A] finding on infringement is by necessity a subjective determination by the trial judge based on his visceral reactions as to the likelihood of confusion the allegedly infringing mark will create in the minds of the public.”). Giving serious weight to evidence of actual confusion helps counteract the empathetic deficiencies that necessarily distort the analysis of the remaining factors.

[42] It is true that there is not a huge amount of evidence of actual confusion in the record—perhaps five or so instances of people who truly thought that Promotions and Tech were related despite having a more-than-casual relationship with the two entities, plus some fraction of the callers. But the Eleventh Circuit’s case law makes clear that even a few instances of consumer confusion can be sufficient to establish actual confusion

[43] It’s a close call, but Promotions has established a substantial likelihood of success on the merits of the “likelihood of confusion” element of its claims. Because it has also established that it’s substantially likely to succeed in showing that it has enforceable trademark rights in the Gainesville area in the “UBER PROMOTIONS” mark, Promotions is substantially likely to succeed in showing that Tech has infringed on its mark by using its “UBER” marks in the Gainesville area.

11. UberEVENTS

[44] Everything that has been said so far has not taken into account Tech’s new “UberEVENTS” service. That service, if allowed to grow in the Gainesville area pending trial, would substantially increase the risk of consumer confusion for three independent reasons. First, the more “Uber_____” services there are, the more likely it is that a consumer might think that Promotions is just another branch on the Uber Technologies tree. Second, UberEVENTS is accessed through a webpage, thus eliminating one of the key differences between Tech and Promotions. Third, the service allows users to coordinate transportation at a set time in the future for a large number of people, just like Promotions. Granted, the method by which people are transported is quite different from Promotions—one imagines that most driver partners’ vehicles are less lively than a party bus—but the nature of the service is far closer to the services offered by Promotions than any of Tech’s other offerings.

To put this in terms of the factors, the “similarity of sales methods” factor is less tilted towards Tech and the “similarity of services” factor tips in favor of Promotions when assessing Tech’s use of its UBER marks in connection with its UberEVENTS service. While the question of whether Promotions is substantially likely to succeed on the merits of its claim vis-à-vis UberX, etc. is a close call, these minor adjustments to the factors push Promotions’ claim vis-à-vis UberEVENTS well past the edge. Promotions has easily met its burden of showing that it is substantially likely to succeed on the merits of its claim that Tech’s use of its UBER marks in connection with the UberEVENTS service creates a likelihood of consumer confusion.

Comments and Questions

1. *Trademark Strength and Reverse Confusion.* The *Uber Promotions* court asserted that “because this is a reverse-confusion case, it is the conceptual and not the commercial strength of Promotions’ marks that matters.” The court cited *A & H Sportswear, Inc. v. Victoria’s Secret Stores, Inc.*, 237 F.3d 198, 231-32 (3d Cir. 2000). The *A & H Sportswear* discussion of the issue is excerpted below. Is this reasoning persuasive?

a. Commercial Strength

Where the greater advertising originates from the senior user, we are more likely to see a case of direct confusion; if the greater advertising originates from the junior user, reverse confusion is more likely

Logically, then, in a direct confusion claim, a plaintiff with a commercially strong mark is more likely to prevail than a plaintiff with a commercially weak mark. Conversely, in a reverse confusion claim, a plaintiff with a commercially weak mark is more likely to prevail than a plaintiff with a stronger mark, and this is particularly true when the plaintiff's weaker mark is pitted against a defendant with a far stronger mark "[T]he lack of commercial strength of the smaller senior user's mark is to be given less weight in the analysis because it is the strength of the larger, junior user's mark which results in reverse confusion." *Commerce Nat'l Ins. Servs., Inc. v. Commerce Ins. Agency, Inc.*, 214 F.3d 432, 444 (3d Cir. 2000)

Therefore, in a reverse confusion claim, a court should analyze the "commercial strength" factor in terms of (1) the commercial strength of the junior user as compared to the senior user; and (2) any advertising or marketing campaign by the junior user that has resulted in a saturation in the public awareness of the junior user's mark.

b. Distinctiveness or Conceptual Strength

. . . .

As stated above, in the paradigmatic reverse confusion case, the senior user has a commercially weak mark when compared with the junior user's commercially strong mark. When it comes to conceptual strength, however, we believe that, just as in direct confusion cases, a strong mark should weigh in favor of a senior user

In *H. Lubovsky, Inc. v. Esprit de Corp.*, 627 F.Supp. 483 (S.D.N.Y.1986), the court explained that conceptual distinctiveness was relevant in the same way for a reverse confusion claim because "if a customer saw a doll in a toy store bearing a strong familiar trademark like 'Exxon,' he might well assume that the oil company had gone into the toy business; if, on the other hand, he saw a doll bearing a familiar but weak laudatory trademark like Merit, he would be unlikely to assume that it is connected with the similarly named gasoline or cigarettes." *Id.* at 487; *see also* Long & Marks, *supra*, at 22.

The *H. Lubovsky* logic resonates, for it makes more sense to hold that conceptual strength, unlike commercial strength, works in the plaintiff's favor. That is, if we were to apply the rule stated above for commercial strength, i.e., weighing weakness in the plaintiff's favor, we would bring about the perverse result that less imaginative marks would be more likely to win reverse confusion claims than arbitrary or fanciful ones. We therefore hold that, as in direct confusion claims, a district court should weigh a conceptually strong mark in the plaintiff's favor, particularly when the mark is of such a distinctive character that, coupled with the relative similarity of the plaintiff's and defendant's marks, a consumer viewing the plaintiff's product is likely to assume that such a mark would only have been adopted by a single source—i.e., the defendant.

2. *Other Examples of Reverse Confusion Found.* *See, e.g., H. Lubovsky, Inc. v. Esprit De Corp.*, 627 F. Supp. 483, 228 U.S.P.Q. (BNA) 814 (S.D. N.Y. 1986) (defendant's extension of ESPRIT brand to women's shoes created reverse confusion with plaintiff's prior use of same mark for same products); *Tanel Corp. v. Reebok Intern., Ltd.*, 774 F. Supp. 49 (D. Mass. 1990) (defendant's junior use of 360 DEGREES for shoes created reverse confusion with small company's senior use of same mark for same products).

3. *Examples of Reverse Confusion Not Found.* *See, e.g., Surfivor Media, Inc. v. Survivor Productions*, 406 F.3d 625 (9th Cir. 2005) (SURVIVOR television show did not create reverse confusion with SURFVIVOR for beach-themed products); *Harlem Wizards Entertainment Basketball, Inc. v. NBA Properties, Inc.*, 952 F. Supp. 1084 (D.N.J. 1997) (NBA team's adoption of name WASHINGTON WIZARDS would not create reverse confusion with HARLEM WIZARDS trick basketball team); *Pump, Inc. v. Collins Management, Inc.*, 746 F. Supp. 1159 (D. Mass. 1990) (Rock band Aerosmith's album entitled "Pump" did not create confusion with little-known rock band by same name where visual displays of marks and contexts in

which they were used were different); *Lobo Enterprises, Inc. v. Tunnel, Inc.*, 693 F. Supp. 71 (S.D.N.Y. 1988) (Large nightclub TUNNEL did not create reverse confusion with small gay bar TUNNEL BAR where clienteles of club and bar were sufficiently different to preclude reverse confusion); *Andy Warhol Enterprises, Inc. v. Time Inc.*, 700 F. Supp. 760 (S.D.N.Y. 1988) (*People Magazine's* use of "Interview" as the descriptive heading of its interview section did not create reverse confusion with magazine of same name where consumers would not believe that defendant published plaintiff's magazine).

9. Reverse Passing Off

"Reverse passing off" generally involves situations in which a "defendant falsely takes credit for another's goods or services," MCCARTHY § 25.6. More specifically, reverse passing off occurs when the defendant passes off as its own product (or service) what was in fact made (or performed) by the plaintiff, perhaps to gain the goodwill that the plaintiff's product might generate for the defendant, perhaps simply to meet a production deadline.

Reverse passing off is an exceedingly rare cause of action, even more so after the case below, *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23 (2003). We consider reverse passing off and the *Dastar* case because of the profound policy questions implicated by the cause of action and the facts of the *Dastar* case. Recall that one advantage trademark protection enjoys over copyright or patent protection is that trademark protection is unlimited in time, provided that the trademark owner continue to use the mark in commerce. Thus, when patent or copyright protection of a product feature expires, the patent or copyright owner may continue to exert control over that feature through trademark law (if the feature satisfies the various requirements of trademark protection). This raises significant concerns. Consider the example of the Mickey Mouse image mark, whose registration is shown below:

Int. Cl.: 28

Prior U.S. Cls.: 22, 23, 38, and 50

Reg. No. 3,619,662

United States Patent and Trademark Office

Registered May 12, 2009

TRADEMARK
PRINCIPAL REGISTER



DISNEY ENTERPRISES, INC. (DELAWARE CORPORATION)
500 SOUTH BUENA VISTA STREET
BURBANK, CA 91521

FOR: GAMES, NAMELY, ACTION SKILL GAMES, BOARD GAMES, MANIPULATIVE GAMES; PLAYTHINGS, NAMELY, ACTION FIGURES AND ACCESSORIES THEREFOR, BEAN BAG DOLLS, PLUSH TOYS, BATH TOYS, BUILDING BLOCKS, DOLLS AND DOLL CLOTHING, DOLL PLAYSETS, CRIB TOYS, ELECTRIC ACTION TOYS, PARTY FAVORS IN THE NATURE OF SMALL TOYS, MULTIPLE ACTIVITY TOYS, WIND-UP TOYS, TOY VEHICLES, TOY CARS, TOY TRUCKS,

TOY ROCKETS, MUSICAL TOYS, TOY FIGURINES, PUPPETS, FACE MASKS, HAND-HELD UNITS FOR PLAYING ELECTRONIC GAMES, IN CLASS 28 (U.S. CLS. 22, 23, 38 AND 50).

FIRST USE 3-28-2008; IN COMMERCE 3-28-2008.

OWNER OF U.S. REG. NOS. 2,461,981, 2,781,641, AND OTHERS.

SN 76-588,173, FILED 4-19-2004.

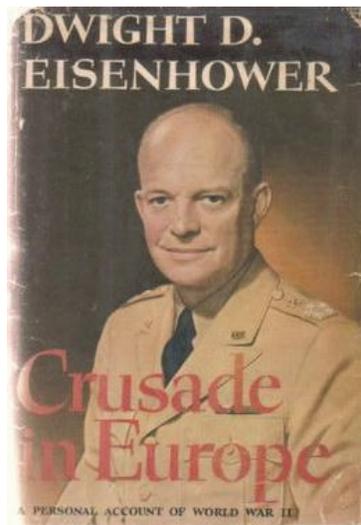
TEJBIR SINGH, EXAMINING ATTORNEY

At some point, Disney's copyright rights in the countless cartoons in which Mickey Mouse is depicted will begin to expire. But can Disney then use its trademark rights in the image of the character to prevent others from reproducing these cartoons? With copyright law, the public agrees to grant short-term exclusive rights to the author of a work in order to incentivize authorship, but an exceedingly

important part of that bargain is that these rights will eventually expire and the work will be dedicated to the public domain, free for anyone to use in any way. Should trademark rights be allowed to trump this basic bargain?

In *Dastar*, the respondent sought to assert, through trademark law, continued control over expression in which it had lost its copyright rights. As you read through *Dastar*, consider the following questions:

- Does *Dastar* resolve the question of whether Disney may continue to assert exclusive rights through trademark law after its copyright claims have expired?
- Should trademark law and specifically the concept of “reverse passing off” provide a cause of action for plagiarism of someone else’s ideas? More specifically, if I take someone else’s product, merely re-label it with my own trademark, and sell that product as my own, then I would likely be liable for the “reverse passing off” of someone else’s product as my own. Should the same principle apply if I take someone else’s original expression or ideas and pass them off as my own original expression or ideas? If not, why should we treat expression and ideas differently?



***Dastar Corp. v. Twentieth Century Fox Film Corp.*
539 U.S. 23 (2003)**

Justice SCALIA delivered the opinion of the Court.

[1] In this case, we are asked to decide whether § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), prevents the unaccredited copying of a work, and if so, whether a court may double a profit award under § 1117(a), in order to deter future infringing conduct.

I

[2] In 1948, three and a half years after the German surrender at Reims, General Dwight D. Eisenhower completed *Crusade in Europe*, his written account of the allied campaign in Europe during World War II. Doubleday published the book, registered it with the Copyright Office in 1948, and granted exclusive television rights to an affiliate of respondent Twentieth Century Fox Film Corporation (Fox). Fox, in turn, arranged for Time, Inc., to produce a television series, also called *Crusade in Europe*, based on the book, and Time assigned its copyright in the series to Fox. The television series, consisting of 26 episodes, was first broadcast in 1949. It combined a soundtrack based on a narration of the book with film footage from the United States Army, Navy, and Coast Guard, the British Ministry of Information and War Office, the National Film Board of Canada, and unidentified

“Newsreel Pool Cameramen.” In 1975, Doubleday renewed the copyright on the book as the “proprietor of copyright in a work made for hire.” App. to Pet. for Cert. 9a. Fox, however, did not renew the copyright on the Crusade television series, which expired in 1977, leaving the television series in the public domain.

[3] In 1988, Fox reacquired the television rights in General Eisenhower’s book, including the exclusive right to distribute the Crusade television series on video and to sublicense others to do so. Respondents SFM Entertainment and New Line Home Video, Inc., in turn, acquired from Fox the exclusive rights to distribute Crusade on video. SFM obtained the negatives of the original television series, restored them, and repackaged the series on videotape; New Line distributed the videotapes.

[4] Enter petitioner Dastar. In 1995, Dastar decided to expand its product line from music compact discs to videos. Anticipating renewed interest in World War II on the 50th anniversary of the war’s end, Dastar released a video set entitled World War II Campaigns in Europe. To make Campaigns, Dastar purchased eight beta cam tapes of the *original* version of the Crusade television series, which is in the public domain, copied them, and then edited the series. Dastar’s Campaigns series is slightly more than half as long as the original Crusade television series. Dastar substituted a new opening sequence, credit page, and final closing for those of the Crusade television series; inserted new chapter-title sequences and narrated chapter introductions; moved the “recap” in the Crusade television series to the beginning and retitled it as a “preview”; and removed references to and images of the book. Dastar created new packaging for its Campaigns series and (as already noted) a new title.

[5] Dastar manufactured and sold the Campaigns video set as its own product. The advertising states: “Produced and Distributed by: *Entertainment Distributing* ” (which is owned by Dastar), and makes no reference to the Crusade television series. Similarly, the screen credits state “DASTAR CORP presents” and “an ENTERTAINMENT DISTRIBUTING Production,” and list as executive producer, producer, and associate producer employees of Dastar. Supp.App. 2–3, 30. The Campaigns videos themselves also make no reference to the Crusade television series, New Line’s Crusade videotapes, or the book. Dastar sells its Campaigns videos to Sam’s Club, Costco, Best Buy, and other retailers and mail-order companies for \$25 per set, substantially less than New Line’s video set.

[6] In 1998, respondents Fox, SFM, and New Line brought this action alleging that Dastar’s sale of its Campaigns video set infringes Doubleday’s copyright in General Eisenhower’s book and, thus, their exclusive television rights in the book. Respondents later amended their complaint to add claims that Dastar’s sale of Campaigns “without proper credit” to the Crusade television series constitutes “reverse passing off”¹ in violation of § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and in violation of state unfair-competition law. App. to Pet. for Cert. 31a. On cross-motions for summary judgment, the District Court found for respondents on all three counts, *id.*, at 54a–55a, treating its resolution of the Lanham Act claim as controlling on the state-law unfair-competition claim because “the ultimate test under both is whether the public is likely to be deceived or confused,” *id.*, at 54a. The court awarded Dastar’s profits to respondents and doubled them pursuant to § 35 of the Lanham Act, 15 U.S.C. § 1117(a), to deter future infringing conduct by petitioner.

[7] The Court of Appeals for the Ninth Circuit affirmed the judgment for respondents on the Lanham Act claim, but reversed as to the copyright claim and remanded. 34 Fed.Appx. 312, 316 (2002). (It said nothing with regard to the state-law claim.) With respect to the Lanham Act claim, the Court of Appeals reasoned that “Dastar copied substantially the entire *Crusade in Europe* series created by

¹ Passing off (or palming off, as it is sometimes called) occurs when a producer misrepresents his own goods or services as someone else’s. See, e.g., *O. & W. Thum Co. v. Dickinson*, 245 F. 609, 621 (C.A.6 1917). “Reverse passing off,” as its name implies, is the opposite: The producer misrepresents someone else’s goods or services as his own. See, e.g., *Williams v. Curtiss–Wright Corp.*, 691 F.2d 168, 172 (C.A.3 1982).

Twentieth Century Fox, labeled the resulting product with a different name and marketed it without attribution to Fox[, and] therefore committed a ‘bodily appropriation’ of Fox’s series.” *Id.*, at 314. It concluded that “Dastar’s ‘bodily appropriation’ of Fox’s original [television] series is sufficient to establish the reverse passing off.” *Ibid.*² The court also affirmed the District Court’s award under the Lanham Act of twice Dastar’s profits. We granted certiorari. 537 U.S. 1099 (2003).

II

[8] The Lanham Act was intended to make “actionable the deceptive and misleading use of marks,” and “to protect persons engaged in . . . commerce against unfair competition.” 15 U.S.C. § 1127. While much of the Lanham Act addresses the registration, use, and infringement of trademarks and related marks, § 43(a), 15 U.S.C. § 1125(a) is one of the few provisions that goes beyond trademark protection. As originally enacted, § 43(a) created a federal remedy against a person who used in commerce either “a false designation of origin, or any false description or representation” in connection with “any goods or services.” 60 Stat. 441. As the Second Circuit accurately observed with regard to the original enactment, however—and as remains true after the 1988 revision—§ 43(a) “does not have boundless application as a remedy for unfair trade practices,” *Alfred Dunhill, Ltd. v. Interstate Cigar Co.*, 499 F.2d 232, 237 (C.A.2 1974). “[B]ecause of its inherently limited wording, § 43(a) can never be a federal ‘codification’ of the overall law of ‘unfair competition,’” 4 J. McCarthy, *Trademarks and Unfair Competition* § 27:7, p. 27–14 (4th ed. 2002) (McCarthy), but can apply only to certain unfair trade practices prohibited by its text.

....

[9] Thus, as it comes to us, the gravamen of respondents’ claim is that, in marketing and selling Campaigns as its own product without acknowledging its nearly wholesale reliance on the Crusade television series, Dastar has made a “false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which . . . is likely to cause confusion . . . as to the origin . . . of his or her goods.” § 43(a). That claim would undoubtedly be sustained if Dastar had bought some of New Line’s Crusade videotapes and merely repackaged them as its own. Dastar’s alleged wrongdoing, however, is vastly different: It took a creative work in the public domain—the Crusade television series—copied it, made modifications (arguably minor), and produced its very own series of videotapes. If “origin” refers only to the manufacturer or producer of the physical “goods” that are made available to the public (in this case the videotapes), Dastar was the origin. If, however, “origin” includes the creator of the underlying work that Dastar copied, then someone else (perhaps Fox) was the origin of Dastar’s product. At bottom, we must decide what § 43(a)(1)(A) of the Lanham Act means by the “origin” of “goods.”

III

[10] The dictionary definition of “origin” is “[t]he fact or process of coming into being from a source,” and “[t]hat from which anything primarily proceeds; source.” Webster’s New International Dictionary 1720–1721 (2d ed.1949). And the dictionary definition of “goods” (as relevant here) is “[w]ares; merchandise.” *Id.*, at 1079. We think the most natural understanding of the “origin” of “goods”—the source of wares—is the producer of the tangible product sold in the marketplace, in this case the physical Campaigns videotape sold by Dastar. The concept might be stretched . . . to include not only the actual producer, but also the trademark owner who commissioned or assumed

² As for the copyright claim, the Ninth Circuit held that the tax treatment General Eisenhower sought for his manuscript of the book created a triable issue as to whether he intended the book to be a work for hire, and thus as to whether Doubleday properly renewed the copyright in 1976. See 34 Fed.Appx., at 314. The copyright issue is still the subject of litigation, but is not before us. We express no opinion as to whether petitioner’s product would infringe a valid copyright in General Eisenhower’s book.

responsibility for (“stood behind”) production of the physical product. But as used in the Lanham Act, the phrase “origin of goods” is in our view incapable of connoting the person or entity that originated the ideas or communications that “goods” embody or contain. Such an extension would not only stretch the text, but it would be out of accord with the history and purpose of the Lanham Act and inconsistent with precedent.

[11] Section 43(a) of the Lanham Act prohibits actions like trademark infringement that deceive consumers and impair a producer’s goodwill. It forbids, for example, the Coca-Cola Company’s passing off its product as Pepsi-Cola or reverse passing off Pepsi-Cola as its product. But the brand-loyal consumer who prefers the drink that the Coca-Cola Company or PepsiCo sells, while he believes that that company produced (or at least stands behind the production of) that product, surely does not necessarily believe that that company was the “origin” of the drink in the sense that it was the very first to devise the formula. The consumer who buys a branded product does not automatically assume that the brand-name company is the same entity that came up with the idea for the product, or designed the product—and typically does not care whether it is. The words of the Lanham Act should not be stretched to cover matters that are typically of no consequence to purchasers.

[12] It could be argued, perhaps, that the reality of purchaser concern is different for what might be called a communicative product—one that is valued not primarily for its physical qualities, such as a hammer, but for the intellectual content that it conveys, such as a book or, as here, a video. The purchaser of a novel is interested not merely, if at all, in the identity of the producer of the physical tome (the publisher), but also, and indeed primarily, in the identity of the creator of the story it conveys (the author). And the author, of course, has at least as much interest in avoiding passing off (or reverse passing off) of his creation as does the publisher. For such a communicative product (the argument goes) “origin of goods” in § 43(a) must be deemed to include not merely the producer of the physical item (the publishing house Farrar, Straus and Giroux, or the video producer Dastar) but also the creator of the content that the physical item conveys (the author Tom Wolfe, or—assertedly—respondents).

[13] The problem with this argument according special treatment to communicative products is that it causes the Lanham Act to conflict with the law of copyright, which addresses that subject specifically. The right to copy, and to copy without attribution, once a copyright has expired, like “the right to make [an article whose patent has expired]—including the right to make it in precisely the shape it carried when patented—passes to the public.” *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 230 (1964); see also *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 121–122 (1938). “In general, unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying.” *Traffix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 29 (2001). The rights of a patentee or copyright holder are part of a “carefully crafted bargain,” *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150–151 (1989), under which, once the patent or copyright monopoly has expired, the public may use the invention or work at will and without attribution. Thus, in construing the Lanham Act, we have been “careful to caution against misuse or over-extension” of trademark and related protections into areas traditionally occupied by patent or copyright. *Traffix*, 532 U.S., at 29. “The Lanham Act,” we have said, “does not exist to reward manufacturers for their innovation in creating a particular device; that is the purpose of the patent law and its period of exclusivity.” *Id.*, at 34. Federal trademark law “has no necessary relation to invention or discovery,” *In re Trade-Mark Cases*, 100 U.S. 82, 94 (1879), but rather, by preventing competitors from copying “a source-identifying mark,” “reduce[s] the customer’s costs of shopping and making purchasing decisions,” and “helps assure a producer that it (and not an imitating competitor) will reap the financial, reputation-related rewards associated with a desirable product,” *Qualitex Co. v. Jacobson Products Co.*, 514 U.S. 159, 163–164 (1995) (internal quotation marks and citation omitted). Assuming for the sake of argument that Dastar’s representation of itself as the “Producer” of its videos amounted to a representation that it originated the creative work conveyed by the videos, allowing a cause of action under § 43(a) for that

representation would create a species of mutant copyright law that limits the public's "federal right to 'copy and to use'" expired copyrights, *Bonito Boats, supra*, at 165, 109 S.Ct. 971.

[14] When Congress has wished to create such an addition to the law of copyright, it has done so with much more specificity than the Lanham Act's ambiguous use of "origin." The Visual Artists Rights Act of 1990, § 603(a), 104 Stat. 5128, provides that the author of an artistic work "shall have the right . . . to claim authorship of that work." 17 U.S.C. § 106A(a)(1)(A). That express right of attribution is carefully limited and focused: It attaches only to specified "work[s] of visual art," § 101, is personal to the artist, §§ 106A(b) and (e), and endures only for "the life of the author," § 106A(d)(1). Recognizing in § 43(a) a cause of action for misrepresentation of authorship of noncopyrighted works (visual or otherwise) would render these limitations superfluous. A statutory interpretation that renders another statute superfluous is of course to be avoided. *E.g., Mackey v. Lanier Collection Agency & Service, Inc.*, 486 U.S. 825, 837, and n. 11 (1988).

[15] Reading "origin" in § 43(a) to require attribution of uncopyrighted materials would pose serious practical problems. Without a copyrighted work as the basepoint, the word "origin" has no discernable limits. A video of the MGM film *Carmen Jones*, after its copyright has expired, would presumably require attribution not just to MGM, but to Oscar Hammerstein II (who wrote the musical on which the film was based), to Georges Bizet (who wrote the opera on which the musical was based), and to Prosper Merimee (who wrote the novel on which the opera was based). In many cases, figuring out who is in the line of "origin" would be no simple task. Indeed, in the present case it is far from clear that respondents have that status. Neither SFM nor New Line had anything to do with the production of the *Crusade* television series—they merely were licensed to distribute the video version. While Fox might have a claim to being in the line of origin, its involvement with the creation of the television series was limited at best. Time, Inc., was the principal, if not the exclusive, creator, albeit under arrangement with Fox. And of course it was neither Fox nor Time, Inc., that shot the film used in the *Crusade* television series. Rather, that footage came from the United States Army, Navy, and Coast Guard, the British Ministry of Information and War Office, the National Film Board of Canada, and unidentified "Newsreel Pool Cameramen." If anyone has a claim to being the *original* creator of the material used in both the *Crusade* television series and the Campaigns videotapes, it would be those groups, rather than Fox. We do not think the Lanham Act requires this search for the source of the Nile and all its tributaries.

[16] Another practical difficulty of adopting a special definition of "origin" for communicative products is that it places the manufacturers of those products in a difficult position. On the one hand, they would face Lanham Act liability for *failing* to credit the creator of a work on which their lawful copies are based; and on the other hand they could face Lanham Act liability for *crediting* the creator if that should be regarded as implying the creator's "sponsorship or approval" of the copy, 15 U.S.C. § 1125(a)(1)(A). In this case, for example, if Dastar had simply "copied [the television series] as *Crusade* in Europe and sold it as *Crusade* in Europe," without changing the title or packaging (including the original credits to Fox), it is hard to have confidence in respondents' assurance that they "would not be here on a Lanham Act cause of action," Tr. of Oral Arg. 35.

[17] Finally, reading § 43(a) of the Lanham Act as creating a cause of action for, in effect, plagiarism—the use of otherwise unprotected works and inventions without attribution—would be hard to reconcile with our previous decisions. For example, in *Wal-Mart Stores, Inc. v. Samara Brothers, Inc.*, 529 U.S. 205 (2000), we considered whether product-design trade dress can ever be inherently distinctive. Wal-Mart produced "knockoffs" of children's clothes designed and manufactured by Samara Brothers, containing only "minor modifications" of the original designs. *Id.*, at 208. We concluded that the designs could not be protected under § 43(a) without a showing that they had acquired "secondary meaning," *id.*, at 214, so that they "identify the source of the product rather than the product itself," *id.*, at 211 (quoting *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 851, n. 11 (1982)). This carefully considered limitation would be entirely pointless if the "original"

producer could turn around and pursue a reverse-passing-off claim under exactly the same provision of the Lanham Act. Samara would merely have had to argue that it was the “origin” of the designs that Wal-Mart was selling as its own line. It was not, because “origin of goods” in the Lanham Act referred to the producer of the clothes, and not the producer of the (potentially) copyrightable or patentable designs that the clothes embodied.

[18] Similarly under respondents’ theory, the “origin of goods” provision of § 43(a) would have supported the suit that we rejected in *Bonito Boats*, 489 U.S. 141, where the defendants had used molds to duplicate the plaintiff’s unpatented boat hulls (apparently without crediting the plaintiff). And it would have supported the suit we rejected in *Traffix*, 532 U.S. 23: The plaintiff, whose patents on flexible road signs had expired, and who could not prevail on a trade-dress claim under § 43(a) because the features of the signs were functional, would have had a reverse-passing-off claim for unattributed copying of his design.

[19] In sum, reading the phrase “origin of goods” in the Lanham Act in accordance with the Act’s common-law foundations (which were *not* designed to protect originality or creativity), and in light of the copyright and patent laws (which *were*), we conclude that the phrase refers to the producer of the tangible goods that are offered for sale, and not to the author of any idea, concept, or communication embodied in those goods. Cf. 17 U.S.C. § 202 (distinguishing between a copyrighted work and “any material object in which the work is embodied”). To hold otherwise would be akin to finding that § 43(a) created a species of perpetual patent and copyright, which Congress may not do. See *Eldred v. Ashcroft*, 537 U.S. 186, 208 (2003).

[20] The creative talent of the sort that lay behind the Campaigns videos is not left without protection. The original film footage used in the Crusade television series could have been copyrighted, see 17 U.S.C. § 102(a)(6), as was copyrighted (as a compilation) the Crusade television series, even though it included material from the public domain, see § 103(a). Had Fox renewed the copyright in the Crusade television series, it would have had an easy claim of copyright infringement. And respondents’ contention that Campaigns infringes Doubleday’s copyright in General Eisenhower’s book is still a live question on remand. If, moreover, the producer of a video that substantially copied the Crusade series were, in advertising or promotion, to give purchasers the impression that the video was quite different from that series, then one or more of the respondents might have a cause of action—not for reverse passing off under the “confusion . . . as to the origin” provision of § 43(a)(1)(A), but for misrepresentation under the “misrepresents the nature, characteristics [or] qualities” provision of § 43(a)(1)(B). For merely saying it is the producer of the video, however, no Lanham Act liability attaches to Dastar.

[21] Because we conclude that Dastar was the “origin” of the products it sold as its own, respondents cannot prevail on their Lanham Act claim. We thus have no occasion to consider whether the Lanham Act permitted an award of double petitioner’s profits. The judgment of the Court of Appeals for the Ninth Circuit is reversed, and the case is remanded for further proceedings consistent with this opinion.

It is so ordered.

Justice BREYER took no part in the consideration or decision of this case.

Comments and Questions

1. *Dastar on remand*. On remand back to the Central District of California, the district court dismissed with prejudice Twentieth Century Fox’s § 43(a) and state law unfair competition claims, and with that the litigation apparently ended. See *Twentieth Century Fox Film Corp. v. Dastar Corp.*, No. 98 Civ. 07189, 2003 WL 22669587 (C.D. Cal. Oct. 14, 2003).

2. *Dastar* and the reverse passing off of “any idea, concept, or communication”. In the wake of *Dastar*, courts have uniformly held that the “origin of goods” provision of Lanham Act § 43(a) cannot prevent the unattributed use of someone else’s ideas or expression. Consider, for example, *LaPine v. Seinfeld*, 92 U.S.P.Q.2d 1428, 2009 WL 2902584 (S.D.N.Y. 2009), judgment aff’d, 375 Fed. Appx. 81, 96 U.S.P.Q.2d 1130 (2d Cir. 2010). The plaintiff Missy Chase Lapine, a trained chef, wrote a cook book entitled *The Sneaky Chef: Simple Strategies for Hiding Healthy Food in Kids’ Favorite Meals*, which was published in April 2007 to mild success. The defendant Jessica Seinfeld, wife of Jerry Seinfeld, subsequently authored—or was credited as the author of—the book *Deceptively Delicious: Simple Secrets to Get Your Kids Eating Good Food*, which was published in October 2007 and reached number one on the *New York Times* bestseller list.



Lapine sued for, among other things, copyright infringement and reverse passing off. The court found no copyright infringement on the ground that the “total concept and feel” of the two cookbooks was dissimilar. *Id.* at *12. On the reverse passing off claim, the court explained:

Plaintiffs’ third claim for relief alleges unfair competition in violation of section 43(a) of the Lanham Act. Section 43(a)(1) prohibits any “misleading representation of fact which (A) is likely to cause confusion . . . as to the origin . . . of . . . goods . . . or (B) in commercial advertising or promotion, misrepresents the nature, characteristics, [or] qualities . . . of his or her or another person’s goods.” 15 U.S.C.A. § 1125(a)(1) (West 1998). This claim, too, fails as a matter of law.

In *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 123 S.Ct. 2041, 156 L.Ed.2d 18 (2003), the Supreme Court defined the “origin of goods” for section 43(a) purposes, holding that the phrase “refers to the producer of the tangible goods that are offered for sale, and not to the author of any idea, concept, or communication embodied in those goods.” *Id.* at 37.⁹ To do otherwise would place the Lanham Act in conflict with the copyright [and patent] law and “be akin to finding that § 43(a) created a species of

⁹ Although *Dastar* involved copying of uncopyrighted work, subsequent decisions have recognized its applicability to copyrighted work as well. See, e.g., *Atrium Group De Ediciones Y Publicaciones, S.L. v. Harry N. Abrams, Inc.*, 565 F.Supp.2d 505, 512–13 (S.D.N.Y.2008) (discussing cases).

perpetual patent and copyright, which Congress may not do.” *Id.* The Court recognized that the Lanham Act was not intended to protect originality or creativity. *Id.*

Following *Dastar*, a plaintiff may be able to bring a section 43(a) violation based on a defendant’s repackaging of plaintiff’s material as its own. *Id.* at 31 (the claim “would undoubtedly be sustained if *Dastar* had bought some of New Line’s Crusade videotapes and merely repackaged them as its own”); see also *Flaherty v. Filardi*, No. 03 Civ. 2167, 2009 WL 749570, at *9 (S.D.N.Y. Mar. 20, 2009) (“Had [Defendant] merely changed the cover page of the script to list himself as author and provide a new title, Plaintiff might have had a Lanham Act claim.”). However, “the mere act of publishing a written work without proper attribution to its creative source is not actionable under the Lanham Act.” *Wellnx Life Sciences Inc. v. Iovate Health Sciences Research Inc.*, 516 F.Supp.2d 270, 285 (S.D.N.Y.2007). Plaintiffs have not alleged that Defendants took Plaintiffs’ cookbook and repackaged it as their own, nor could the evidentiary record sustain such a claim because, as explained above, the works are not substantially similar.

Although Plaintiffs did not identify in the Complaint the Section 43 subdivision under which they assert their Lanham Act unfair competition claim, Plaintiffs argue that they are asserting a claim under Section 43(a)(1)(B), the false advertising subsection, and that *Dastar* does not foreclose that claim. This argument is unavailing. Plaintiffs’ Lanham Act unfair competition claim is, at its core, the same as Plaintiffs’ copyright claim—that Defendants took Plaintiff Lapine’s ideas and used them in *Deceptively Delicious* without Plaintiffs’ permission and without any attribution as to the source of the ideas and the work.

Plaintiffs’ Section 43(a) claim is premised on their allegations that Seinfeld misappropriated Lapine’s work in preparing *Deceptively Delicious* and that, consequently, Seinfeld’s statements that *Deceptively Delicious* is the product of her own work and Defendants’ claim of a copyright in that work constitute falsities because they “assign the entire credit for [*Deceptively Delicious*] and Lapine’s property contained therein, to themselves, and fail to credit Lapine or her Book.” (Compl.¶¶ 73–75.) Plaintiffs assert that the alleged misrepresentations that are likely to cause confusion or deception “as to the origin of [*Deceptively Delicious*] and Lapine’s property contained therein.” (*Id.* ¶ 76 (emphasis supplied).) This is precisely the type of claim that is precluded by *Dastar*, and the Court finds persuasive those decisions holding that “a failure to attribute authorship to Plaintiff does not amount to misrepresentation of the nature, characteristics, qualities, or geographic origin of . . . [Defendant’s] goods.” *Thomas Publishing Company, LLC v. Technology Evaluation Centers, Inc.*, No. 06 Civ.14212, 2007 WL 2193964, at * 3 (S.D.N.Y. July 27, 2007) (alteration in original); see also *Wellnx Life Sciences Inc. v. Iovate Health Sciences Research Inc.*, 516 F.Supp.2d 270, 286 (S.D.N.Y.2007) (“[A] Lanham Act claim cannot be based on false designation of authorship in [Defendant’s] publications.”); *Antidote International Films v. Bloomsbury Publishing, PLC*, 467 F.Supp.2d 394, 399–400 (S.D.N.Y.2006) (“the holding in *Dastar* that the word ‘origin’ in § 43(a)(1)(A) refers to producers, rather than authors, necessarily implies that the words ‘nature, characteristics, [and] qualities’ in § 43(a)(1)(B) cannot be read to refer to authorship. If authorship were a ‘characteristic[]’ or ‘qualit[y]’ of a work, then the very claim *Dastar* rejected under § 43(a)(1)(A) would have been available under § 43(a)(1)(B)” (alterations in original)). Thus, Plaintiffs’ claims of unfair competition under the Lanham Act are dismissed.

Id. at *14-15.

3. *Dastar* and products other than “communicative products”. Courts have similarly held that short of the mere “repackaging” of another’s products as one’s own, the “origin of goods” provision of

Lanham Act § 43(a) will not prevent the unattributed use of someone else's products as components in one's own products. Consider, for example, *Bretford Mfg., Inc. v. Smith System Mfg. Corp.*, 419 F.3d 576 (7th Cir. 2005). The plaintiff and defendant were competing table manufacturers. When one of its suppliers failed to produce satisfactory parts, the defendant incorporated some of the plaintiff's hardware in its sample table that it showed to purchasing officials from a school district, who placed an order. The tables the defendant ultimately delivered to the school district contained none of the plaintiff's hardware. Judge Easterbrook held for the defendant:

Passing off or palming off occurs when a firm puts someone else's trademark on its own (usually inferior) goods; reverse passing off or misappropriation is selling someone else's goods under your own mark. See *Roho, Inc. v. Marquis*, 902 F.2d 356, 359 (5th Cir. 1990). It is not clear what's wrong with reselling someone else's goods, if you first buy them at retail. If every automobile sold by DeLorean includes the chassis and engine of a Peugeot, with DeLorean supplying only the body shell, Peugeot has received its asking price for each car sold and does not suffer any harm. Still, the Supreme Court said in *Dastar* that "reverse passing off" can violate the Lanham Act if a misdescription of goods' origin causes commercial injury. Our opinion in *Peaceable Planet, Inc. v. Ty, Inc.*, 362 F.3d 986 (7th Cir. 2004), shows how this could occur.

Dastar added that the injury must be a *trademark* loss—which is to say, it must come from a misrepresentation of the goods' origin. *Dastar* thus had the right (so far as the Lanham Act is concerned) to incorporate into its videos footage taken and edited by others, provided that it manufactured the finished product and did not mislead anyone about who should be held responsible for shortcomings. No one makes a product from scratch, with trees and iron ore entering one end of the plant and a finished consumer product emerging at the other. Ford's cars include Fram oil filters, Goodyear tires, Owens-Corning glass, Bose radios, Pennzoil lubricants, and many other constituents; buyers can see some of the other producers' marks (those on the radio and tires for example) but not others, such as the oil and transmission fluid. Smith System builds tables using wood from one supplier, grommets (including Teflon from du Pont) from another, and vinyl molding and paint and bolts from any of a hundred more sources—the list is extensive even for a simple product such as a table. If Smith System does not tell du Pont how the Teflon is used, and does not inform its consumers which firm supplied the wood, has it violated the Lanham Act? Surely not; the statute does not condemn the way in which all products are made.

Legs are a larger fraction of a table's total value than grommets and screws, but nothing in the statute establishes one rule for "major" components and another for less costly inputs. The right question, *Dastar* holds, is whether the consumer knows who has produced the finished product. In the *Dastar* case that was *Dastar* itself, even though most of the product's economic value came from elsewhere; just so when Smith System includes components manufactured by others but stands behind the finished product. The portion of § 43(a) that addresses reverse passing off is the one that condemns false designations of origin. "Origin" means, *Dastar* holds, "the producer of the tangible product sold in the marketplace". 539 U.S. at 31. As far as Dallas was concerned, the table's "origin" was Smith System, no matter who made any component or subassembly.

Much of Bretford's argument takes the form that it is just "unfair" for Smith System to proceed as it did, making a sale before its subcontractor could turn out acceptable leg assemblies. Businesses often think competition unfair, but federal law encourages wholesale copying, the better to drive down prices. Consumers rather than producers are the objects of the law's solicitude. If Smith System misled Dallas into thinking that it could supply high-quality tables, when its subcontractor could not match Bretford's welds and

other attributes of Bretford's V-shaped leg assemblies, then the victim would be the Dallas school system. (As far as we are aware, however, Dallas is happy with the quality of the tables it received; it has not complained about a bait and switch.) As the Court observed in *Dastar*, creators of certain artistic works are entitled (along the lines of the European approach to moral rights) to control how their work is presented or altered by others. See 539 U.S. at 34-35, citing 17 U.S.C. § 106A. See also *Lee v. A.R.T. Co.*, 125 F.3d 580 (7th Cir. 1997). Bretford's table is not a "work of visual art" under § 106A (and the definition in 17 U.S.C. § 101). Once Bretford sold its goods, it had no control over how customers used their components: the Lanham Act does not include any version of the "derivative work" right in copyright law. See 17 U.S.C. § 106(2).

Id. at 580-81.

4. *Non-attribution versus misattribution.* In *Gilliam v. American Broadcasting Companies, Inc.*, 538 F.2d 14 (2d Cir. 1976), the plaintiffs were a highly successful British comedy group known as "Monty Python." They sought to enjoin the ABC television network from broadcasting edited versions of three 30-minute Monty Python programs. Though ABC had validly obtained the rights to broadcast the programs, ABC replaced approximately 24 minutes of the total of 90 minutes of Monty Python material with television commercials. Some of ABC's edits destroyed the comedic content of the work. The plaintiffs argued among other things that, in essence, their Monty Python trademark was being placed on work that should no longer be attributed to them. The Ninth Circuit explained:

{T}he appellants claim that the editing done for ABC mutilated the original work and that consequently the broadcast of those programs as the creation of Monty Python violated the Lanham Act § 43(a), 15 U.S.C. § 1125(a). This statute, the federal counterpart to state unfair competition laws, has been invoked to prevent misrepresentations that may injure plaintiff's business or personal reputation, even where no registered trademark is concerned. It is sufficient to violate the Act that a representation of a product, although technically true, creates a false impression of the product's origin We find that the truncated version at times omitted the climax of the skits to which appellants' rare brand of humor was leading and at other times deleted essential elements in the schematic development of a story line. We therefore agree with {the district court's} conclusion that the edited version broadcast by ABC impaired the integrity of appellants' work and represented to the public as the product of appellants what was actually a mere caricature of their talents.

Id. at 24-25 (citations and footnotes omitted).¹

Is a claim akin to the plaintiffs' claim in *Gilliam* still viable after *Dastar*? (To be clear, *Gilliam* was not a reverse passing off case, but what about its facts makes it problematic in light of *Dastar*?)

5. *Do data or computer software qualify as protectable tangible goods or unprotectable intangible ideas under Dastar?* The answer to this question appears to be highly fact-specific. See, for example,

¹ The specifics of the injunctive relief granted to the plaintiffs are more complicated. The plaintiffs filed their complaint on December 15, 1976, seeking to prevent the airing of the episodes eleven days later on December 26. For various reasons, the district court ordered ABC only to broadcast a disclaimer during the December 26 broadcast stating that the plaintiffs disassociated themselves from the program because of their editing. By the time it heard the appeal of the case in April, 1977, the Ninth Circuit was left to preliminarily enjoin ABC from any further airing of the episodes in their mutilated form.

Laura Laaman & Assocs., LLC v. Davis, No. 16 Civ. 00594, 2017 U.S. Dist. LEXIS 194175 (D. Conn. Nov. 27, 2017), in which the court reviewed recent case law:

The question of where to draw the line between protected goods and unprotected ideas, however, has divided courts in the aftermath of *Dastar. Compare Cvent, Inc. v. Eventbrite, Inc.*, 739 F. Supp. 2d 927, 935-936 (E.D. Va. 2010) (holding that defendant's repackaging and sale of information stripped from plaintiff's computer database provided basis for cognizable reverse passing off claim); *Experian Marketing Solutions, Inc. v. U.S. Data Corp.*, No. 8:09CV24, 2009 U.S. Dist. LEXIS 82075, 2009 WL 2902957, at *10 (D. Neb. Sept. 9, 2009) (holding that defendant's unauthorized acquisition of and sale of plaintiff's consumer data files gave rise to viable reverse passing off claim) *with Smartix Intern. Corp. v. MasterCard Intern. LLC*, No. 06 CV 5174 (GBD), 2008 U.S. Dist. LEXIS 108548, 2008 WL 4444554, at *6-7 (S.D.N.Y. Sept. 30, 2008) (dismissing reverse passing off claim alleging defendant had stolen and reproduced plaintiff's software); *Bob Creeden & Associates, LTD. v. InfoSoft, Inc.*, 326 F. Supp. 2d 876, 879-80 (N.D. Ill. 2004) (dismissing reverse passing off claim based on defendant's purported theft and distribution of plaintiff's software to its competitors).

Laura Laaman & Assocs., 2017 U.S. Dist. LEXIS 194175 at *13-14. For a full consideration of the problems that intangible digital goods present for trademark law, see Mark P. McKenna & Lucas Osborn, *Trademarks and Digital Goods*, 92 NOTRE DAME L. REV. 1425 (2017).

10. Lanham Act § 2(d) Confusion

Recall that a registration application at the PTO may be rejected on the basis that the applied-for mark will create a likelihood of confusion with an already registered mark. The PTO's test for determining whether Lanham Act § 2(d) bars a registration is essentially the same as the multifactor test for the likelihood of confusion in the federal court litigation context. See *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 135 S.Ct. 1293 (2015). Excerpted below is the discussion of the § 2(d) bar in the Trademark Manual of Examining Procedure.

TMEP § 1207.01 Likelihood of Confusion

[1] In the ex parte examination of a trademark application, a refusal under § 2(d) is normally based on the examining attorney's conclusion that the applicant's mark, as used on or in connection with the specified goods or services, so resembles a *registered* mark as to be likely to cause confusion. See TMEP § 1207.02 concerning application of the § 2(d) provision relating to marks that so resemble another mark as to be likely to deceive, and TMEP § 1207.03 concerning § 2(d) refusals based on unregistered marks (which generally are not issued in ex parte examination).

[2] The examining attorney must conduct a search of USPTO records to determine whether the applicant's mark so resembles any registered mark(s) as to be likely to cause confusion or mistake, when used on or in connection with the goods or services identified in the application. The examining attorney also searches pending applications for conflicting marks with earlier effective filing dates The examining attorney must place a copy of the search strategy in the record.

[3] If the examining attorney determines that there is a likelihood of confusion between applicant's mark and a previously registered mark or marks, the examining attorney refuses registration of the applicant's mark under § 2(d). Before citing a registration, the examining attorney must check the automated records of the USPTO to confirm that any registration that is the basis for a § 2(d) refusal is an active registration

[4] In the seminal case involving § 2(d), *In re E. I. du Pont de Nemours & Co.*, the U.S. Court of Customs and Patent Appeals discussed the factors relevant to a determination of likelihood of confusion. 476 F.2d 1357, 177 USPQ 563 (C.C.P.A. 1973)

[5] Although the weight given to the relevant *du Pont* factors may vary, the following two factors are key considerations in any likelihood of confusion determination:

- The similarity or dissimilarity of the marks in their entireties as to appearance, sound, connotation and commercial impression.
- The relatedness of the goods or services as described in the application and registration(s).

See, e.g., *Federated Foods, Inc. v. Fort Howard Paper Co.*, 544 F.2d 1098, 1103, 192 USPQ 24, 29 (C.C.P.A. 1976); *In re Iolo Techs., LLC*, 95 USPQ2d 1498, 1499 (TTAB 2010); *In re Max Capital Grp. Ltd.*, 93 USPQ2d 1243, 1244 (TTAB 2010); *In re Thor Tech, Inc.*, 90 USPQ2d 1634, 1635 (TTAB 2009).

[6] The following factors may also be relevant in an ex parte likelihood-of-confusion determination and must be considered if there is pertinent evidence in the record:

- The similarity or dissimilarity of established, likely-to-continue trade channels.
- The conditions under which and buyers to whom sales are made, i.e., “impulse” vs. careful, sophisticated purchasing (see TMEP § 1207.01(d)(vii)).
- The number and nature of similar marks in use on similar goods (see TMEP § 1207.01(d)(iii)).
- The existence of a valid consent agreement between the applicant and the owner of the previously registered mark (see TMEP § 1207.01(d)(viii)).

See, e.g., *du Pont*, 476 F.2d at 1362-63, 177 USPQ at 568-69; *In re Davey Prods. Pty Ltd.*, 92 USPQ2d 1198, 1203-04 (TTAB 2009); *In re Toshiba Med. Sys. Corp.*, 91 USPQ2d 1266, 1272-74 (TTAB 2009); *Ass'n of the U.S. Army*, 85 USPQ2d at 1271-73.

[7] As should be clear from the foregoing, there is no mechanical test for determining likelihood of confusion and “each case must be decided on its own facts.” *Du Pont*, 476 F.2d at 1361, 177 USPQ at 567. In some cases, a determination that there is no likelihood of confusion may be appropriate, even where the marks are similar and the goods/services are related, because these factors are outweighed by other factors, such as differences in the relevant trade channels of the goods/services, the presence in the marketplace of a significant number of similar marks in use on similar goods/services, the existence of a valid consent agreement between the parties, or another established fact probative of the effect of use. For example, in *In re Strategic Partners, Inc.*, 102 USPQ2d 1397 (TTAB 2012), the Board reversed a refusal to register the mark ANYWEAR (in stylized text), for “footwear,” finding no likelihood of confusion with the registered mark ANYWEAR BY JOSIE NATORI (and design), for “jackets, shirts, pants, stretch T-tops and stoles.” Given the similarity in the marks and the relatedness of the goods, the Board stated that “under usual circumstances” it would conclude that confusion is likely to occur; however, an “unusual situation” compelled the Board “to balance the similarities between the marks and goods against the facts that applicant already owns a registration for a substantially similar mark for the identical goods, and that applicant’s registration and the cited registration have coexisted for over five years.” *Id.* at 1399. Applicant’s prior registration of ANYWEARS for goods including footwear was substantially similar to the applied-for mark ANYWEAR for the same goods, and the registration had achieved incontestable status. *Id.* Basing its decision on the thirteenth *du Pont* factor, which “relates to ‘any other established fact probative of the effect of use,’” the Board determined that this factor outweighed the others and confusion was unlikely. *Id.* at 1399-1400 (quoting *du Pont*, 476 F.2d at 1361, 177 USPQ at 567).

[8] The decision in *Strategic Partners* may be applied and weighed against a § 2(d) refusal in the limited situation where: (1) an applicant owns a prior registration for the same mark or a mark with no meaningful difference from the applied-for-mark; (2) the identifications of goods/services in the application and applicant’s prior registration are identical or identical in relevant part; and (3) the applicant’s prior registration has co-existed for at least five years with the registration being considered as the basis for the Section 2(d) refusal. See *Id.* at 1400.

[9] The determination of likelihood of confusion under § 2(d) in an intent-to-use application under § 1(b) of the Trademark Act does not differ from the determination in any other type of application.

1207.03 Marks Previously Used in United States but Not Registered

As a basis for refusal, § 2(d) refers not only to registered marks but also to “a mark or trade name previously used in the United States by another and not abandoned.” Refusal on the basis of an unregistered mark or trade name has sometimes been referred to as refusal on the basis of a “known mark.” This provision is not applied in ex parte examination because of the practical difficulties with which an examining attorney is faced in locating “previously used” marks, and determining whether anyone has rights in them and whether they are “not abandoned.”

Comments and Questions

1. *Lanham Act § 2(d) and Unregistered Marks.* Note that § 2(d) not only prohibits the registration of a mark that is confusingly similar with any previously registered mark, but also prohibits the registration of a mark that is confusingly similar with an unregistered “mark or tradename previously used in the United States by another and not abandoned.” Lanham Act § 2(d), 15 U.S.C. § 1052 (d). In practice, “[t]his provision is not applied in ex parte examination because of the practical difficulties with which an examining attorney is faced in locating ‘previously used’ marks, and determining whether anyone has rights in them and whether they are ‘not abandoned.’” TMEP § 1207.03 (Jan. 2015).

C. Trademark Dilution

Lanham Act § 43(c)¹ provides protection for trademarks against “dilution,” which is probably the single most muddled concept in all of trademark doctrine. Of the many reasons for this, perhaps the most significant—and avoidable—is that trademark courts and commentators tend to speak of several different species of trademark dilution without identifying them any more specifically than by the generic name “dilution.” From the very beginning of your study of dilution, it may be worthwhile to distinguish among three specific species of dilution: (1) dilution of uniqueness, (2) dilution by “blurring,” and (3) dilution by “tarnishment.” Because dilution is so easily misunderstood, each form of dilution is briefly discussed below before we turn to the representative case law. Note that, strictly speaking, U.S. trademark law protects against only dilution by blurring and dilution by tarnishment. A brief description of dilution of a trademark’s uniqueness is offered because it is arguably what the trademark practitioner and scholar Frank Schechter had in mind when he first spoke of the concept of trademark dilution in the 1920s.

Dilution of Uniqueness. In his seminal 1927 article *The Rational Basis of Trademark Protection*, 40 HARV. L. REV. 813 (1927), Schechter introduced to American law the concept of trademark dilution. By “dilution,” Schechter arguably meant to refer to the impairment of a trademark’s *uniqueness*, or what modern marketing doctrine would term its “brand differentiation.”² His primary concern was to preserve what he variously termed a mark’s “arresting uniqueness,” its “singularity,” “identity,” and “individuality,” its quality of being “unique and different from other marks.” Schechter was not so much concerned with a trademark’s distinctiveness *of source*, but with a trademark’s distinctiveness

¹ The current version of § 43(c) is sometimes referred to as the Trademark Dilution Revision Act or “TDRA,” which became effective on October 6, 2006 (and which replaced the old language of § 43(c) that was established by the Federal Trademark Dilution Act of 1995 or “FTDA”).

² For an important alternative reading of Schechter, which asserts that he sought to provide antidilution protection only to marks which are “synonymous with a single product or product class,” see Sara Stadler Nelson, *The Wages of Ubiquity in Trademark Law*, 88 IOWA L. REV. 731 (2003).

from other marks, not its “source distinctiveness,” but its “differential distinctiveness.”³ In Schechter’s view, trademark uniqueness was worth protecting because it generated “selling power.” Certain very strong marks were not simply a means of identifying and advertising source. In a new age of mass production, they were also a means of endowing the goods to which they were attached with the characteristic of uniqueness as against the crowds of other mass-produced goods in the marketplace, a characteristic for which consumers would pay a premium.

Schechter believed, quite rightly at the time, that antidilution protection was necessary because anti-infringement protection, based on consumer confusion as to source, would not fully preserve the uniqueness of famous marks. In situations where a defendant used a famous mark on goods unrelated to those on which the famous mark normally appeared (e.g., NIKE pianos, ROLLS-ROYCE chewing gum, CHANEL waste disposal services), consumers would not likely assume that the defendant’s product had the plaintiff as its source. Thus, no cause of action for consumer confusion as to source would lie.

The beauty of Schechter’s original conception of antidilution protection was that it was relatively easy to put into practice. Uniqueness is an absolute concept. A mark is either unique or it is not. If a senior mark is unique in the marketplace and a junior mark appears that is identical to it, then the junior mark will destroy the senior mark’s uniqueness. Thus, the test for dilution was an essentially formal one. The judge need only consider the identity or close similarity of the parties’ marks. If they were identical or closely similar, then the loss of uniqueness could be presumed. See *Eli Lilly & Co. v. Natural Answers, Inc.* 233 F.3d 456, 468-69 (7th Cir. 2000) (considering only similarity of the parties’ marks and the “renown” of the senior mark in finding a likelihood of dilution); *Ringling Bros-Barnum & Bailey Combined Shows, Inc. v. Utah Division of Travel Development*, 170 F.3d 449, 464 (4th Cir. 1999) (“[O]nly mark similarity and, possibly, degree of ‘renown’ of the senior mark would appear to have trustworthy relevance under the federal Act.”). Where the consumer confusion test was a messy and unpredictable empirical analysis centered on the *consumer*, the trademark dilution test was a simple and relatively predictable analysis centered on the *trademark*.

Note that Schechter’s original conception has never been enacted into law, and the language of Lanham Act § 43(c) is careful to steer clear of it. Indeed, in the early stages of the drafting of the Act, a form of antidilution protection based on “uniqueness” was proposed and rejected.⁴

Dilution by Blurring. The idea underlying the concept of trademark “blurring” is that the defendant’s use of a mark similar or identical to the plaintiff’s mark, though perhaps not confusing as to source, will nevertheless “blur” the link between the plaintiff’s mark and the plaintiff or between the plaintiff’s mark and the goods or services to which the plaintiff’s mark is traditionally attached. In modern marketing parlance, anti-blurring protection seeks to preserve a brand’s “typicality,” the brand’s “ability to conjure up a particular product category.” Alexander F. Simonson, *How and When Do Trademarks Dilute: A Behavioral Framework to Judge “Likelihood of Dilution”*, 83 TRADEMARK REP. 149, 152-53 (1993). In *Ty Inc. v. Perryman*, 306 F.3d 509 (7th Cir. 2002), Judge Posner provided a hypothetical example of blurring:

[T]here is concern that consumer search costs will rise if a trademark becomes associated with a variety of unrelated products. Suppose an upscale restaurant calls itself

³ See Barton Beebe, *The Semiotic Analysis of Trademark Law*, 51 UCLA L. REV. 621 (2004) (distinguishing between source distinctiveness, or in semiotic terms, “signification,” and differential distinctiveness, or in semiotic terms, “value”).

⁴ See Trademark Dilution Revision Act of 2005: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the House Judiciary Comm., 109th Cong. 12-13 (2005) [hereinafter 2005 Hearing] (statement of Anne Gundelfinger, President, International Trademark Association). See also *id.* at 22-23 (testimony of William G. Barber on behalf of the American Intellectual Property Law Association).

“Tiffany.” There is little danger that the consuming public will think it’s dealing with a branch of the Tiffany jewelry store if it patronizes this restaurant. But when consumers next see the name “Tiffany” they may think about both the restaurant and the jewelry store, and if so the efficacy of the name as an identifier of the store will be diminished. Consumers will have to think harder—incur as it were a higher imagination cost—to recognize the name as the name of the store. So “blurring” is one form of dilution.

Id. at 511 (citations omitted). As Judge Posner’s description suggests, the increase in “imagination cost” that blurring is thought to cause forms the basis of the economic rationale underlying antidilution protection. As Judge Posner explained, “[a] trademark seeks to economize on information costs by providing a compact, memorable and unambiguous identifier of a product or service. The economy is less when, because the trademark has other associations, a person seeing it must think for a moment before recognizing it as the mark of the product or service.” Richard Posner, *When Is Parody Fair Use?*, 21 J. LEGAL STUDIES 67, 75 (1992).⁵

The blurring theory of dilution is highly empirical in orientation. For the judge to find that a junior mark “blurs” a senior mark, the judge must find that the junior mark is causing consumers to “think for a moment” before recognizing that the senior mark refers to the goods of the senior mark’s owner.⁶ A merely formal analysis of the similarity of the marks is insufficient. The judge must evaluate the likely effect of the junior mark on the perceptions of actual consumers and must in the process take into account such factors as the degree of distinctiveness—or typicality—of the senior mark. The analysis is once again centered on the *consumer*.

The concept of trademark blurring is controversial. In his treatise, Tom McCarthy memorably observes:

Commentators almost uniformly contend that dilution by blurring is a purely theoretical hypothesis and rarely, if ever, happens in the real world. That is, the argument is that impairment of the distinctiveness of a trademark by blurring is like Bigfoot, the Himalayan Yeti or the Loch Ness Monster: a theoretical construct never proven to exist by incontrovertible evidence.

MCCARTHY, § 24:15. For example, Christine Haight Farley defies proponents of the blurring theory to provide even one concrete (and not hypothetical) example of a famous mark that has been significantly damaged through blurring. See Christine Haight Farley, *Why We Are Confused about the Trademark Dilution Law*, 16 FORDHAM INTELL. PROP. MEDIA & ENTER. L. J. 1175, 1184-85 (2006). Yet as we will see, courts continue to rule in favor of blurring plaintiffs, particularly when the defendant has acted in clear bad faith.

⁵ *The Restatement (Third) of Unfair Competition* provides an alternative account of dilution by blurring, one that the student may find more persuasive:

[A] mark may be so highly distinctive and so well advertised that it acts as a powerful selling tool. Such a mark may evoke among prospective purchasers a positive response that is associated exclusively with the goods or services of the trademark owner. To the extent that others use the trademark to identify different goods, services, or businesses, a dissonance occurs that blurs this stimulant effect of the mark. The antidilution statutes protect against this dilution of the distinctiveness and selling power of the mark.

RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 25 (1995). However, Judge Posner’s “imagination cost” account of blurring has proven to be far more influential in the courts and commentary, for better or worse.

⁶ For a strong critique of this conception of blurring, see Rebecca Tushnet, *Gone in 60 Milliseconds: Trademark Law and Cognitive Science*, 86 TEXAS L. REV. 507 (2008).

Dilution by Tarnishment. Dilution by tarnishment is fundamentally different from dilution by blurring (and arguably has nothing to do with “dilution” as Schechter originally formulated the concept). Tarnishment describes damage to the positive associations or connotations of a trademark. See *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 43 (2d Cir. 1994) (“‘Tarnishment’ generally arises when the plaintiff’s trademark is linked to products of shoddy quality, or is portrayed in an unwholesome or unsavory context likely to evoke unflattering thoughts about the owner’s product[s].”). In, for example, *New York Stock Exchange, Inc. v. New York, New York Hotel, LLC*, 293 F.3d 550 (2d Cir. 2002), a Las Vegas casino called its players club the “New York \$lot Exchange.” Owners of the NEW YORK STOCK EXCHANGE trademark took offense at the suggestion that their stock exchange was in some sense a venue for gambling, if not also for stacked odds, and sued. The district court granted summary judgment to the casino. *New York Stock Exch., Inc. v. New York, New York Hotel, LLC*, 69 F. Supp. 2d 479, 482 (S.D.N.Y. 1999). On appeal, the Second Circuit reversed and remanded on certain of the dilution claims. Among other things it found, with respect to the plaintiff’s New York state law tarnishment claim, that “[a] reasonable trier of fact might . . . find that the Casino’s humorous analogy would injure NYSE’s reputation.” *New York Stock Exch., Inc. v. New York, New York Hotel LLC*, 293 F.3d 550, 558 (2d Cir. 2002) (analyzing the issue under New York state anti-tarnishment law).

The Elements of a Dilution Claim. In *Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252 (4th Cir. 2007), the Fourth Circuit set forth the main elements of a claim for dilution by blurring or dilution by tarnishment. The plaintiff must show:

- (1) that the plaintiff owns a famous mark that is distinctive;
- (2) that the defendant has commenced using a mark in commerce that allegedly is diluting the famous mark;
- (3) that a similarity between the defendant’s mark and the famous mark gives rise to an association between the marks; and
- (4) that the association is likely to impair the distinctiveness of the famous mark or likely to harm the reputation of the famous mark.

Id. at 264-65.

In light of the above, the statutory language of § 43(c) excerpted below will reward a close reading. We then turn first to the fame requirement for antidilution protection and then to anti-blurring protection and anti-tarnishment protection.⁷

Lanham Act § 43(c), 15 U.S.C. § 1125(c)

(c) Dilution by blurring; dilution by tarnishment

(1) Injunctive relief. Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner’s mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

(2) Definitions

(A) For purposes of paragraph (1), a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods

⁷ The student wishing to avoid madness may do well to avoid the term “dilution” altogether and simply refer to these two forms of protection as “anti-blurring protection” and “anti-tarnishment” protection.

or services of the mark's owner. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following:

- (i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.
- (ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.
- (iii) The extent of actual recognition of the mark.
- (iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

(B) For purposes of paragraph (1), "dilution by blurring" is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

- (i) The degree of similarity between the mark or trade name and the famous mark.
- (ii) The degree of inherent or acquired distinctiveness of the famous mark.
- (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (iv) The degree of recognition of the famous mark.
- (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
- (vi) Any actual association between the mark or trade name and the famous mark.

(C) For purposes of paragraph (1), "dilution by tarnishment" is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.

(3) Exclusions. The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:

- (A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person's own goods or services, including use in connection with—
 - (i) advertising or promotion that permits consumers to compare goods or services; or
 - (ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.
- (B) All forms of news reporting and news commentary.
- (C) Any noncommercial use of a mark.

....

1. The Fame Requirement for Antidilution Protection

To qualify for federal anti-blurring and anti-tarnishment protection under § 43(c), a mark must be "widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner." Lanham Act § 43(c)(2)(A), 15 U.S.C. § 1125(c)(2)(A).

Furthermore, the mark must have become famous before the defendant began its allegedly diluting use. Lanham Act § 43(c)(1), 15 U.S.C. § 1125(c)(1). Among the marks that have failed to meet the fame requirement are the “longhorn” logo of the University of Texas, *Board of Regents v. KST Elec., Ltd.*, 550 F. Supp. 2d 657, 678 (W.D. Tex. 2008), and the red dripping wax seal of the Maker’s Mark whiskey bottle, *Maker’s Mark Distillery, Inc. v. Diageo North America, Inc.*, 703 F. Supp. 2d 671, 698 (W.D. Ky. 2010) (“Congress intended for dilution to apply only to a small category of extremely strong marks.”). Among the marks that have met the fame requirement are JUST DO IT, CHANEL, AUDI, and AMERICA’S TEAM. See respectively *Nike, Inc. v. Peter Maher and Patricia Hoyt Maher*, 100 U.S.P.Q.2d 1018, 1027 (T.T.A.B. 2011); *Chanel, Inc. v. Makarczyk*, 110 U.S.P.Q.2d 2013 (T.T.A.B. 2014); *Audi AG v. Shokan Coachworks, Inc.*, 592 F. Supp. 2d 246, 280 (N.D. N.Y. 2008); *Dallas Cowboys Football Club, Ltd. v. America’s Team Properties, Inc.*, 616 F. Supp. 2d 622 (N.D. Tex. 2009).

In the opinion excerpt that follows, the Federal Circuit considered the fame of the mark COACH. Coach Services, Inc. (“CSI”), the proprietor of COACH leather goods stores opposed Triumph Learning, LLC’s application to register the mark COACH for educational materials used to prepare students for standardized tests. (Does CSI’s opposition strike you as a reasonable assertion of CSI’s rights in their COACH mark?) In affirming the TTAB’s finding of no likelihood of confusion or dilution, the Federal Circuit found that CSI had failed to establish that its mark was “widely recognized by the general consuming public of the United States” at the time that Triumph Learning adopted its mark. Triumph filed its applications to register the COACH word mark, a stylized COACH mark, and a COACH mark and design (shown below) in December 2004. The applications were published for opposition on September 20, 2005.



Coach Servs., Inc. v. Triumph Learning LLC
668 F.3d 1356 (Fed. Cir. 2012)

O’MALLEY, Circuit Judge.

....

C. Dilution

1. Fame for Dilution

[1] A threshold question in a federal dilution claim is whether the mark at issue is “famous.” Under the TDRA, a mark is famous if it “is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark’s owner.” 15 U.S.C. § 1125(c)(2)(A). By using the “general consuming public” as the benchmark, the TDRA eliminated the possibility of “niche fame,” which some courts had recognized under the previous version of the statute. See *Top Tobacco, LP v. N. Atl. Operating Co.*, 509 F.3d 380, 384 (7th Cir. 2007) (noting that the reference to the general public “eliminated any possibility of ‘niche fame,’ which some courts had recognized before the amendment”). The TDRA lists four non-exclusive factors for courts to consider when determining whether a mark is famous.... Whether a mark is famous under the TDRA is a factual question reviewed for substantial evidence.

....

[2] It is well-established that dilution fame is difficult to prove . . . This is particularly true where, as here, the mark is a common English word that has different meanings in different contexts. Importantly, the owner of the allegedly famous mark must show that its mark became famous “prior to the filing date of the trademark application or registration against which it intends to file an opposition or cancellation proceeding.” *See Toro Co. v. ToroHead Inc.*, 61 U.S.P.Q.2d 1164, 1174 (T.T.A.B.2001).

[3] As noted, fame for dilution requires widespread recognition by the general public. 15 U.S.C. § 1125(c)(2)(A). To establish the requisite level of fame, the “mark’s owner must demonstrate that the common or proper noun uses of the term and third-party uses of the mark are now eclipsed by the owner’s use of the mark.” *Toro*, 61 U.S.P.Q.2d at 1180. An opposer must show that, when the general public encounters the mark “in almost any context, it associates the term, at least initially, with the mark’s owner.” *Id.* at 1181. In other words, a famous mark is one that has become a “household name.” *Nissan Motor Co. v. Nissan Computer Corp.*, 378 F.3d 1002, 1012 (9th Cir. 2004) (quoting *Thane Int’l, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 911 (9th Cir. 2002)). With this framework in mind, we turn to CSI’s evidence of fame.

2. CSI Failed to Introduce Sufficient Evidence of Fame for Dilution

[4] The Board found that CSI’s evidence of fame was insufficient to support a dilution claim. On appeal, CSI argues that the same evidence establishing fame for likelihood of confusion also establishes fame for dilution purposes. Specifically, CSI argues that the Board disregarded: (1) sales and advertising figures for years 2000–2008; (2) its sixteen federal trademark registrations; (3) unsolicited media attention; (4) joint marketing efforts; (5) two Second Circuit decisions finding the Coach hangtag, which features the COACH mark, to be famous; and (6) CSI’s internal brand awareness survey showing awareness among 18–24 year old consumers. We address each category of evidence in turn. For the reasons set forth below, we find substantial evidence supporting the Board’s decision that CSI failed to show the requisite level of fame for dilution.

[5] Turning first to CSI’s evidence of sales and advertising expenditures, CSI argues that the Board erred when it ignored the annual reports that were attached to a Notice of Reliance. As previously discussed, however, the Board correctly held that these reports were unauthenticated and thus inadmissible. The only sales and advertising figures in the record via Ms. Sadler’s testimony were for one year—2008—which, notably, is after Triumph filed its use-based applications in December 2004. We agree with the Board that this limited evidence of sales and advertising is insufficient to show fame. Even if the Board had considered the annual reports, moreover, such evidence, standing alone, would be insufficient. *See Toro*, 61 U.S.P.Q.2d at 1181 (“Merely providing evidence that a mark is a top-selling brand is insufficient to show this general fame without evidence of how many persons are purchasers.”).

[6] With respect to CSI’s registrations, the Board found that the mere existence of federally registered trademarks is insufficient to show that the mark is famous for purposes of dilution because ownership of a registration is not proof of fame. On appeal, CSI argues that the Board erred in this determination because one of the statutory factors a court can consider in the fame analysis is whether the mark is registered on the principal register. *See* 15 U.S.C. § 1125(c)(2)(A)(iv). As Triumph points out, however, “[o]ne cannot logically infer fame from the fact that a mark is one of the millions on the Federal Register.” 4 *McCarthy*, § 24:106 at 24–310. While ownership of a trademark registration is relevant to the fame inquiry, and—to the extent the Board decision implies otherwise—the Board erred on this point, proof of registration is not *conclusive* evidence of fame.

[7] With respect to media attention, the Board found that CSI’s evidence fell short of showing “widespread recognition of opposer’s mark [by] the general population.” *Board Decision*, 96 U.S.P.Q.2d at 1611. Specifically, the Board found that:

the vast majority of unsolicited media recognition for opposer’s COACH mark comprises a reference to one of opposer’s products as one of many different fashion buys or trends,

and the news articles noting opposer's renown are too few to support a finding that opposer's mark has been transformed into a household name.

Id. On appeal, CSI argues that the Board ignored hundreds of unsolicited articles mentioning the COACH mark over the years. CSI points to several examples, including the following:

- “In fact, Coach’s growth . . . has been phenomenal. When Sara Lee acquired the firm in 1985, its volume was about \$18 million. In Sara Lee’s latest fiscal year, which ended last June 30, Coach’s sales exceeded \$500 million. The name also resonates with consumers. The brand ranked eighth among the top 10 in accessories firms in the latest Fairchild 100 consumer survey of fashion labels, in 1995.” J.A. 3607 (Women’s Wear Daily, May 5, 1997).
- “Coach, one of the top makers of status handbags in the United States . . .” J.A. 3598 (The New York Times, Jan. 27, 1999).
- “Coach’s creative director has helped transform the 60-year old company into a must-have American icon.” J.A. 3156 (Women’s Wear Daily, June 2001).
- “Will Coach Become Too Popular? . . . Coach, the maker and retailer of stylish handbags, just had a blowout season Clearly Coach has recorded some of the best growth numbers of any retailer or accessories maker in recent years.” J.A. 3543 (Business Week, Jan. 24, 2007).

[8] Looking at the media attention in the record, there is certainly evidence that CSI’s COACH mark has achieved a substantial degree of recognition. That said, many of the articles submitted are dated *after* Triumph filed its registration applications and thus do not show that CSI’s mark was famous *prior* to the filing date. *See Toro*, 61 U.S.P.Q.2d at 1174 (“an owner of an allegedly famous mark must establish that its mark had become famous prior to the filing date of the trademark application” which it opposes). And, there is substantial evidence supporting the Board’s determination that many of the references are limited to mentioning one of CSI’s COACH products among other brands. Accordingly, even though there is some evidence of media attention, substantial evidence supports the Board’s conclusion that the media evidence submitted fails to show widespread recognition.

[9] With respect to joint marketing efforts, CSI argued that other popular brands, including LEXUS and CANON, have used the COACH mark in connection with their products. The Board found that CSI “failed to provide any testimony regarding the success of the joint marketing efforts and the effect of those efforts in promoting opposer’s mark.” *Board Decision*, 96 U.S.P.Q.2d at 1611, n. 37. We agree. Without evidence as to the success of these efforts or the terms of any contracts involved, they have little value here.

[10] Next, the Board found that CSI’s 2008 brand awareness study was “of dubious probative value” because it did not offer a witness with first-hand knowledge of the study to explain how it was conducted. *Id.* at 1611. The Board further noted that, although the study showed a high level of brand awareness among women ages 13–24, it provided no evidence of brand awareness among women generally, or among men. *See Top Tobacco*, 509 F.3d at 384 (noting that the TDRA eliminated the possibility of “niche fame” as a basis for finding a mark famous). And, the survey was conducted in 2007, several years after Triumph filed its applications. Given these circumstances, we find no error in the Board’s decision to give this survey limited weight.

[11] CSI also argues that the Board failed to adequately consider two Second Circuit decisions finding that the hangtag attached to its various handbags, which features the COACH mark, is distinctive. *See Coach Leatherware Co., Inc. v. AnnTaylor, Inc.*, 933 F.2d 162, 166 (2d Cir. 1991) (finding that Coach’s lozenge-shaped leather tags embossed with the name “Coach Leatherware,” which are attached to Coach’s handbags by beaded brass chains, “have become distinctive and valuable through Coach’s promotional efforts and by virtue of its upscale reputation”); *see also Coach, Inc. v. We Care Trading Co., Inc.*, 67 Fed.Appx. 626, 630 (2d Cir. 2002) (affirming the jury’s dilution verdict on grounds

that “the jury’s determination that the hang tag was famous and distinctive was not unreasonable” and “the substantial similarity of the two marks here coupled with the use of Coach’s very distinctive hang tag shape amply justified the jury’s verdict”). Although the Board did not specifically address these cases, we agree with Triumph that they are unrelated and irrelevant, particularly because: (1) the 1991 case did not involve a dilution claim; and (2) both cases focus on the hangtag feature on CSI’s handbags, not on the alleged fame of the COACH mark generally.

[12] Based on the foregoing, we agree with the Board that CSI failed to provide sufficient evidence of fame for dilution purposes. Absent a showing of fame, CSI’s dilution claim fails, and we need not address the remaining statutory factors for dilution by blurring.

[13] Before moving on, we pause to emphasize the fact-specific nature of our holding today. While the burden to show fame in the dilution context is high—and higher than that for likelihood of confusion purposes—it is not insurmountable. We do not hold that CSI could never establish the requisite level of fame for dilution purposes. We hold only that, on the record presented to it, the Board had substantial support for its conclusion that CSI’s evidentiary showing was just too weak to do so here.

Comments and Questions

1. *The Importance of the Timing of Fame Evidence.* Courts appear to be applying quite strictly the requirement that the plaintiff show fame *before* defendant began use. Consider the case of *Inter IKEA Systems B.V. v. Akea, LLC*, 110 U.S.P.Q.2d 1734 (TTAB 2014). In June 2009, Akea filed an intent-to-use application for the mark AKEA for nutritional supplements in international class 5, retail services in class 35, and advice and information services relating to diet in class 44. Ikea opposed under § 2(d), claiming likelihood of confusion, and under § 13 and § 43(c), claiming likelihood of dilution. Almost all of Ikea’s evidence of fame was dated after June 2009. “For example, opposer’s evidence that the IKEA brand was ranked No. 28 on the Business Week/Interbrand 2012 list of the Top 100 Brands worldwide, with an estimated brand value of \$12,808,000,000 is subsequent to the filing date of applicant’s application and, therefore, is not relevant.” *Id.* at 1745. Ikea’s dilution claim therefore failed. What result? Akea’s registration was refused in class 35 for retail services where the TTAB found a likelihood of confusion, but allowed in classes 5 and 44, for nutritional supplements and for information services relating to diet respectively, where the TTAB found no likelihood of confusion (but might very well have found a likelihood of dilution had Ikea’s lawyers submitted, for example, evidence that in 2008, Interbrand ranked Ikea as the 35th most valuable brand in the world worth \$10.9 billion).

2. *Fame Surveys.* What level of fame must a mark be shown to have achieved in survey evidence to qualify for federal antidilution protection? Consider McCarthy’s proposal, which he provides in an “Author’s Opinion” section of his treatise:

I think that the extraordinary scope of the federal antidilution law requires proof of a relatively high level of recognition I believe that a minimum threshold survey response should be in the range of 75% of the general consuming public of the United States. I do not propose that a mark that obtained such a reading on a survey would automatically qualify as “famous”: surveys are not indisputably accurate measures of public perception. It is no secret that survey percentages can vary widely depending on which group of people are asked questions phrased in various ways. My 75% proposal assumes that the fact finder is satisfied that the data reasonably reflects actual public perception of the entire general consuming public of the United States.

MCCARTHY § 24:106 (*cited in* T-Mobile US, Inc. v. AIO Wireless LLC, 991 F. Supp. 2d 888, 931 (S.D. Tex. 2014)). What would be the appropriate question to ask survey respondents?

3. *Mark Fame and Unauthorized Parodic Uses of a Mark.* When sending cease and desist letters against unauthorized expressive users of their marks (such as parodists or appropriationist artists),

trademark owners frequently assert that the law requires them to enforce their exclusive rights or they will lose those rights. Owners resort to this reasoning to defend often dubious and overreaching threat letters. In an effort to align owners’ incentives with free speech, Mark Lemley has proposed that “[c]ourts should consider the existence, number, and prominence of unauthorized parodies, satires, or other expressive and referential uses of a mark directed at the general public as evidence tending to show that the mark is famous for both dilution and likelihood of confusion purposes, and the absence of such uses as tending to show that the mark is not famous and not as strong My proposal should encourage trademark lawyers to advise their clients to let such uses be. Trademark owners don’t need to police expressive uses even today, and my approach would give them a reason not to.” Mark A. Lemley, *Fame, Parody, and Policing in Trademark Law*, 2019 MICH. ST. L. REV. 1 (2019). Does this strike you as a salutary doctrinal innovation? Are courts likely to adopt it?

4. *State Antidilution Law as an Alternative for Marks That Are Not Nationally Famous.* As the table below indicates, 36 states provides state statutory antidilution protection. See GILSON § 5A.02. Importantly, none of these states require that the mark be nationally famous to qualify for state antidilution protection. Some, such as Connecticut, Illinois, Minnesota, and New Jersey, provide protection only to a “mark which is famous in this state.” See, e.g., 765 Ill. Comp. Stat. 1036/65. Other state statutes, such as New York’s, have been interpreted to require that the mark is “truly distinctive” to qualify for state antidilution protection. See *Allied Maint. Corp. v. Allied Mech. Trades, Inc.*, 42 N.Y.2d 538, 546 (1977). See also *Sally Gee, Inc. v. Myra Hogan, Inc.*, 699 F.2d 621, 625 (2d Cir. 1983) (“In *Allied* the majority indicated that the anti-dilution statute protects only extremely strong marks.”); *Moore Bus. Forms, Inc. v. Rite Aid Corp.*, No. 90 Civ.1211E, 1991 U.S. Dist. LEXIS 18599, at *25 (W.D.N.Y. Dec. 6, 1991) (“*Allied Maintenance* requires that only truly distinctive marks be afforded the protection of New York’s anti-dilution statute.”). A limitation of state antidilution protection, however, is that in certain instances injunctive relief may be limited only to the state covered by the statute or even to a part of that state. See MCCARTHY § 24.82.

State Antidilution Protection

| | |
|-------------------------------------|---------------------------------|
| Ala. Code § 8-12-17 | Miss. Code Ann. § 75-25-25 |
| Alaska Stat. § 45.50.180(d) | Mo. Rev. Stat. § 417.061(1) |
| Ariz. Rev. Stat. § 44-1448.01 | Mont. Code Ann. § 30-13-334 |
| Ark. Code Ann. § 4-71-213 | Neb. Rev. Stat. § 87-140 |
| Cal. Bus. & Prof. Code § 14330 | Nev. Rev. Stat. Ann. § 600.435 |
| Conn. Gen. Stat. § 35-11i(c) | N.H. Rev. Stat. Ann. § 350-A:12 |
| Del. Code Ann. tit. 6, § 3313 | N.J. Stat. § 56:3-13.20 |
| Fla. Stat. § 495.151 | N.M. Stat. Ann. § 57-3B-15 |
| Ga. Code Ann. § 10-1-451(b) | N.Y. Gen. Bus. Law § 360-1 |
| Haw. Rev. Stat. § 482-32 | Ore. Rev. Stat. § 647.107 |
| Idaho Code § 48-513 | 54 Pa. Cons. Stat. § 1124 |
| 765 Ill. Comp. Stat. 1036/65 | R.I. Gen. Laws § 6-2-12 |
| Iowa Code § 548.113 | S.C. Code Ann. § 39-15-1165 |
| Kan. Stat. Ann. § 81-214 | Tenn. Code Ann. § 47-25-513 |
| La. Rev. Stat. § 51:223.1 | Tex. Bus. & Com. Code § 16.29 |
| Me. Rev. Stat. Ann. tit. 10, § 1530 | Wash. Rev. Code § 19.77.160 |
| Mass. Ann. Laws ch. 110B, § 12 | W. Va. Code § 47-2-13 |
| Minn. Stat. § 333.285 | Wyo. Stat. § 40-1-115 |

2. Dilution by Blurring

The following opinion, *Nike, Inc. v. Nikepal Intern., Inc.*, 84 U.S.P.Q.2d 1820 (N.D. Cal. 2007), was one of the first opinions thoroughly to analyze a claim of dilution by blurring under the new § 43(c) established by the TDRA. In reading *Nikepal*, consider the following questions;

- What is the nature of the harm to the NIKE mark? Is it reasonable to argue that Nikepal’s use of the NIKEPAL mark could harm in any significant way a mark as strong as NIKE?

- Does the survey method described in the opinion strike you as valid?
- Though the opinion never addresses the likelihood of consumer confusion as to source, do you think some consumers might be confused as to source by the NIKEPAL mark? More generally, can a plaintiff reasonably argue that a defendant's conduct causes *both* confusion and dilution?

Nike, Inc. v. Nikepal Intern., Inc.
84 U.S.P.Q.2d 1820 (N.D. Cal. 2007)

GARLAND E. BURRELL, JR., United States District Judge.

[1] The following findings of fact and conclusions of law issue as a result of a bench trial conducted in this trademark action. Plaintiff Nike, Inc. ("Nike"), a company headquartered in Beaverton, Oregon which uses the mark NIKE, contests the use of the mark NIKEPAL by Defendant Nikepal International, Inc. ("Nikepal"), a company located in Sacramento, California. Nike initially contested Nikepal's registration of the NIKEPAL mark at the Trademark Trial and Appeal Board ("TTAB") of the United States Patent and Trademark Office ("PTO"); however, the TTAB denied Nike's opposition to Nikepal's registration of the NIKEPAL mark. Nike subsequently appealed the TTAB's ruling to this court under 15 U.S.C. § 1071 and brought additional claims for federal and state trademark dilution under 15 U.S.C. § 1125(c) and California Business and Professions Code section 14330; for trademark infringement under 15 U.S.C. § 1114; and for unfair competition under 15 U.S.C. § 1125(a).²

[2] Nike seeks an injunction preventing Nikepal from using the term "Nike" (or any term confusingly similar thereto) alone or as part of any trademark, domain name or business name under which Nikepal offers goods or services in commerce. Nike also seeks a reversal of the TTAB's ruling allowing Nikepal to register the NIKEPAL mark. Nikepal seeks an affirmation of the TTAB's April 21, 2005 order. (TTAB's April 21, 2005 Order ("TTAB Decision").)

Findings of Fact

I. The Parties and their Businesses

A. Nike

[3] Nike was incorporated in 1968 under the original company name Blue Ribbon Sports. In 1971, it adopted the NIKE mark to brand its footwear products and in May 1978, the company's name was officially changed to "Nike, Inc." Today, Nike is the largest seller of athletic footwear and apparel in the world. Nike sells around 180 million pairs of shoes annually in the United States alone. Nike's principal business activity is the design, development, and worldwide marketing and distribution of high quality and technologically advanced footwear, apparel, equipment, and accessories. Nike has continuously used the NIKE mark on and in connection with the various products offered by the company since the 1970s. Sometimes, the word mark NIKE is the only brand used; sometimes, Nike's Swoosh design mark (i.e. the logo which frequently appears on products along with NIKE, and in some instances alone) is also placed on the product.

B. Nikepal

[4] Nikepal was incorporated on May 18, 1998 by the company's founder and president, Palminder Sandhu ("Mr. Sandhu"), who then began using the NIKEPAL mark in commerce. Nikepal provides services and products to analytical, environmental, and scientific laboratories. Nikepal's trademark application to the PTO requested registration for: "import and export agencies and

² For the reasons stated herein, Nike prevails on its federal and state dilution claims. Therefore, Nike's claims for trademark infringement and unfair competition need not be reached.

wholesale distributorships featuring scientific, chemical, pharmaceutical, biotechnology testing instruments and glassware for laboratory use, electrical instruments, paper products and household products and cooking appliances.” (Application Serial No. 76123346, filed September 6, 2000) Nikepal distributes glass syringes in varying volumes and other laboratory products to testing and power companies and also distributes paper boxes (syringe carrying cases) and nylon valves and caps for use with the syringes. Nikepal only distributes its products to laboratories, not to individuals.

[5] Nikepal does not have a retail office, but operates its business through its website (located at www.nikepal.com), via email, and via telephone. Nikepal is run by Mr. Sandhu, who also works as a transportation engineer. Currently, Nikepal has one other part-time employee. Nikepal has only a few hundred customers, but it has a list of thousands of prospective customers, some of whom receive materials from Nikepal advertising its product and service offerings under the mark NIKEPAL.

II. The Parties' Marks

A. NIKE

[6] Nike first registered the NIKE mark with the PTO in February 1974. Nike owns ten federal trademark registrations for the NIKE mark alone, covering footwear, clothing, bags, timepieces, paper products such as notebooks and binders, sport balls, swim accessories, and retail store services, all of which related to pre-May 1998 uses of the mark. By May 1998, Nike was also using and applied for trademark registrations covering the use of the NIKE mark in combination with other terms or designs for footwear, clothing, bags, timepieces, posters, sport balls, swim accessories, weights, gloves, headgear, and retail store services. For example, Nike owns nineteen federal registrations for NIKE composite marks such as: NIKE and the Swoosh design which has been in use since 1971; NIKE AIR which has been in use since 1987; NIKE-FIT which has been in use since 1990; NIKE TOWN which has been in use since 1990; NIKE SHOP which has been in use since 1991; and NIKE GOLF which has been in use since 1993. From 1998 to the present, Nike has continued to use the mark NIKE alone and in combination with other terms or designs.

B. NIKEPAL

[7] Mr. Sandhu testified that he conceived of the term Nikepal when he wanted to create a vanity license plate for his car. He testified that he selected the word “Nike” by opening a dictionary to a random page and choosing the first word he saw, and then combined it with the first three letters of his first name “Pal.” “Pal” means friend or benefactor. Mr. Sandhu admits he knew of the existence of the company Nike and its use of the NIKE mark at the time he devised the term NIKEPAL. Despite Mr. Sandhu’s trial testimony concerning the manner in which he conceived of the term NIKEPAL, the court does not find it to be credible.

[7] The “Nike” portion of the NIKEPAL mark is pronounced the same way as the NIKE mark is pronounced: with a hard “i” (like bike) in the first syllable and a hard “e” (like in “key”) in the second syllable.³ The articles of incorporation signed by Mr. Sandhu for Nikepal in 1998 display the company

³ Nikepal’s attorney attempted to convince the court that there is a pronunciation difference between NIKE and NIKEPAL. In her questions during trial, for example, she pronounced Nikepal’s mark as “nik-a-pal.” However, in answering her questions at trial, Mr. Sandhu, the president of Nikepal, alternated between the pronunciation of NIKEPAL as “nik-a-pal” and as “Ny-key-pal.” Further, Nike’s witness, Joseph Sheehan, a former FBI agent and now a private investigator, provided a tape recording of the outgoing message heard on Nikepal’s answering machine which clearly pronounced the term “Nike” with long, or hard, vowels, that is an “i” like in “bike” and “e” like in “key” identical to the pronunciation of the Nike’s trademark.

name as “NikePal International, Inc.,” with the first word of the company name spelled “NikePal,” with a capital “N” and a capital “P.”⁴

[8] In addition to using Nikepal as the company name, NIKEPAL appears directly on some of Nikepal’s products, including on its syringe products, and on its marketing materials. Nikepal also places www.nikepal.com on its syringes to identify the source of the syringe. Nikepal also uses the NIKEPAL mark in a vanity phone number (1-877-N-I-K-E-P-A-L), on its website, and in its domain names, including nikepal.com, nikepal.biz, nikepal.us, nikepal.tv, nikepal.info, and nikepal.net.

III. Nike’s Sales

[9] By the late 1980s, United States sales of NIKE branded products were over one billion dollars per year. Starting in 1991 and through the mid 1990s, sales of NIKE products in the United States were approximately two billion dollars per year, and were above five billion dollars per year by 1997. By 1997, Nike was the largest seller of athletic footwear and apparel in the world. The geographic area of Nike’s sales includes the United States and 140 countries throughout the world. Since 1997, Nike has sold over 100,000,000 pairs of NIKE shoes each year.

IV. Advertising and Promotion of the NIKE Mark

[10] Nike has undertaken significant expense to promote the NIKE mark. Nike advertises in various types of media, including traditional print advertising, such as magazines (of both special and general interest), newspapers (of general circulation), leaflets, and billboards. Nike also advertises in electronic media, including radio, television, cable and internet, on sides of buildings, on taxi cabs, and through direct mailings. Nike’s television advertisements have run on network channels and have reached national audiences. Nike has also promoted its mark by associating with athletes through endorsement arrangements. By 1991, Nike was spending in excess of one hundred million dollars per year in the United States alone to advertise products bearing the NIKE mark. By 1997, Nike had spent at least \$1,567,900,000.00 to promote the NIKE mark in the United States.

V. Notoriety of NIKE

[11] The NIKE mark has been consistently ranked as a top brand in publications that survey the top brands each year. Since at least 1990, Nike has been named one of the top forty brands in the United States based on the EquiTrend and other studies published in BrandWeek and Financial World Magazine. Other brands ranked in such studies include FRITO LAY, LEVI’S, CAMPBELLS’, HEWLETT-PACKARD, SONY, PEPSI, and VISA. One story printed in Forbes magazine, reported a survey conducted by Young & Rubicam that ranked the NIKE brand among the top ten in the United States in 1996 with COKE, DISNEY, and HALLMARK.

VI. Evidence of Actual Association

[12] A survey conducted by Phillip Johnson of Leo J. Shapiro and Associates (“Mr. Johnson’s survey”), a Chicago-based market research firm, determined that a significant number of Nikepal’s potential laboratory customers actually associated NIKE with NIKEPAL. Mr. Johnson is an expert at designing surveys that measure consumer behavior. The primary business of Shapiro and Associates is to explore consumer behavior through the use of surveys for businesses such as Toys-R-Us, Target, and PetSmart in order to help them better understand their marketplace when developing new retail concepts. Nike retained Mr. Johnson to design a survey to measure, *inter alia*, the likelihood of dilution of the NIKE brand as a result of Nikepal’s use of the NIKEPAL mark.

[13] In designing his study, Mr. Johnson used a universe of survey participants randomly selected from lists of companies that Mr. Sandhu’s deposition testimony identified as the sources for Nikepal’s

⁴ However, since both parties refer to “Nikepal” with a lowercase “p” in this action, the court adopts this spelling for the purposes of this order.

current and prospective customers. Mr. Johnson conducted the survey by phone and asked respondents about their perception of a website called nikepal.com. In designing his survey, Mr. Johnson chose one of the ways that the NIKEPAL mark is used in commerce which allowed him to reasonably recreate a purchasing context while obtaining a controlled and accurate measurement. Mr. Johnson testified that this survey replicated the circumstances in which people typically encountered the NIKEPAL mark.

[14] Once survey respondents were screened to confirm that they were the persons most responsible for ordering laboratory equipment at their business, they were asked: “What if anything, came to your mind when I first said the word Nikepal?” Many survey respondents who were not actually confused about the source of the Nikepal website nonetheless identified Nike. Mr. Johnson testified that his survey revealed that the vast majority of respondents, 87%, associated Nikepal with Nike; that is, when they encounter the mark NIKEPAL, they think of Nike and/or its offerings.

[15] Evidence of actual association of the NIKEPAL mark with the NIKE mark also exists beyond the results demonstrated in Mr. Johnson’s survey. Mr. Sandhu registered the domain names nikepal.biz, nikepal.us, nikepal.tv, nikepal.net, and nikepal.info with Network Solution, and until just prior to trial, those websites were inactive. Mr. Sandhu testified that at the time he registered those domains he chose not to link them to an active website. As a result, Network Solutions assigned those domains an “under construction” page and then associated with that page promotions and advertisement links to product and service offerings of its choice. These promotions and advertisements all referred to NIKE products or those of one of its competitors. Thus, when accessing Nikepal’s NIKEPAL domain names (other than nikepal.com), users received information about Nike or its competitors, but not Nikepal.

Conclusions of Law

I. Dilution

[16] Under the Federal Trademark Dilution Revision Act,⁶ . . . 15 U.S.C. § 1125(c)(1) (“TDRA”) { t}o prevail on its dilution claim, Nike must prove 1) that its mark was famous as of a date prior to the first use of the NIKEPAL mark and 2) that Nikepal’s use of its allegedly diluting mark creates a likelihood of dilution by blurring or tarnishment.⁷

⁶ The TDRA, signed into law on October 6, 2006, amended the previous federal anti-dilution statute (the Federal Trademark Dilution Act (“FTDA”). The TDRA revises the FTDA in three ways: it establishes that likelihood of dilution, and not actual dilution, is a prerequisite to establish a dilution claim; it sets forth four relevant factors courts may consider in determining famousness; and it also lists six relevant factors that courts may consider in determining whether a likelihood of dilution exists. *Century 21 Real Estate LLC v. Century Surety Co.*, 2007 WL 433579, at *1 (D.Ariz. Feb.6, 2007).

⁷ California’s anti-dilution statute, under which Nike also brings a claim, prescribes:

Likelihood of injury to business reputation or a dilution of the distinctive quality of a mark registered under this chapter, or a mark valid at common law, or a trade name valid at common law, shall be a ground for injunctive relief notwithstanding the absence of competition between parties or the absence of confusion as to the source of goods or services.

Cal. Bus. & Prof.Code § 14330. If Nike prevails on its federal dilution claim, it will also prevail on its dilution claim under California law. *See Jada Toys, Inc. v. Mattel, Inc.*, 496 F.3d 974 (9th Cir. Aug.2, 2007); *see also Panavision Int’l v. Toeppen*, 141 F.3d 1316, 1324 (9th Cir. 1998) (“[Plaintiff’s] state law dilution claim [under California Business and Professions Code section 14330] is subject to the same analysis as its federal [dilution] claim.”).

A. Whether NIKE Was Famous Prior to the First Use of NIKEPAL

[17] . . . Since Nikepal's first use of NIKEPAL commenced in May 1998, Nike must show that NIKE was famous before that date.

{The court applied the four factors listed in Lanham Act § 43(c)(2)(A), 15 U.S.C. 1125(c)(2)(A), to find that the NIKE mark was famous before May 1998}.

B. Likelihood of Dilution by Blurring

[18] The TDRA defines dilution by blurring as an "association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark." 15 U.S.C. § 1125(c)(2)(A) *{sic}* *{recte* 15 U.S.C. § 1125(c)(2)(B)}.

In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

- (i) The degree of similarity between the mark or trade name and the famous mark.
- (ii) The degree of inherent or acquired distinctiveness of the famous mark.
- (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
- (iv) The degree of recognition of the famous mark.
- (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
- (vi) Any actual association between the mark or trade name and the famous mark.

Id.

(i) The Degree of Similarity

[19] Marks in a dilution analysis must be "identical" or "nearly identical."⁸ *Thane Int'l, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 906 (9th Cir. 2002). "For marks to be nearly identical to one another, they 'must be similar enough that a significant segment of the target group of customers sees the two marks as essentially the same.'" *Playboy Enters., Inc. v. Welles*, 279 F.3d 796, 806 n. 41 (9th Cir. 2002) (internal citation omitted).

[20] The parties' marks are nearly identical. The NIKEPAL mark is a composite of the word "Nike" with the term of affinity, "pal." The composite nature of the NIKEPAL mark is evident in the logo selected by the company which clearly features an "N" and a "P." In each case the dominant feature of the mark is the term "Nike." In addition, the term "Nike" in both marks is pronounced identically with an "i" like in "bike" and an "e" like in "key." *See Porsche Cars N. Am., Inc.*, 2000 WL 641209, at *3, (finding that the trademark PORSCHE was diluted by PORCHESOURCE.COM); *see also Jada Toys, Inc.*, 496 F.3d 974, 2007 WL 2199286, at *4 (concluding "that a reasonable trier of fact could find that the HOT WHEELS and HOT RIGZ marks are nearly identical.").

[21] Further, as shown by Mr. Johnson's survey, the vast majority of the survey respondents, representing a significant segment of Nikepal's target customer group, associate Nike and/or its products and services when they encounter the mark NIKEPAL, thus perceiving the two marks as essentially the same. *See Thane Int'l, Inc.*, 305 F.3d at 906 ("The marks must be of sufficient similarity

⁸ Nike argues that the TDRA does not require that the marks be identical or nearly identical. However, the enactment of the TDRA did "not eliminate the requirement that the mark used by the alleged diluter be 'identical,' or 'nearly identical,' or 'substantially similar,' to the protected mark." *Century 21 Real Estate LLC*, 2007 WL 433579, at *2 (citing House Report on Trademark Dilution Act of 2005 at 8, 25). {Note that the Ninth Circuit subsequently explicitly rejected this "identical or nearly identical" standard. See the casebook note following the opinion.}

so that, in the mind of the consumer, the junior mark will conjure an association with the senior.”) (citing *Nabisco, Inc. v. PF Brands*, 191 F.3d 208 (2d Cir. 1999)). Accordingly, this factor favors Nike.

(ii) Distinctiveness

....

[22] Nikepal does not dispute that NIKE is, at the very least, suggestive. (See Nikepal’s Proposed Findings and Recommendations at 42 (“[Nike’s] mark is suggestive when used in connection with Plaintiff’s products.”).) Accordingly, NIKE is inherently distinctive and this factor favors Nike.

(iii) Substantially Exclusive Use

[23] The law does not require that use of the famous mark be absolutely exclusive, but merely “substantially exclusive.” See *L.D.Kichler Co. v. Davoil Inc.*, 192 F.3d 1349, 1352 (Fed.Cir. 1999) (holding that in the trademark context, “substantially exclusive” use does not mean totally exclusive use). Therefore, a limited amount of third party use is insufficient to defeat a showing of substantially exclusive use. See *Avery Dennison Corp. v. Sumpton*, 189 F.3d 868, 878 (9th Cir. 1999) (finding that use of the mark was not substantially exclusive when the words “Avery” and “Dennison” were “commonly used as trademarks, both on and off of the Internet, by parties other than Avery Dennison.” (emphasis added)).

[24] Nike asserts that its use of the NIKE mark is substantially exclusive. Nikepal introduced evidence of use of the term “Nike” in the company name “Nike Hydraulics, Inc.,” through a bottle jack purchased from the company and a 1958 trademark registration for “Nike” owned by Nike Hydraulics. However, this evidence is insufficient to disprove Nike’s claim that its use of NIKE is substantially exclusive. Even Nikepal’s witness, Roger Smith, admitted that he had not encountered Nike Hydraulics before hearing that name in connection with this action. Accordingly, the court finds that Nike’s use of the NIKE mark is substantially exclusive and this factor therefore favors Nike.¹⁰

(iv) Degree of Recognition

[25] The degree of recognition of NIKE is quite strong. Millions of NIKE products are sold in the United States annually and the evidence demonstrates that NIKE is readily recognized. This factor therefore favors Nike.

(v) Intent to Create Association

[26] Mr. Sandhu admitted that he was aware of the existence of the NIKE mark before he adopted the company name. Although he testified at trial that he came up with the term Nikepal by opening the dictionary to a random page and essentially finding that word by “fate,” his testimony was not credible. Therefore, this factor favors Nike.

(vi) Actual Association

[27] Nikepal registered the domain names nikepal.biz, nikepal.net, nikepal.us, nikepal.info and nikepal.tv. The evidence shows that the domain registrar assigned the domain names an “under construction” page and then associated with that page promotions and advertisement links to a number of web pages that offered NIKE products (or products of Nike’s competitors in the shoe and apparel field). Thus, in the internet context, there is actual association between NIKEPAL and NIKE.

¹⁰ Nikepal also introduced evidence that the term “Nike” appears in dictionaries referring to the Greek goddess of victory, that the image of Nike the goddess appeared on some Olympic medals, and that the United States Government named one of its missile programs “Nike.” However, Nikepal did not show that these uses were made in commerce in association with the sale or marketing of goods or services as required under the TDRA. (See 15 U.S.C. § 1125(c) (1) (providing that under the TDRA, only “use of a mark or trade name in commerce” is actionable as diluting a famous mark.).)

[28] Further, Mr. Johnson's survey also evinced that there is a strong degree of association between NIKEPAL and NIKE. Mr. Johnson's survey showed over 87% of the people in Nikepal's own customer pool associated the stimulus "Nikepal" with NIKE. The survey presents ample proof of association between the marks to support a finding that such exists in the general public. Accordingly, the court finds that there is actual association between the NIKEPAL and NIKE marks and this factor favors Nike.

[29] In conclusion, since the six factors considered in the likelihood of dilution analysis favor Nike, there is a likelihood that NIKE will suffer dilution if Nikepal is allowed to continue its use of NIKEPAL. Accordingly, Nike prevails on its federal and state dilution claims.

....

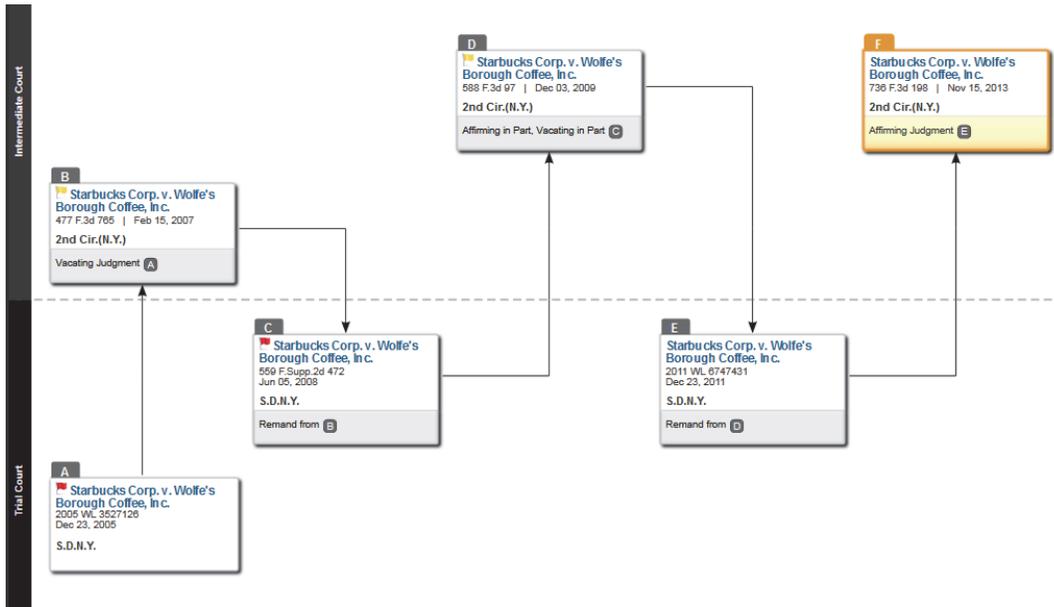
CONCLUSION

[30] For the reasons stated, Nike prevails on its federal and state dilution claims, the decision of the TTAB is reversed, and the opposition to Nikepal's registration of the NIKEPAL mark is sustained. Further, Nikepal is permanently enjoined from using NIKEPAL in connection with the offering of goods or services in commerce, including its use in domain names, on web pages, in printed matter, and on products, and shall cease any such uses of NIKEPAL within sixty days of the date on which this order is filed. Nikepal may continue to use its numeric telephone number, but may not advertise or associate it with the designation "1-877-NIKEPAL."

IT IS SO ORDERED.

In reading the following opinion, consider how the *Wolfe's Borough* analysis of the blurring issue differs from the analysis undertaken by the *Nikepal* court. Does the *Wolfe's Borough* court simply assume, as does the *Nikepal* court, that association necessarily impairs the distinctiveness of the plaintiff's mark, or does the *Wolfe's Borough* court require an additional showing of impairment?





Starbucks Corp. v. Wolfe's Borough Coffee, Inc.
736 F.3d 198 (2d Cir. 2013)

LOHIER, Circuit Judge:

[1] Starbucks Corporation and Starbucks U.S. Brands LLC (together, “Starbucks”) appeal from a judgment of the United States District Court for the Southern District of New York (Swain, J.) denying Starbucks’ request for an injunction pursuant to the Federal Trademark Dilution Act of 1995 (“FTDA”), 15 U.S.C. § 1125(c), prohibiting Wolfe’s Borough Coffee, Inc., doing business as Black Bear Micro Roastery (“Black Bear”), from using Black Bear’s “Mister Charbucks,” “Mr. Charbucks,” and “Charbucks Blend” marks (the “Charbucks Marks”). After a bench trial followed by additional briefing from the parties upon remand from this Court, the District Court concluded that Starbucks failed to prove that the Charbucks Marks are likely to dilute Starbucks’ famous “Starbucks” marks (the “Starbucks Marks”) and denied Starbucks’ request for an injunction.

[2] On appeal, Starbucks argues that the District Court erred in finding only minimal similarity and weak evidence of actual association between the Charbucks Marks and the Starbucks Marks. Starbucks also contends that the District Court erred in balancing the statutory dilution factors by giving no weight at all to three of the factors—the strong distinctiveness, exclusive use, and high degree of recognition of the Starbucks Marks—and placing undue weight on the minimal similarity between the marks.

[3] For the following reasons, we conclude that the District Court did not err in its factual findings, and, balancing the statutory factors *de novo*, we agree with the District Court that Starbucks failed to prove a likelihood of dilution. We therefore affirm.

BACKGROUND

[4] We assume familiarity with the underlying facts and long procedural history of the case, which are set forth in our previous opinions, *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 477 F.3d 765 (2d Cir. 2007) (“*Starbucks II*”), and *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97 (2d Cir. 2009) (“*Starbucks IV*”). We recount them here only as necessary to explain our disposition of this appeal.

[5] As of 2005, when the bench trial occurred, Starbucks had grown from a single coffee shop in Seattle in 1971 to a singularly prominent global purveyor of specialty coffee and coffee products, with 8,700 retail locations worldwide and revenues of \$5.3 billion for fiscal year 2004. Starbucks U.S. Brands is the owner, and Starbucks Corporation a licensee, of at least 56 valid United States trademark registrations that include the Starbucks Marks. The Starbucks Marks are displayed on signs and at multiple locations in each Starbucks store, as well as on the Starbucks website.

[6] Starbucks has devoted substantial time, effort, and money to advertising and promoting the Starbucks Marks. From fiscal year 2000 to 2003, Starbucks spent over \$136 million on advertising, promotion, and related marketing activities, essentially all of which featured the Starbucks Marks. Starbucks actively polices the Starbucks Marks, demanding that infringing uses be terminated and, where necessary, commencing litigation. Well before Black Bear used the term “Charbucks” as part of any product name, the Starbucks Marks were “famous” within the meaning of the FTDA. *See* 15 U.S.C. § 1125(c)(2)(A).

[7] Black Bear manufactures and sells roasted coffee beans and related goods via mail and internet order, at a limited number of New England supermarkets, and at a single New Hampshire retail outlet. In 1997 Black Bear developed a coffee blend named “Charbucks Blend”; it now sells a dark-roast coffee called “Mister Charbucks” or “Mr. Charbucks.” When Black Bear began manufacturing coffee using the Charbucks Marks, it was aware of the Starbucks Marks. One of the reasons Black Bear used the term “Charbucks” was the public perception that Starbucks roasted its beans unusually

darkly. Soon after Black Bear began to sell Charbucks Blend, Starbucks demanded that it cease using the Charbucks Marks. Black Bear nevertheless continued to sell coffee under the Charbucks Marks, and in 2001 Starbucks started this action claiming, among other things, trademark dilution in violation of 15 U.S.C. §§ 1125(c), 1127.³

[8] The District Court held a two-day bench trial in March 2005. At trial, two matters of significance to this appeal occurred. First, Black Bear’s founder, James O. Clark III, testified that the name “Charbucks” had previously been used during “the coffee wars in Boston between Starbucks and the Coffee Connection,” a Boston-based company. Second, Starbucks introduced the testimony of Warren J. Mitofsky, a scientist in the field of consumer research and polling. Mitofsky explained the results of a telephone survey he had conducted of six hundred participants, designed to be representative of the United States population. The survey found that when asked, “What is the first thing that comes to your mind when you hear the name ‘Charbucks,’ spelled C-H-A-R-B-U-C-K-S?,” 30.5 percent of participants answered “Starbucks,” while 9 percent answered “coffee.”⁵ When the participants were asked, “Can you name any company or store that you think might offer a product called ‘Charbucks?’,” 3.1 percent responded “Starbucks,” and another 1.3 percent responded “coffee house.”⁶ Mitofsky concluded that “[t]he number one association of the name ‘Charbucks’ in the minds of consumers is with the brand ‘Starbucks.’” Commenting on the scope of his survey, Mitofsky also stated: “[I]f you want to know the reaction to the name Charbucks, then the telephone is perfectly adequate. If you want to measure the reaction or the familiarity with other visual cues, then it’s not the right method.” *Starbucks IV*, 588 F.3d at 104.

[9] In December 2005 the District Court ruled in favor of Black Bear and dismissed Starbucks’ complaint. *See Starbucks Corp. v. Wolfe’s Borough Coffee, Inc.*, No. 01 Civ. 5981, 2005 WL 3527126 (S.D.N.Y. Dec. 23, 2005) (“*Starbucks I*”). The District Court determined that there was neither actual dilution, which would establish a violation of federal trademark law,⁷ nor a likelihood of dilution, which would establish a violation of New York trademark law.

[10] Starbucks appealed. While the appeal was pending, Congress passed the Trademark Dilution Revision Act of 2006 (“TDRA”), which amended the FTDA to clarify that the owner of a famous mark seeking an injunction need prove only that the defendant’s mark “is likely to cause dilution . . . of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.” 15 U.S.C. § 1125(c)(1). The TDRA further redefined “dilution by blurring” as “association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark.” *Id.* § 1125(c)(2)(B). . . . In light of this change in the governing

³ Starbucks also asserted claims of trademark infringement in violation of 15 U.S.C. § 1114(1); unfair competition in violation of 15 U.S.C. § 1125(a); trademark dilution in violation of New York General Business Law § 360-*l*; deceptive acts and business practices and false advertising in violation of New York General Business Law §§ 349, 350; and unfair competition in violation of New York common law. All of these claims were dismissed during the course of this suit and are not the subject of this appeal.

⁵ Other common responses included “barbeque” or “charcoal” (7.9 percent); “restaurant” or “grill” (7.5 percent); “meat,” “steak,” or “hamburger” (4.6 percent); and “money” (3.9 percent).

⁶ More popular responses to this second question included: “grocery store” (18.3 percent); “discount store” (16.9 percent); “restaurant” (7.0 percent); “department store” (4.8 percent); and “hardware store” or “home improvement store” (3.7 percent).

⁷ At the time, federal law provided: “The owner of a famous mark shall be entitled . . . to an injunction against another person’s commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and *causes dilution of the distinctive quality of the mark . . .*” 15 U.S.C. § 1125(c)(1) (1999) (amended 2006) (emphasis added).

law, we vacated the judgment of the District Court and remanded for further proceedings. *Starbucks II*, 477 F.3d at 766.

[11] On remand, after further briefing, the District Court again ruled in Black Bear's favor for substantially the same reasons set forth in its earlier opinion, but it also analyzed the federal dilution claim in light of the TDRA. *See Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 559 F.Supp.2d 472, 475–79 (S.D.N.Y.2008) ("*Starbucks III*"). In particular, the District Court considered the six non-exclusive factors listed in the statute and made the following findings: (1) the marks were minimally similar, which the court deemed alone sufficient to defeat Starbucks' claim; (2) (a) the distinctiveness of the Starbucks Marks, (b) the exclusivity of their use by Starbucks, and (c) their high degree of recognition, all weighed in favor of Starbucks; (3) the intent factor weighed in Black Bear's favor because Black Bear's intent to create an association with the Starbucks Marks did not constitute bad faith; and (4) evidence from Mitofsky's survey was "insufficient to make the actual confusion factor weigh in [Starbucks'] favor to any significant degree." *Id.* at 477–78 (quotation marks omitted). Balancing all six factors, the District Court held that the record was "insufficient to demonstrate the requisite likelihood that the association arising from the similarity of the core terms is likely to impair the distinctiveness of Starbucks' mark, and Plaintiff is not entitled to injunctive relief under that statute." *Id.* at 478.

[12] Starbucks appealed again, arguing that the District Court erred in finding that the Charbucks Marks are not likely to dilute the Starbucks Marks. In *Starbucks IV*, we examined the District Court's findings as to the first, fifth, and sixth factors, as well as its balancing of the statutory factors that bear on the likelihood of dilution by blurring. We held that "the District Court did not clearly err in finding that the Charbucks Marks were minimally similar to the Starbucks Marks," 588 F.3d at 106, because the context of the Charbucks Marks (on Black Bear's packaging, on its website, and in the phrases "Charbucks Blend" and "Mister Charbucks") differentiated them from the famous marks. We concluded, however, that "the District Court erred to the extent it required 'substantial' similarity between the marks," *id.* at 107, and we suggested that the District Court had overemphasized the similarity factor. In particular, we stated that the inclusion of "the degree of similarity" as only one of six factors in the revised statute indicates that even a low degree of similarity would not categorically bar a dilution-by-blurring claim. *Id.* at 108.

[13] Turning to the fifth and sixth factors—intent to associate and actual association—we held that the District Court had erred by requiring "bad faith" to find that the intent to associate factor favored Starbucks. *Id.* at 109 (quotation marks omitted). Noting the survey results, which demonstrated some degree of association between "Charbucks" and "Starbucks," we also held that the District Court erred by relying on evidence supporting the absence of "actual confusion" to conclude that the actual association factor did not weigh in Starbucks' favor "to any significant degree." *Id.* (quotation marks omitted). The absence of actual or likely confusion, we reasoned, does not bear directly on whether dilution is likely. *Id.*

[14] Emphasizing that the analysis of a dilution by blurring claim must ultimately focus on "whether an association, arising from the similarity between the subject marks, 'impairs the distinctiveness of the famous mark,'" *id.* (quoting 15 U.S.C. § 1125(c)(2)(B)), we vacated the judgment of the District Court and remanded for reconsideration of the claim in light of our discussions of the first, fifth, and sixth statutory factors, *id.* at 109–10.

[15] In its opinion and order following that remand, *see Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, No. 01 Civ. 5981, 2011 WL 6747431 (S.D.N.Y. Dec. 23, 2011) ("*Starbucks V*"), the District Court recognized that the second through fifth statutory factors⁸ favored Starbucks. *Id.* at *3 (citing *Starbucks*

⁸ For convenience, we repeat those factors here: (ii) the distinctiveness of the Starbucks Marks; (iii) the exclusivity of Starbucks' use of its marks; (iv) the high degree of recognition of the Starbucks Marks; and (v) Black Bear's intent to associate the Charbucks Marks with the Starbucks Marks.

IV, 588 F.3d at 106–10). But the court again found that the first factor (the similarity of the marks) favored Black Bear because the marks were only minimally similar when presented in commerce—that is, when the Charbucks Marks are viewed on the packaging, which includes the phrases “Charbucks Blend” or “Mister Charbucks.” *Id.*

[16] As for the sixth factor (actual association), the District Court acknowledged that the results of the Mitofsky survey “constitute evidence of actual association,” *id.* at *4, but it then significantly discounted those results on the ground that the survey inquired into associations only with the isolated word “Charbucks” and failed to present the Charbucks Marks in full context, *id.* The court also compared the survey results in this case with those in other cases. Here, it noted, only 30.5 percent of respondents associated “Charbucks” with “Starbucks,” while in other trade dilution cases 70 percent to 90 percent of survey respondents associated the relevant marks. *Id.* The District Court also compared the 3.1 percent of respondents who thought a product called “Charbucks” would be made by Starbucks to the 28 percent of respondents who made a similar origin association in a Ninth Circuit trademark dilution case. *Id.* (citing *Jada Toys, Inc. v. Mattel, Inc.*, 518 F.3d 628, 636 (9th Cir. 2008)). With the benefit of these comparisons, the District Court found that the actual association factor weighs “no more than minimally” in Starbucks’ favor. *Id.*

[17] In evaluating the likelihood of dilution, the District Court emphasized the “association” and “similarity” factors. Citing the TDRA’s definition of dilution by blurring as “*association arising from the similarity* between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark,” the District Court explained that “[t]he statutory language leaves no doubt” that these two factors are “obviously important.” *Id.* at *5 (quoting 15 U.S.C. § 1125(c)(2)(B)).¹ After balancing all six factors, the District Court held that Starbucks had failed to meet its burden of showing that it was entitled to injunctive relief:

[T]he Charbucks marks are only weakly associated with the minimally similar Starbucks marks and, thus, are not likely to impair the distinctiveness of the famous Starbucks marks. In other words, [Starbucks] has failed to carry its burden of proving that [Black Bear’s] use of its marks, as evidenced on the record before the Court, is likely to cause dilution by blurring.

Id. at *6.

[18] On appeal, Starbucks challenges both the factual findings of minimal similarity and weak association and the conclusion that it failed to demonstrate a likelihood of dilution.

DISCUSSION

....

B. Standard of Review

[19] After a bench trial on a claim for trademark dilution by blurring, where the district court evaluates and balances the factors listed in the TDRA, we review the court’s determinations as to each factor for clear error and its balancing of those factors *de novo*. See *Tiffany*, 600 F.3d at 101; *Starbucks IV*, 588 F.3d at 105.¹⁰

¹⁰ We employ the same standard here that we use in the context of trademark infringement, where a district court evaluates and then balances the eight factors set forth in *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 495 (2d Cir. 1961), to determine whether there is a likelihood of confusion. See, e.g., *Star Indus. v. Bacardi & Co.*, 412 F.3d 373, 384 (2d Cir. 2005). The statutory factors enumerated in § 1125(c)(2)(B) are similar in kind to the *Polaroid* factors. For example, both lists include the “similarity between” the two marks; “strength” of the mark in *Polaroid* is akin to “distinctiveness” in § 1125; and “actual confusion” in *Polaroid* mirrors “actual association” in § 1125. See *Polaroid*, 287 F.2d at 495.

....

[20] We previously have declined to treat the factors pertinent to a trademark dilution analysis as an inflexible, mechanical test, suggesting instead that the importance of each factor will vary with the facts. *Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 227–28 (2d Cir. 1999), *abrogated on other grounds by Moseley*, 537 U.S. at 433, 123 S.Ct. 1115. Accordingly, we need not consider all six statutory factors listed in 15 U.S.C. § 1125(c)(2)(B)(i)-(vi) if some are irrelevant to the ultimate question; nor are we limited to those six factors. *See Louis Vuitton Malletier S.A. v. Haute Diggity Dog, LLC*, 507 F.3d 252, 266 (4th Cir. 2007) (“Not every factor will be relevant in every case, and not every blurring claim will require extensive discussion of the factors.”). Instead, we employ a “cautious and gradual approach,” which favors the development of a nonexclusive list of trademark dilution factors over time. *Nabisco*, 191 F.3d at 217.

C. Factual Findings: The Statutory Factors

[21] On appeal, Starbucks challenges two of the District Court’s findings: (1) that there is only a minimal degree of similarity between the Starbucks Marks and the Charbucks Marks; and (2) that Starbucks demonstrated only a weak association between the marks. The District Court did not clearly err with regard to either finding.

1. Degree of Similarity

[22] In *Starbucks IV* we held that “[w]ith respect to the first factor—the degree of similarity between the marks—the District Court did not clearly err in finding that the Charbucks Marks were minimally similar to the Starbucks Marks.” 588 F.3d at 106. We highlighted the difference between the Starbucks Marks and Charbucks Marks when the latter are placed in the context of Black Bear’s packaging and the word “Charbucks” is incorporated into the phrases “Charbucks Blend” and “Mister Charbucks.” *Id.* “The law of the case ordinarily forecloses relitigation of issues expressly or impliedly decided by the appellate court.” *United States v. Quintieri*, 306 F.3d 1217, 1229 (2d Cir. 2002). Although not binding, the doctrine “counsels a court against revisiting its prior rulings in subsequent stages of the same case absent ‘cogent’ and ‘compelling’ reasons such as ‘an intervening change of controlling law, the availability of new evidence, or the need to correct a clear error or prevent manifest injustice.’” *Ali v. Mukasey*, 529 F.3d 478, 490 (2d Cir. 2008) (quoting *United States v. Tenzer*, 213 F.3d 34, 39 (2d Cir. 2000)). Starbucks advances no compelling reason for us to revisit our ruling on the issue of similarity. It urges that the holding in *Starbucks IV* applied only to our “likelihood of confusion” analysis, and that the District Court erred by considering the contexts in which consumers encounter the Charbucks Marks.¹¹ We reject such a crabbed view of the holding and adhere to our prior ruling that the District Court did not clearly err in finding minimal similarity.

2. Actual Association

[23] Starbucks next contends that the District Court’s finding that actual association “weighs no more than minimally” in Starbucks’ favor, *Starbucks V*, 2011 WL 6747431, at *4, was error for two reasons. First, Starbucks argues, Black Bear’s admitted intent to create an association—the fifth statutory factor—raises a “presumption of association,” or at least is strong evidence of actual association—the sixth statutory factor. Second, it argues that the District Court improperly discounted the Mitofsky survey evidence, which, in Starbucks’ view, proves a high degree of actual association. We reject both arguments.

a. Intent to Create an Association

[24] As an initial matter, an intent to create an association is a separate factor under the TDRA and does not constitute *per se* evidence that the actual association factor weighs in favor of the owner

¹¹ At oral argument, Starbucks’ counsel conceded that our earlier decision on minimal similarity is the law of the case.

of the famous mark. In support of its argument to the contrary, Starbucks quotes McCarthy's treatise, which states, "If the junior [user] intended to create an association, the law may assume that it succeeded." McCarthy § 24:119. Starbucks similarly relies on *Federal Express Corp. v. Federal Espresso, Inc.*, 201 F.3d 168 (2d Cir. 2000), a dilution case in which we stated that the trier of fact "may well find that the marks are of sufficient similarity so that, in the mind of the consumer, the junior mark will conjure an association with the senior, especially in light of the testimony of [Federal Espresso's founder] that she chose the name Federal Espresso, in part, precisely because it would call to mind Federal Express." *Id.* at 177 (quotation marks omitted).

[25] Both *Federal Espresso* and McCarthy's treatise acknowledge the importance of the intent factor in determining likelihood of dilution. This makes sense, as district courts must evaluate whether a junior mark is "likely to cause" "association arising from the similarity" between the marks "that impairs the distinctiveness of the famous mark," 15 U.S.C. §§ 1125(c)(1), (c)(2)(B), and the intent to associate may bear directly on the likelihood that the junior mark will cause such an association.

[26] That said, "we interpret statutes to give effect, if possible, to every clause and word and to avoid statutory interpretations that render provisions superfluous." *United States v. Al Kassar*, 660 F.3d 108, 124–25 (2d Cir. 2011) (quotation marks omitted). Adopting Starbucks' presumption argument would effectively merge the intent to associate and the actual association factors, by making the former determinative of the latter, rather than treating them as distinct but related considerations. We therefore conclude that the District Court did not clearly err in finding that Clark's testimony concerning the origin of the Charbucks Marks was not an "admission" of actual association and that his intentions were not definitive proof of an actual association between the marks.

b. Mitofsky Survey

[27] Nor did the District Court err when it discounted the Mitofsky survey evidence because the survey measured only how respondents reacted to the isolated word "Charbucks," rather than to the Charbucks Marks in context, and because the share of respondents who indicated an association between the marks was "relatively small." *Starbucks V*, 2011 WL 6747431, at *4. We arrive at this conclusion for two reasons.

[28] First, it coheres with our decision in *Starbucks IV*, in which we discerned no clear error in the District Court's consideration of context—including the addition of "Mister" or "Blend" to "Charbucks" and Black Bear's packaging—in assessing the marks' similarity, as consumers are likely to experience the product only in the context of those full phrases and Black Bear's packaging or website. *Starbucks IV*, 588 F.3d at 106. In our analysis of Starbucks' infringement claim, we similarly determined that the District Court did not clearly err when it found (1) that the survey failed to demonstrate significant actual confusion, "[p]articularly in light of the fact that the survey was administered by telephone and did not present the term 'Charbucks' in the context in which Black Bear used it," *id.* at 117, and (2) that the survey should have examined the effects of "a hypothetical coffee named either 'Mister Charbucks' or 'Charbucks Blend'" on the respondents' impressions of Starbucks coffee as a measure of dilution by tarnishment, *id.* at 110.

[29] Second, our conclusion also comports with our prior precedents and other cases unrelated to Starbucks. In *Playtex Products, Inc. v. Georgia-Pacific Corp.*, 390 F.3d 158 (2d Cir. 2004), a case interpreting the pre-revision FTDA, we held that the results of a consumer survey showing an association between the marks "Moist-Ones" and "Wet Ones" were inadmissible as evidence of actual dilution because the defendant's product was "presented and packaged" as "*Quilted Northern Moist-Ones*." *Id.* at 168 (emphasis added). District courts within our Circuit have applied the same reasoning in evaluating surveys in the infringement context. *See, e.g., THOIP v. Walt Disney Co.*, 690 F.Supp.2d 218, 235–40 (S.D.N.Y.2010); *Juicy Couture, Inc. v. L'Oreal USA, Inc.*, No. 04 Civ. 7203, 2006 WL 1012939, at *25–27 (S.D.N.Y. Apr. 19,2006); *WE Media, Inc. v. Gen. Elec. Co.*, 218 F.Supp.2d 463, 474 (S.D.N.Y.2002) ("Germane survey evidence should make some effort to compare the impressions the marks have on

potential customers under marketplace conditions.”). In the dilution context, the language of the FTDA, which requires a plaintiff to show the defendant’s “*use of a mark . . . in commerce* that is likely to cause dilution by blurring . . .,” 15 U.S.C. § 1125(c)(1) (emphasis added), clarifies that the way the defendant’s mark is used in commerce is central to the dilution inquiry. As in *Playtex*, the District Court was within its rights to conclude that the Mitofsky survey had limited probative value because the defendant’s marks were not presented to survey respondents as they are actually “presented and packaged” in commerce.

[30] Citing our decision in *Nabisco*, Starbucks nevertheless argues that consumers are likely to hear and view the term “Charbucks” outside the context of Black Bear’s packaging and without the full phrases “Mister Charbucks” and “Charbucks Blend.” *Nabisco*, 191 F.3d at 218 (rejecting an argument under the pre-revision FTDA that packaging made two marks dissimilar, because many consumers would see the marks outside of the packaging). But Starbucks presented no record evidence that “Charbucks” is ever read or heard in isolation,¹³ and in the absence of such evidence, we are not persuaded by the argument. To the contrary, as we noted in *Starbucks IV*, “it is unlikely that ‘Charbucks’ will appear to consumers outside the context of its normal use,” 588 F.3d at 106, and “it was not clearly erroneous for the District Court to find that the ‘Mister’ prefix or ‘Blend’ suffix lessened the similarity between the [marks],” *id.* at 107.

[31] Starbucks also challenges the District Court’s finding that the association between “Charbucks” and Starbucks was “relatively small.” It contends that the Mitofsky survey in fact provided evidence of substantial actual association. We disagree.

[32] It is true that in response to Mitofsky’s question most probative of actual association—“What is the FIRST THING that comes to your mind when you hear the name ‘Charbucks,’ spelled C-H-A-R-B-U-C-K-S?”—30.5 percent of respondents said “Starbucks,” and 9 percent said “coffee.” Both of these responses suggest an association between “Charbucks” and the Starbucks Marks. In *Jada Toys*, 518 F.3d at 636, for example, the Ninth Circuit held that a survey demonstrated actual association because it showed that 28 percent of respondents thought Jada’s product was made by Mattel when asked who they thought produced the item. Here, however, the equivalent question in Mitofsky’s survey was: “Can you name any company or store that you think might offer a product called ‘Charbucks?’”¹⁴ In response to that question concerning source on the Mitofsky survey, however, only 3.1 percent of respondents answered “Starbucks” and 1.3 percent answered “coffee house.” These percentages are far below that for the equivalent question in *Jada Toys* and fail to demonstrate anything more than minimal actual association.¹⁵ See *Starbucks V*, 2011 WL 6747431, at *4.

[33] Ultimately, on this factor, we consider only whether the District Court clearly erred when it found that the Mitofsky survey tilts the “actual association” factor “no more than minimally in [Starbucks] favor.” *Id.* Had the Mitofsky survey presented the Charbucks Marks as they appear in commerce, we might well conclude that the District Court erred. But the word “Charbucks” was

¹³ Although the name “Mr. Charbucks” is presented in plain text on at least one page of Black Bear’s website, all other record uses of the Charbucks Marks situate them in Black Bear’s distinct color scheme, font, and layout.

¹⁴ Both that question and the question discussed in *Jada Toys* test not merely *association* but also source *confusion*. Source confusion may be probative of association, because to confuse Charbucks with Starbucks, the word “Charbucks” must call “Starbucks” to mind. See *Nabisco*, 191 F.3d at 221 (“Confusion lessens distinction.”).

¹⁵ Although some other respondents gave answers consistent with an association with Starbucks—18.3 percent answered “grocery store,” 16.9 percent answered “discount store,” 7 percent answered “restaurant,” and 4.8 percent answered “department store”—these responses are also consistent with other views of what “Charbucks” could be, including meat or a charcoal grilling product, as 38.5 percent of respondents suggested.

presented outside of its marketplace context, and Starbucks, which bears the burden of proof, *see Jada Toys*, 518 F.3d at 634, failed to show that this flaw did not materially impact the survey results. We therefore conclude that the record supports the District Court’s decision to discount the survey and consider the actual association factor as weighing only minimally in Starbucks’ favor.

D. Balancing

[34] We next balance the factors enumerated in § 1125(c)(2)(B), along with any other factors that bear on a likelihood of dilution, *de novo*. In balancing these factors, we are again mindful that the test is not an inflexible one, and that the ultimate question is whether the Charbucks Marks are likely to cause an association arising from their similarity to the Starbucks Marks, which impairs the Starbucks Marks’ tendency to identify the source of Starbucks products in a unique way.

[35] We have already affirmed the District Court’s finding of minimal similarity between the Charbucks Marks and the Starbucks Marks. That finding weighs heavily in Black Bear’s favor. Certainly, a plaintiff may show a likelihood of dilution notwithstanding only minimal similarity. But here, minimal similarity strongly suggests a relatively low likelihood of an association diluting the senior mark. . . . {I}n *Starbucks IV*, we stated that “‘similarity’ is an integral element in the definition of ‘blurring’” under the TDRA and suggested that, without *any* similarity, there could be no dilution by blurring. 588 F.3d at 108–09.¹⁷

[36] The next three factors—the degrees of distinctiveness, exclusive use, and recognition—are features of the senior mark itself that do not depend on the use of the junior mark. . . .

[37] Although the three factors of distinctiveness, recognition, and exclusivity favor Starbucks and bear to some degree on our assessment of the likelihood of dilution by blurring, the more important factors in the context of this case are the similarity of the marks and actual association. We agree with the District Court that the distinctiveness, recognition, and exclusive use of the Starbucks Marks do not overcome the weak evidence of actual association between the Charbucks and Starbucks marks. To the contrary, viewed in light of Starbucks’ fame, both globally and among the Mitofsky survey participants more particularly, the fact that more survey participants did not think of “Starbucks” upon hearing “Charbucks” reinforces the District Court’s finding that the marks are only minimally similar, and therefore unlikely to prompt an association that impairs the Starbucks Marks. Likewise, although the distinctiveness and exclusive use of the Starbucks Marks help Starbucks prove *susceptibility* to dilution by association arising from similarity between the Charbucks and Starbucks marks, they do not demonstrate that such an association is likely to arise, as Starbucks needed to show to obtain an injunction. Accordingly, these factors weigh only weakly in Starbucks’ favor.

[38] In this case, we attribute a moderate amount of significance to the fifth factor, intent to create an association. . . .

[39] The final, disputed factor, actual association, is highly relevant to likelihood of association. In the analogous context of determining the “likelihood of confusion” for trademark infringement claims, we have noted that “[t]here can be no more positive or substantial proof of the likelihood of confusion than proof of actual confusion,” even though a showing of actual confusion is not necessary to prevail on such a claim. *Savin Corp. v. Savin Grp.*, 391 F.3d 439, 459 (2d Cir. 2004). The same principle obtains with respect to proof of actual association in dilution claims. And as noted, the Mitofsky survey demonstrated weak actual association, at best.

¹⁷ Of course, in *Starbucks IV*, we rejected a *per se* or threshold requirement of “substantial similarity” between the marks at issue in federal dilution actions. 588 F.3d at 108–09. In doing so, however, we did not suggest that a finding of *minimal* similarity could not be highly probative of the likelihood of dilution.

[40] Weighing the factors above *de novo*, we agree with the District Court that Starbucks did not demonstrate a likelihood of dilution by blurring. Ultimately what tips the balance in this case is that Starbucks bore the burden of showing that it was entitled to injunctive relief on this record. Because Starbucks' principal evidence of association, the Mitofsky survey, was fundamentally flawed, and because there was minimal similarity between the marks at issue, we agree with the District Court that Starbucks failed to show that Black Bear's use of its Charbucks Marks in commerce is likely to dilute the Starbucks Marks.

CONCLUSION

[41] We have considered all of Starbucks' contentions on this appeal and have concluded that they are without merit. For the foregoing reasons, we AFFIRM the judgment of the District Court.

Comments and Questions

1. *How Similar Must the Parties Marks Be to Show Dilution?* The *Nikepal* court applied an "identical or nearly identical" standard of similarity in its blurring analysis, following *Thane Int'l, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894 (9th Cir. 2002). The Second Circuit, however, has rejected this approach. In *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97 (2d Cir. 2009), it emphasized that the new statute "does not use the words 'very' or 'substantial' in connection with the similarity factor," *id.* at 108, and reasoned that if courts were to impose a heightened similarity standard, this would give undue weight to the similarity factor—by turning the heightened similarity requirement into a threshold requirement that would short-circuit the six-factor multifactor balancing test for blurring. (The Second Circuit found that New York state anti-dilution law, by contrast, does impose a requirement that the marks be "'substantially' similar," *id.* at 114). In *Levi Strauss & Co. v. Abercrombie & Fitch Trading Co.*, 633 F.3d 1158 (9th Cir. 2011), the Ninth Circuit subsequently followed the Second Circuit's reasoning:

Turning to the language of subsection (c)(2)(B), the TDRA defines "dilution by blurring" as the "association arising from the similarity between a mark and a trade name and a famous mark that impairs the distinctiveness of the famous mark." *Id.* § 1125(c)(2)(B) (emphasis added). Congress did not require an association arising from the "substantial" similarity, "identity" or "near identity" of the two marks. The word chosen by Congress, "similarity," sets forth a less demanding standard than that employed by many courts under the FTDA.

Id. at 1171. Do you find the Second and Ninth Circuits' reasoning persuasive? As a matter of sound policy, should courts require a heightened standard of similarity when analyzing a blurring claim? And in any case, are you persuaded that Nike and Nikepal are nearly identical?

2. *Mere Association or Association that Impairs Distinctiveness?* Recall that the TDRA defines dilution by blurring as "association. . .that impairs the distinctiveness of the famous mark." The *Nikepal* court found evidence of association, but it never addressed the question of whether this association "impairs the distinctiveness of the famous mark." Can we assume, as the *Nikepal* court appears to do, that any association necessarily impairs the distinctiveness of the plaintiff's mark? Consider what the Supreme Court said in *Moseley*:

We do agree, however, with {the} conclusion that, at least where the marks at issue are not identical, the mere fact that consumers mentally associate the junior user's mark with a famous mark is not sufficient to establish actionable dilution. {S}uch mental association will not necessarily reduce the capacity of the famous mark to identify the goods of its owner, the statutory requirement for dilution under the FTDA. For even though Utah drivers may be reminded of the circus when they see a license plate referring to the "greatest snow on earth," it by no means follows that they will associate "the greatest show on earth" with skiing or snow sports, or associate it less strongly or exclusively

with the circus. “Blurring” is not a necessary consequence of mental association. (Nor, for that matter, is “tarnishing.”)

Moseley v. V Secret Catalogue, 537 U.S. 418, 433-34 (2003). On remand, the *Moseley* district court took the Supreme Court’s teaching very much to heart. See *V Secret Catalogue, Inc. v. Moseley*, 558 F. Supp. 2d 734 (W.D. Ky. 2008). It found all six blurring factors to favor the plaintiff, but nevertheless found no blurring: “The choice of name and presentation by the Moseleys being just slightly different from the VICTORIA’S SECRET mark, conjured the association with the famous mark, but fell short of blurring its distinctiveness in this instance.” *Id.* at 748.

How can the plaintiff prove that association impairs the distinctiveness of its mark? (Note that the *Moseley* district court found tarnishment instead, *id.* at 750). Compare *Louis Vuitton Malletier, S.A. v. Hyundai Motor Am.*, 2012 WL 1022247 (S.D.N.Y. 2012) (finding proof of association conclusive evidence of dilution), with *Louis Vuitton Malletier, S.A. v. My Other Bag, Inc.*, 156 F.Supp.3d 425, 436 n.4 (S.D.N.Y. 2016), *aff’d*, 2016 WL 7436489 (2d Cir. 2016) (rejecting the *Hyundai* reasoning, stating “association is a necessary, but not sufficient, condition for a finding of dilution by blurring”). See also Barton Beebe, Roy Germano, Christopher Jon Sprigman, & Joel Steckel, *Testing for Trademark Dilution in Court and the Lab*, 86 U. CHI. L. REV. 611 (2019) (presenting experimental evidence that “even when consumers associate a junior mark with a famous senior mark, this association does not necessarily result in any impairment of the ability of the senior mark to identify its source and associations”).

3. *Are Some Trademarks So Strong as to Be Immune to Blurring?* In 2000, Professors Maureen Morrin and the late Jacob Jacoby, the latter of whom was a highly regarded trademark survey expert, reported the results of two studies they conducted to detect the effects of diluting stimuli on brand recognition and recall in test subjects. See Maureen Morrin & Jacob Jacoby, *Trademark Dilution: Empirical Measures for an Elusive Concept*, 19 J. Pub. Pol. & Marketing 265 (2000). Among other findings, they reported: “It appears that very strong brands are immune to dilution because their memory connections are so strong that it is difficult for consumers to alter them or create new ones with the same brand name.” *Id.* at 274. Does this make sense to you? What are the implications of such a finding for anti-dilution protection, a form of protection granted only to brands “widely recognized by the general consuming public of the United States”?

4. *Does Dilution Protection Make Any Difference in Practice?* Commentators have long asserted that the very marks that qualify for dilution protection rarely need it. This is because such marks will likely win the conventional likelihood of confusion cause of action both because of their enormous fame and because the scope of the likelihood of confusion cause of action has expanded dramatically in the past few decades. See, e.g., Mark P. McKenna, *The Normative Foundations of Trademark Law*, 82 NOTRE DAME L. REV. 1839, 1913-14 (2007). For example, if a defendant were to begin to sell Coca-Cola brand bicycles, how likely is it that Coca-Cola’s lawyers would be able to prove some degree of confusion?

Empirical evidence suggests that when courts consider both confusion and dilution, their dilution determinations are usually redundant of their confusion determinations. One study found that in the year following the October 6, 2006, effective date of the TDRA, no reported federal court opinion that considered both confusion and dilution found the latter but not the former. See Barton Beebe, *The Continuing Debacle of U.S. Antidilution Law: Evidence from the First Year of Trademark Dilution Revision Act Case Law*, 24 Santa Clara Computer & High Tech. L.J. 449 (2008). This trend appears to have continued. In the three and a half years following the effective date of the TDRA, two reported federal court opinions have analyzed both confusion and dilution and found the latter but not the former, and one of these opinions was a dissent. See *Hershey Co. v. Art Van Furniture, Inc.*, No. 08 Civ. 14463, 2008 WL 4724756 (E.D. Mich. Oct. 24, 2008); *American Century Proprietary Holdings, Inc. v. American Century Casualty Co.*, 295 Fed. Appx. 630 (5th Cir. Oct. 3, 2008) (Garwood, J., dissenting).

This is not to say that the dilution cause of action never provides relief not already provided by a confusion cause of action. As in *Nikepal*, courts may decline to consider confusion at all in their

opinions and move directly to a finding of dilution. *See, e.g., V Secret Catalogue, Inc. v. Moseley*, 558 F. Supp. 2d 734 (W.D. Ky. 2008). Furthermore, a mark may be opposed in T.T.A.B. proceedings solely on the basis that it dilutes the opposer's mark. *See* 15 U.S.C. § 1052(d).

In the registration context, it appears that antidilution law has been largely irrelevant. In 2014, Jeremy Sheff reported the results of a wide-ranging empirical study of the effect of antidilution law on registration practice at the PTO. *See* Jeremy N. Sheff, *Dilution at the Patent and Trademark Office*, 21 MICH. TELECOMM. & TECH. L. REV. 79 (2014). Among other things, Sheff developed and hand-coded a dataset of all 453 TTAB dispositions of dilution claims from the January 16, 1996 effective date of the FTDA through June 30, 2014. He found only three TTAB cases over that 18-year period in which antidilution claims made any difference to the outcome of a TTAB adjudication. In one of these, Sheff argues, a likelihood of confusion claim could have been used to reach the same outcome, but having found dilution, the board declined to consider the confusion claim. *See Chanel, Inc. v. Jerzy Makarczyk*, 110 U.S.P.Q.2d 2013 (TTAB 2014) (CHANEL for real estate development and construction services diluting of CHANEL). The other two cases were free speech cases with highly controversial findings of dilution. *See Research in Motion Ltd. v. Defining Presence Mktg. Grp. Inc.*, 102 U.S.P.Q.2d 1187 (TTAB 2012) (CRACKBERRY for apparel diluting of BLACKBERRY); *Nat'l Pork Bd. v. Supreme Lobster & Seafood Co.*, 96 U.S.P.Q.2d 1479 (TTAB 2010) (THE OTHER RED MEAT for salmon diluting of THE OTHER WHITE MEAT).

5. *Dilution and Misappropriation.* The European Trade Mark Directive explicitly provides for protection against the taking of “unfair advantage of . . . the distinctive character or repute of the trade mark.” Directive (EU) 2015/2436 of the European Parliament and of the Council of 16 December 2015 to Approximate the Laws of the Member States Relating to Trade Marks, art. 10(2)(c), [2015] O.J. L 336/1 553, 567. The TDRA contains no such prohibition against the misappropriation of a mark's “selling power.” David Franklyn has argued that dilution is essentially a form of “free-riding”, that courts often hold in favor of diluted plaintiff's in an effort to punish free-riding, and that “it would be better to scrap dilution altogether and replace it with an independent cause of action that explicitly prevents free-riding in appropriate circumstances.” David J. Franklyn, *Debunking Dilution Doctrine: Toward a Coherent Theory of the Anti-Free-Rider Principle in American Trademark Law*, 56 HASTINGS L.J. 117 (2004). Do you support this proposal?

As a historical matter, Schechter himself based nearly all of his theory of dilution on a 1924 German court opinion known as the *Odol* opinion. *See Odol darf auch für gänzlich verschiedene Waren wie Mundwasser nicht verwendet werden; Entscheidung des Landgerichts Elberfeld vom 14. Sept. 1924* 13. O. 89/24, GEWERBLICHER RECHTSSCHUTZ UND URHEBERRECHT [GRUR] 204 (1924). But in attempting to sell his theory of dilution to American readers, Schechter apparently deliberately excluded from his translation of the *Odol* opinion the court's core holding, that the defendant sought “to appropriate thus the fruits of another's labor.” Why might Schechter have suppressed the misappropriation nature of trademark dilution when writing to American lawyers in the 1920s, at the height of American Legal Realism? For an answer, see Barton Beebe, *The Suppressed Misappropriation Origins of Trademark Antidilution Law: the Landgericht Elberfeld's Odol Opinion and Frank Schechter's The Rational Basis of Trademark Protection*, in INTELLECTUAL PROPERTY AT THE EDGE: THE CONTESTED CONTOURS OF IP (Rochelle Dreyfuss & Jane Ginsburg eds, 2013) (“What Schechter sought to obscure in *Rational Basis* is that the *Odol* case was not, strictly speaking, a trademark case. Rather, it was a misappropriation case that happened to involve a trademark.”). *But see* Robert Bone, *Schechter's Ideas in Historical Context and Dilution's Rocky Road*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 469 (2008).

6. *Blurring and “Imagination Costs”.* Do you accept that an increase in consumers' “imagination costs” represents a significant harm? For a very strong critique of this “cognitive/internal-search-costs model” of blurring, see Rebecca Tushnet, *Gone in Sixty Milliseconds: Trademark Law and Cognitive Science*, 86 TEXAS L. REV. 507 (2008).

3. Dilution by Tarnishment



V Secret Catalogue, Inc. v. Moseley
605 F.3d 382 (6th Cir. 2010)

MERRITT, Circuit Judge.

[1] In this trademark “dilution by tarnishment” case, brought under the Trademark Dilution Revision Act of 2006, the question is whether the plaintiff, an international lingerie company that uses the trade name designation “Victoria’s Secret” has a valid suit for injunctive relief against the use of the name “Victor’s Little Secret” or “Victor’s Secret” by the defendants, a small retail store in a mall in Elizabethtown, Kentucky, that sells assorted merchandise, including “sex toys” and other sexually oriented products. The District Court issued the injunction. Since then the shop has been operating under the name of “Cathy’s Little Secret.” The District Court concluded that even though the two parties do not compete in the same market, the “Victor’s Little Secret” mark—because it is sex related—disparages and tends to reduce the positive associations and the “selling power” of the “Victoria’s Secret” mark. The question is whether the plaintiff’s case meets the definitions and standards for “dilution by tarnishment” set out in the new Act which amended the old Act, *i.e.*, the Federal Trademark Dilution Act of 1995.

[2] The new Act was expressly intended to overrule the Supreme Court interpretation of the old Act in this very same case, *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418 (2003), *rev’g* 259 F.3d 464 (6th Cir. 2001), *aff’g* 54 U.S.P.Q.2d 1092 (W.D.Ky.2000). The Supreme Court reversed a panel of this Court that had affirmed an injunction against “Victor’s Little Secret” issued by the District Court. On remand to the District Court from the Supreme Court after the 2003 reversal, no new evidence was introduced, and the District Court reconsidered the case based on the same evidence but used the new language in the new Act which overrules the Supreme Court in this case. We will first brief the Supreme Court opinion and the reasons Congress overruled the Supreme Court in this case. We will then outline our understanding of the new standards for measuring trademark “dilution by tarnishment” and apply them to this case. We conclude that the new Act creates a kind of rebuttable presumption, or at least a very strong inference, that a new mark used to sell sex related products is likely to tarnish a famous mark if there is a clear semantic association between the two. That presumption has not been rebutted in this case.

I. The Supreme Court Opinion and the New Act

[3] The Supreme Court explained that this case started when an Army Colonel at Fort Knox saw an ad for “Victor’s Secret” in a weekly publication. It advertised that the small store in Elizabethtown

sold adult videos and novelties and lingerie.³ There was no likelihood of confusion between the two businesses or the two marks, but the Army Colonel was offended because the sexually-oriented business was semantically associating itself with “Victoria’s Secret.” The Court explained that the concepts of “dilution by blurring” and “dilution by tarnishment” originated with an article in the Harvard Law Review, Frank Schechter, “Rational Basis of Trademark Protection,” 40 HARV. L. REV. 813 (1927), and that the history and meaning of the concepts were further well explained in Restatement (Third) of Unfair Competition, Section 25 (1995). The Restatement section referred to by the Supreme Court explains this new intellectual property tort and contains in § 25 a comprehensive statement of “Liability Without Proof of Confusion: Dilution and Tarnishment.” “Tarnishment,” as distinguished from “dilution by blurring” was the only claim before the Supreme Court and is the only claim before us in this new appeal. We quote at length the relevant Restatement explanation of “tarnishment” in the footnote below.⁴

³ The Supreme Court explained:

In the February 12, 1998, edition of a weekly publication distributed to residents of the military installation at Fort Knox, Kentucky, petitioners advertised the “GRAND OPENING just in time for Valentine’s Day!” of their store “VICTOR’S SECRET” in nearby Elizabethtown. The ad featured “Intimate Lingerie for every woman,” “Romantic Lighting”; “Lycra Dresses”; “Pagers”; and “Adult Novelties/Gifts.” An army colonel, who saw the ad and was offended by what he perceived to be an attempt to use a reputable company’s trademark to promote the sale of “unwholesome, tawdry merchandise,” sent a copy to respondents. Their counsel then wrote to petitioners stating that their choice of the name “Victor’s Secret” for a store selling lingerie was likely to cause confusion with the well-known VICTORIA’S SECRET mark and, in addition, was likely to “dilute the distinctiveness” of the mark. They requested the immediate discontinuance of the use of the name “and any variations thereof.” In response, petitioners changed the name of their store to “Victor’s Little Secret.” Because that change did not satisfy respondents, they promptly filed this action in Federal District Court.

537 U.S. at 426 (internal citations omitted).

⁴ *c. Interests protected.* The antidilution statutes have been invoked against two distinct threats to the interests of a trademark owner. First, a mark may be so highly distinctive and so well advertised that it acts as a powerful selling tool. Such a mark may evoke among prospective purchasers a positive response that is associated exclusively with the goods or services of the trademark owner. To the extent that others use the trademark to identify different goods, services or businesses, a dissonance occurs that blurs this stimulant effect of the mark. The antidilution statutes protect against this dilution of the distinctiveness and selling power of the mark.

The selling power of a trademark also can be undermined by a use of the mark with goods or services such as illicit drugs or pornography that “tarnish” the mark’s image through inherently negative or unsavory associations, or with goods or services that produce a negative response when linked in the minds of prospective purchasers with the goods or services of the prior user, such as the use on insecticide of a trademark similar to one previously used by another on food products.

Tarnishment and dilution of distinctiveness, although conceptually distinct, both undermine the selling power of a mark, the latter by disturbing the conditioned association of the mark with the prior user and the former by displacing positive with negative associations. Thus, tarnishment and dilution of distinctiveness reduce the value of the mark to the trademark owner.

....

g. Tarnishment. The antidilution statutes have also been invoked to protect the positive associations evoked by a mark from subsequent uses that may disparage or tarnish those associations. The rule stated in Subsection (1)(b) applies to cases in which the tarnishment results from a subsequent use of the mark or a substantially similar mark in a manner that associates the mark with different goods, services, or businesses. Use of another’s mark by the actor, not as a trademark or trade

[4] After reviewing a number of secondary sources other than the Harvard Law Review article and the Restatement, including state statutes on dilution and a Fourth Circuit case, the Supreme Court held that “actual harm” rather than merely the “likelihood of tarnishment” is necessary and stated its conclusion as follows:

Noting that consumer surveys and other means of demonstrating actual dilution are expensive and often unreliable, respondents [Victoria’s Secret] and their *amici* argue that evidence of *an actual* “lessening of the capacity of a famous mark to identify and distinguish goods or services,” may be difficult to obtain. It may well be, however, that direct evidence of dilution such as consumer surveys will not be necessary *if actual dilution can reliably be proved* through circumstantial evidence—the obvious case is one where the junior and senior marks are identical. *Whatever difficulties of proof may be entailed, they are not an acceptable reason for dispensing with proof of an essential element of a statutory violation.* The evidence in the present record is not sufficient to support the summary judgment on the dilution count. The judgment is therefore reversed, and the case is remanded for further proceedings consistent with this opinion.

537 U.S. at 434, 123 S.Ct. 1115 (emphasis added).

[5] Thus, the Court held that “actual harm” rather than merely a “likelihood” of harm must be shown by Victoria’s Secret in order to prevail and that this means that Victoria’s Secret carries the burden of proving an actual “lessening of the capacity of the Victoria’s Secret mark to identify and distinguish goods or services sold in Victoria’s Secret stores or advertised in its catalogs.” *Id.* In the new law Congress rejected the Court’s view that a simple “likelihood” of an association in the consumer’s mind of the Victoria’s Secret mark with the sexually-oriented videos and toys of “Victor’s Secret” is insufficient for liability.

[6] The House Judiciary Committee Report states the purpose of the new 2006 legislation as follows:

The *Moseley* standard *creates an undue burden* for trademark holders who contest diluting uses and should be revised.

....

The new language in the legislation [provides] ... specifically that the standard for proving a dilution claim is “likelihood of dilution” and that both dilution by blurring and dilution by tarnishment are actionable.

name, but in other ways that may disparage or tarnish the prior user’s goods, services, business, or mark is governed by the rule stated in Subsection (2).

Any designation that is distinctive under the criteria established in § 13 is eligible for protection against disparaging or tarnishing use by others. Whenever the subsequent use brings to mind the goods, services, business, or mark of the prior user, there is potential for interference with the positive images associated with the mark. To prove a case of tarnishment, the prior user must demonstrate that the subsequent use is likely to come to the attention of the prior user’s prospective purchasers and that the use is likely to undermine or damage the positive associations evoked by the mark.

Illustration:

3. *A*, a bank, uses the designation “Cookie Jar” to identify its automatic teller machine. *B* opens a topless bar across the street from *A* under the trade name “Cookie Jar.” Although prospective customers of *A* are unlikely to believe that *A* operates or sponsors the bar, *B* is subject to liability to *A* for tarnishment under an applicable antidilution statute if the customers are likely to associate *A*’s mark or *A*’s business with the images evoked by *B*’s use.

(Emphasis added.) U.S. Code Cong. & Adm. News, 109th Cong.2d Sess.2006, Vol. 4, pp. 1091, 1092, 1097. . . . The drafters of the Committee Report also called special attention to the “burden” of proof or persuasion placed on “trademark holders” by the Supreme Court’s opinion in *Moseley*, suggesting a possible modification in the burden of proof. The question for us then is whether “Victor’s Little Secret” with its association with lewd sexual toys creates a “likelihood of dilution by tarnishment” of Victoria’s Secret mark.

II. Application of Statutory Standard

[7] The specific question in this case is whether, without consumer surveys or polls or other evidence, a semantic “association” is equivalent to a liability-creating mental “association” of a junior mark like “Victor’s Little Secret” with a famous mark like “Victoria’s Secret” that constitutes dilution by tarnishment when the junior mark is used to sell sexual toys, videos and similar soft-core pornographic products. There appears to be a clearly emerging consensus in the case law, aided by the language of § 25 of the Restatement of Trademarks 3d, quoted in footnote 4, *supra*, that the creation of an “association” between a famous mark and lewd or bawdy sexual activity disparages and defiles the famous mark and reduces the commercial value of its selling power. This consensus stems from an economic prediction about consumer taste and how the predicted reaction of conventional consumers in our culture will affect the economic value of the famous mark.

[8] There have been at least eight federal cases in six jurisdictions that conclude that a famous mark is tarnished when its mark is semantically associated with a new mark that is used to sell sex-related products. We find no exceptions in the case law that allow such a new mark associated with sex to stand. *See Pfizer Inc. v. Sachs*, 652 F.Supp.2d 512, 525 (S.D.N.Y.2009) (defendants’ display at an adult entertainment exhibition of two models riding a VIAGRA-branded missile and distributing condoms would likely harm the reputation of Pfizer’s trademark); *Williams–Sonoma, Inc. v. Friendfinder, Inc.*, No. C 06–6572 JSW (MEJ), 2007 WL 4973848, at *7 (N.D.Cal. Dec. 6, 2007) (defendants’ use of POTTERY BARN mark on their sexually-oriented websites likely to tarnish “by associating those marks for children and teenager furnishings”); *Kraft Foods Holdings, Inc. v. Helm*, 205 F.Supp.2d 942, 949–50 (N.D.Ill.2002) (pornographic website’s use of “VelVeeda” tarnishes VELVEETA trademark); *Victoria’s Cyber Secret Ltd. P’ship v. V Secret Catalogue, Inc.*, 161 F.Supp.2d 1339, 1355 (S.D.Fla.2001) (defendants’ internet trade names likely to tarnish famous mark when websites “will be used for entertainment of a lascivious nature suitable only for adults”); *Mattel, Inc. v. Internet Dimensions Inc.*, 2000 WL 973745, 55 U.S.P.Q.2d 1620, 1627 (S.D.N.Y. July 13, 2000) (linking BARBIE with pornography will adversely color the public’s impressions of BARBIE); *Polo Ralph Lauren L.P. v. Schuman*, 46 U.S.P.Q.2d 1046, 1048 (S.D.Tex.1998) (defendants’ use of “The Polo Club” or “Polo Executive Retreat” as an adult entertainment club tarnished POLO trademark); *Pillsbury Co. v. Milky Way Prods., Inc.*, 1981 WL 1402, 215 U.S.P.Q. 124, 135 (N.D.Ga. Dec. 24, 1981) (defendant’s sexually-oriented variation of the PILLSBURY DOUGHBOY tarnished plaintiff’s mark); *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*, 467 F.Supp. 366, 377 (S.D.N.Y.1979) (pornographic depiction of a Dallas Cowboys Cheerleader-style cheerleader in an adult film tarnished the professional mark of the Dallas Cowboys).

[9] The phrase “likely to cause dilution” used in the new statute . . . significantly changes the meaning of the law from “causes actual harm” under the preexisting law. The word “likely” or “likelihood” means “probably,” WEBSTER’S THIRD NEW INTERNATIONAL DICTIONARY 1310 (1963); BLACK’S LAW DICTIONARY 1076 (1968). It is important to note also that the Committee Report quoted above seeks to reduce the “burden” of evidentiary production on the trademark holder. The burden-of-proof problem, the developing case law, and the Restatement (Third) of Trademarks in § 25 (particularly subsection g) should now be interpreted, we think, to create a kind of rebuttable presumption, or at least a very strong inference, that a new mark used to sell sex-related products is likely to tarnish a famous mark if there is a clear semantic association between the two. This *res ipsa loquitur*-like effect is not conclusive but places on the owner of the new mark the burden of coming

forward with evidence that there is no likelihood or probability of tarnishment. The evidence could be in the form of expert testimony or surveys or polls or customer testimony.

[10] In the present case, the Moseleys have had two opportunities in the District Court to offer evidence that there is no real probability of tarnishment and have not done so. They did not offer at oral argument any suggestion that they could make such a showing or wanted the case remanded for that purpose. The fact that Congress was dissatisfied with the *Moseley* result and the *Moseley* standard of liability, as well as apparently the *Moseley* burden of proof, supports the view of Victoria's Secret that the present record—in the eyes of the legislative branch—shows a likelihood of tarnishment. Without evidence to the contrary or a persuasive defensive theory that rebuts the presumption, the defendants have given us no basis to reverse the judgment of the District Court. We do not find sufficient the defendants' arguments that they should have the right to use Victor Moseley's first name and that the effect of the association is *de minimis*. The Moseleys do not have a right to use the word "secret" in their mark. They use it only to make the association with the Victoria's Secret mark. We agree that the tarnishing effect of the Moseley's mark on the senior mark is somewhat speculative, but we have no evidence to overcome the strong inference created by the case law, the Restatement, and Congressional dissatisfaction with the burden of proof used in this case in the Supreme Court. The new law seems designed to protect trademarks from any unfavorable sexual associations. Thus, any new mark with a lewd or offensive-to-some sexual association raises a strong inference of tarnishment. The inference must be overcome by evidence that rebuts the probability that some consumers will find the new mark both offensive and harmful to the reputation and the favorable symbolism of the famous mark.

[11] Our dissenting colleague, in relying on the Supreme Court treatment of the proof in this case—for example, the long quotation from the Supreme Court concerning the legal effect of the evidence—fails to concede what seems obvious: Congress overruled the Supreme Court's view of the burden of proof. As quoted above, it said, "the Moseley standard creates an undue burden for trademark holders who contest diluting uses." It seems clear that the new Act demonstrates that Congress intended that a court should reach a different result in this case if the facts remain the same. We do not necessarily disagree with our dissenting colleague that the policy followed by the Supreme Court in such cases may be better. We simply believe that the will of Congress is to the contrary with regard to the proof in this case and with regard to the method of allocating the burden of proof.

....

JULIA SMITH GIBBONS, Circuit Judge, concurring.

[12] I fully concur in the majority opinion with the exception of one small quibble. I would not use the term "rebuttable presumption" to describe the inference that a new mark used to sell sex-related products is likely to tarnish a famous mark if there is a clear semantic association between the two. Practically speaking, what the inference is called makes little difference. I agree with the majority opinion that the inference is a strong one and that, to counter it, some evidence that there is no likelihood or probability of tarnishment is required. But because we are endeavoring to interpret a new law and because the legislative history is not explicit on the point of modification of the burden of proof, I think it best to end our analysis by characterizing the inference as an inference.

KAREN NELSON MOORE, Circuit Judge, dissenting.

[13] Because I believe that Victoria's Secret has failed to produce sufficient evidence to show that the Moseleys' use of the name "Victor's Little Secret" is likely to tarnish the VICTORIA'S SECRET mark, I would reverse the judgment of the district court and must respectfully dissent.

[14] Under the Trademark Dilution Revision Act of 2006 ("TDRA"), Victoria's Secret is entitled to injunctive relief if the Moseleys' use of "Victor's Little Secret" as the name of their adult-oriented

novelty store¹ “is likely to cause dilution . . . by tarnishment of the” VICTORIA’S SECRET mark. 15 U.S.C. § 1125(c)(1). “[D]ilution by tarnishment” is defined as an “association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.” *Id.* § 1125(c)(2)(C). Thus, under the terms of the statute, to determine whether the VICTORIA’S SECRET mark is likely to be tarnished by the Moseleys’ use, this court must inquire as to both the “association” between the two marks and the “harm” that the association causes to the senior mark.

[15] Because I agree that there is a clear association between the two marks, the determinative inquiry in this dilution-by-tarnishment case is whether that association is likely to harm Victoria’s Secret’s reputation. *See id.* § 1125(c)(2)(C) (“that harms the reputation of the famous mark”). Contrary to the majority’s conclusion, however, given the record before the panel, I would hold that Victoria’s Secret has failed to meet its burden to show that the Moseleys’ use of “Victor’s Little Secret” is likely to dilute Victoria’s Secret’s mark.²

[16] Victoria’s Secret’s evidence of tarnishment includes nothing more than the following: (1) an affidavit from Army Colonel John E. Baker stating that he “was . . . offended by [the] defendants’ use of [Victoria’s Secret’s] trademark to promote . . . unwholesome, tawdry merchandise,” such as “adult novelties and gifts,” and that since his “wife . . . and . . . daughter . . . shop at Victoria’s Secret, [he] was further dismayed by [the] defendants’ effort to associate itself with, trade off on the image of, and in fact denigrate a store frequented by members of [his] family,” Record on Appeal (“ROA”) at 267 (Baker Aff.); and (2) a statement from one of Victoria’s Secret’s corporate officers that Victoria’s Secret strives to “maintain[] an image that is sexy and playful” and one that “avoid[s] sexually explicit or graphic imagery.” *Id.* at 90 (Kriss Aff.).

[17] Reviewing Baker’s affidavit, I believe that it is plain that Baker made a “mental association” between “Victor’s Little Secret” and “Victoria’s Secret.” *Moseley v. V Secret Catalogue, Inc.*, 537 U.S. 418, 434, 123 S.Ct. 1115, 155 L.Ed.2d 1 (2003); *see also* ROA at 266 (Baker Aff.). It is also clear that Baker held a negative impression of “Victor’s Little Secret.” *See Moseley*, 537 U.S. at 434, 123 S.Ct. 1115; *see also* ROA at 267 (Baker Aff.). But despite the clear negative association of this *one* individual when confronted with “Victor’s Little Secret,” Victoria’s Secret has presented *no* evidence that Baker’s, or anyone else’s, distaste or dislike of “Victor’s Little Secret” is likely to taint their positive opinion or perception of Victoria’s Secret. Yet evidence that the junior mark is likely to undermine or alter the positive associations of the senior mark—i.e., evidence that the junior mark is likely to harm the reputation of the senior mark—is precisely the showing required under the plain language of 15 U.S.C.

¹ Victor’s Little Secret “sell[s] a wide variety of items, including adult videos, adult novelties, and lingerie.” *Moseley v. v. Secret Catalogue, Inc.*, 537 U.S. 418, 424, 123 S.Ct. 1115, 155 L.Ed.2d 1 (2003) (internal quotation marks omitted); *see also id.* at 424 n. 4, 123 S.Ct. 1115 (listing numerous other items sold). “Victor Moseley stated in an affidavit that women’s lingerie represented only about five percent of their sales.” *Id.* at 424, 123 S.Ct. 1115.

² I respectfully disagree with the majority’s conclusion that in dilution-by-tarnishment cases involving new marks “with lewd or offensive-to-some sexual association[s]” the TDRA establishes a presumption or inference of tarnishment that the Moseleys must rebut. Maj. Op. at 389, 390. To be sure, the House Judiciary Committee Report highlights Congress’s concern with the pre-TDRA actual-dilution standard, but I do not read its concern that the previous standard created “an undue burden” to mean that Congress envisioned a modification of the party that bears the burden of proof as opposed to simply a lightening of the evidentiary showing. *See* H.R.Rep. No. 109–23, at 5 (2005) (“Witnesses at the [] [legislative] hearings focused on the standard of harm threshold articulated in *Moseley* [sic] The *Moseley* [sic] standard creates an undue burden for trademark holders who contest diluting uses and should be revised.”). The burden to show tarnishment remains with Victoria’s Secret.

§ 1125(c)(2)(C) to prove dilution by tarnishment. As the Second Circuit recently noted in *Starbucks Corp. v. Wolfe's Borough Coffee, Inc.*, 588 F.3d 97 (2d Cir. 2009):

That a consumer may associate a negative-sounding junior mark with a famous mark says little of whether the consumer views the junior mark as harming the reputation of the famous mark. The more relevant question, for purposes of tarnishment, would have been how a hypothetical coffee [with a negative-sounding name] would affect the positive impressions about the coffee sold by Starbucks.

Starbucks Corp., 588 F.3d at 110; *see also* J. Thomas McCarthy, 4 McCarthy on Trademarks and Unfair Competition § 24:89 (4th ed.) [hereinafter McCarthy on Trademarks] (discussing tarnishment claims as being premised on the notion that “positive associations” of the senior mark will be displaced or degraded by the negative associations of the junior mark); Restatement (Third) of Unfair Competition § 25 cmt. g (1995) (“To prove a case of tarnishment, the prior user must demonstrate that the subsequent use is likely to . . . undermine or damage the positive associations evoked by the mark.”). In fact, when reviewing the exact same evidentiary record, the Supreme Court explicitly noted that Victoria’s Secret’s offer of proof included no evidence that “Victor’s Little Secret” affected Baker’s positive impressions of Victoria’s Secret:

The record in this case establishes that an army officer . . . did make the mental association with “Victoria’s Secret,” but it also shows that *he did not therefore form any different impression of the store that his wife and daughter had patronized*. There is a complete absence of evidence of any lessening of the capacity of the VICTORIA’S SECRET mark to identify and distinguish goods or services sold in Victoria’s Secret stores or advertised in its catalogs. The officer was offended by the ad, *but it did not change his conception of Victoria’s Secret*. His offense was directed entirely at [the Moseleys], not at [Victoria’s Secret]. Moreover, the expert retained by respondents had nothing to say about the impact of [the Moseleys’] name on the strength of [Victoria’s Secret’s] mark.

Moseley, 537 U.S. at 434, 123 S.Ct. 1115 (emphases added).³

³ The majority mischaracterizes my citation to the Supreme Court’s decision as evidencing a refusal to follow the “will of Congress” and a desire to follow the pre-TDRA “policy [of the] . . . Supreme Court.” Maj. Op. at 389. My citation to the Supreme Court’s decision, however, does no such thing. First, as stated previously, I believe that the majority’s conclusion that Congress intended to change which party has the burden of proof—i.e., the framework governing which party must put forth evidence in support of its position—as opposed to the standard of harm—i.e., actual harm versus a likelihood of harm—is not supported by the statute or the legislative history. In fact, the only evidence that the majority cites in support of its belief that Congress intended to place the burden of proof on the defendant is the House Committee Report, but even that Report undercuts the majority’s argument. The full paragraph from which the majority draws its quotation states:

Witnesses at the [] [legislative] hearings focused on the *standard of harm threshold* articulated in *Moseley* [sic]. For example, a representative of the International Trademark Association observed that “[b]y the time measurable, provable damage to the mark has occurred much time has passed, the damage has been done, and the remedy, which is injunctive relief, is far less effective.” The Committee endorses this position. The *Moseley* [sic] standard creates an undue burden for trademark holders who contest diluting uses and should be revised.

H.R.Rep. No. 109–23, at 5 (internal footnote omitted and emphasis added). It was the “standard of harm threshold,” i.e., the showing of actual harm that the Supreme Court employed, that was Congress’s concern, not the party bearing the burden of proof. This conclusion is supported by the hearings to which the Committee Report refers. During those hearings, the focus of both the House Representatives and the witnesses was whether Congress should “maintain an actual dilution

[18] In short, Victoria's Secret has presented *no* probative evidence that anyone is likely to think less of Victoria's Secret as a result of "Victor's Little Secret" and cannot therefore prevail on its claim of dilution by tarnishment. See *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 507 (2d Cir. 1996) ("Absent any showing that Henson's use [of a puppet named Spa'am] will create negative associations with the SPAM mark, there [is] little likelihood of dilution."). Instead of developing a record on remand that contains at least some evidence that Victoria's Secret's reputation is likely to suffer because of the negative response that "Victor's Little Secret" engendered, the record before the panel indicates only that a single individual thinks poorly of "Victor's Little Secret." See *Moseley*, 537 U.S. at 434, 123 S.Ct. 1115. On this record, it is simply no more probable that Victoria's Secret will suffer reputational harm as a result of the Moseleys' use of "Victor's Little Secret" than it is probable that those who are offended by "Victor's Little Secret" will limit their negative impressions to the Moseleys and refrain from projecting those negative associations upon Victoria's Secret. Baker's affidavit does nothing to contradict this conclusion, and given the absence of any indication that his or his family's opinion of Victoria's Secret changed following the Moseleys' use of "Victor's Little Secret," his affidavit may, in fact, provide evidence that individuals are likely to confine their distaste to the Moseleys. See *id.* ("The officer was offended by the ad, but it did not change his conception of Victoria's Secret. His offense was directed entirely at [the Moseleys], not at [Victoria's Secret].").

[19] Certainly, it is *possible* that the Moseleys' use of "Victor's Little Secret" to sell adult-oriented material and other novelties could reflect poorly on the VICTORIA'S SECRET mark and could cause Victoria's Secret to suffer damage to its "sexy and playful" reputation, but the evidentiary standard set forth in the statute is one of likelihood *not* mere possibility. Likelihood is based on probable consequence and amounts to more than simple speculation as to what might possibly happen. See McCarthy on Trademarks § 24:115 n. 2 (indicating that "'likelihood' in the dilution part of the Lanham Act has the same meaning as it does in the traditional infringement sections of the Lanham Act: as synonymous with 'probability'"); see also *Parks v. LaFace Records*, 329 F.3d 437, 446 (6th Cir. 2003) ("A 'likelihood' means a 'probability' rather than a 'possibility' of confusion."). Yet, as the majority notes, on the instant record, the "tarnishing effect of the Moseley's mark on the senior mark" is nothing more than "speculative." Maj. Op. at 388–89.

[20] Despite the absence of evidence, the majority is willing to assume that Victoria's Secret has met its burden to prove the essential element of "harm to reputation" based on the fact that numerous cases from other jurisdictions conclude, without much inquiry, "that a famous mark is tarnished when its mark is semantically associated with a new mark that is used to sell sex-related products." *Id.* at 388. I do not agree. Although it is true that courts have concluded that a finding of tarnishment is likely when a mark's "likeness is placed in the context of sexual activity, obscenity, or illegal activity," *Hormel*

standard, as the Supreme Court held in the Victoria's Secret case," or adopt a "likelihood of dilution standard." *Trademark Dilution Revision Act of 2005: Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the H. Comm. on the Judiciary*, 109th Cong. 4 (2005) (statement of Rep. Berman); see generally *id.* at 1–54.

I certainly recognize that Congress changed the law concerning dilution in response to the Supreme Court's decision in *Moseley*, but the Supreme Court in *Moseley* said nothing about changing the party bearing the burden of proof and neither does the amended statute. Instead, the statute explicitly states that "dilution by tarnishment" is an "association arising from the similarity between a mark or trade name and a famous mark *that harms the reputation of the famous mark.*" 15 U.S.C. § 1125(c)(2)(C) (emphasis added). In concluding that Victoria's Secret has failed to prove a likelihood of tarnishment because it has failed to present evidence that Victor's Little Secret is likely to harm the reputation of its mark, I am doing nothing more than applying the plain language of the statute that Congress enacted after the Supreme Court's decision. This approach certainly reflects the "will of Congress." Maj. Op. at 389.

Foods Corp., 73 F.3d at 507, a court cannot ignore the showing of reputational harm that the statute requires.⁴

[21] Even assuming that “Victor’s Little Secret” is plainly unwholesome when compared to Victoria’s Secret and that this case is completely analogous to those cases on which the majority relies, I still maintain that it is improper simply to assume likelihood of harm to the reputation of a senior mark when dealing with a junior mark of sexual character. As recounted above, there is *no* evidence connecting Victor’s Little Secret’s “unwholesome” or “tawdry” sexual character to the senior mark’s reputation, and there is nothing in the language of the TDRA that would allow the court to forgive a party’s obligation to present proof as to an element of the tarnishment cause of action—i.e., the likelihood of harm to reputation.⁵ See McCarthy on Trademarks § 24:115 (“Even after the 2006 revision when only a likelihood of dilution is required, . . . judges should demand persuasive evidence that dilution is likely to occur. Even the probability of dilution should be proven by evidence, not just by theoretical assumptions about what possibly could occur or might happen.”).

⁴ Nor can the court ignore the character of the senior mark when applying the majority’s “rule.” Victoria’s Secret sells women’s lingerie, and, as Victoria’s Secret readily admits, its own mark is already associated with sex, albeit not with sex novelties. See ROA at 90 (Kriss Aff.) (noting that Victoria’s Secret attempts to maintain a “sexy and playful” image); see also, e.g., *id.* at 156–57 (depicting Victoria’s Secret advertisements for “sexy little things” lingerie, which urge customers to “[b]e bad for goodness sake[] [i]n peek-a-boo’s, bras and sexy Santa accessories,” to “[g]ive flirty panties” as gifts, and participate in the store’s “panty fantasy,” which it describes as “Very racy. Very lacy”); *id.* at 209 (reproducing an article in Redbook magazine entitled “46 Things to Do to a Naked Man,” which highlights Victoria’s Secret’s role in the sexual activities of one of the contributors).

In essence, the VICTORIA’S SECRET mark is not entirely separate from the sexual context within which the junior mark, “Victor’s Little Secret,” operates. This fact makes the instant case unlike many of the cases that the majority cites. Cf. *Williams–Sonoma, Inc. v. Friendfinder, Inc.*, No. C 06–6572 JSW (MEJ), 2007 WL 4973848, at *7 (N.D.Cal. Dec. 6, 2007) (likelihood of tarnishment where “marks for children and teenager furnishings” were associated “with pornographic websites”); *Kraft Foods Holdings, Inc. v. Helm*, 205 F.Supp.2d 942, 949 (N.D.Ill.2002) (likelihood of dilution where the mark for cheese products was associated with websites that “depict[] graphic sexuality and nudity, as well as illustrations of drug use and drug paraphernalia”); *Mattel Inc. v. Internet Dimensions Inc.*, 2000 WL 973745, 55 U.S.P.Q.2d (BNA) 1620, 1627 (S.D.N.Y. July 13, 2000) (likelihood of tarnishment when the BARBIE mark was linked to adult-entertainment websites); *Polo Ralph Lauren L.P. v. Schuman*, 1998 WL 110059, 46 U.S.P.Q.2d (BNA) 1046, 1048 (S.D.Tex. Feb. 9, 1998) (dilution likely where Polo Ralph Lauren’s mark was associated with “an adult entertainment business”); *Toys “R” Us Inc. v. Akkaoui*, 1996 WL 772709, 40 U.S.P.Q.2d (BNA) 1836, 1838 (N.D.Cal. Oct. 29, 1996) (likelihood of tarnishment where children’s toy store was associated with “a line of sexual products”); *Hasbro, Inc. v. Internet Entm’t Group Ltd.*, 1996 WL 84853, 40 U.S.P.Q.2d (BNA) 1479, 1480 (W.D.Wash. Feb. 9, 1996) (dilution likely where the children’s game Candyland was linked to “a sexually explicit Internet site”); *Am. Express Co. v. Vibra Approved Labs. Corp.*, 10 U.S.P.Q.2d (BNA) 2006, 2014 (S.D.N.Y.1989) (tarnishment likely where an American Express charge card was linked to condoms and a sex-toy store); *Pillsbury Co. v. Milky Way Prods., Inc.*, 1981 WL 1402, 215 U.S.P.Q. (BNA) 124, 126, 135 (N.D.Ga. Dec. 24, 1981) (likelihood of dilution where the Pillsbury dough figures were portrayed as “engaging in sexual intercourse and fellatio”); *Dallas Cowboys Cheerleaders, Inc. v. Pusycat Cinema, Ltd.*, 467 F.Supp. 366, 377 (S.D.N.Y.1979), *affirmed by* 604 F.2d 200, 205 (2d Cir. 1979) (tarnishment likely where NFL cheerleaders were portrayed in a pornographic film).

⁵ The potential problem with simply assuming tarnishment when the junior mark places the senior mark in a sexual context becomes apparent if one considers a different case. What if the holder of a sex-related senior mark levied a claim of dilution by tarnishment against the holder of a junior mark that was similarly associated with sex? Would the court be willing to assume without further proof that despite their similar sexual origins the junior mark necessarily tarnishes the senior mark? Under the majority’s reasoning, such an assumption would be appropriate. This cannot be the law.

[22] With its conclusion that there is sufficient evidence of harm to the reputation of the VICTORIA'S SECRET mark based solely on the sexual nature of the junior mark, the majority sanctions an almost non-existent evidentiary standard and, in the process, essentially eliminates the requirement that a plaintiff provide some semblance of proof of likelihood of reputational harm in order to prevail on a tarnishment claim, despite the plain language of 15 U.S.C. § 1125(c)(2). Because I believe that Victoria's Secret has not met its burden to show that "Victor's Little Secret" is likely to dilute the famous mark by way of tarnishment, I respectfully dissent.

Questions and Comments

1. *Tarnishment (and Blurring) and the "Use as a Mark" Requirement.* As Sarah Burstein explains in *Dilution by Tarnishment: The New Cause of Action*, 98 TRADEMARK REP. 1189 (2008), a draft of the TDRA included the following definition of tarnishment: "association arising from the similarity between a *designation of source* and a famous mark that harms the reputation of the famous mark." H.R. 683, 109th Cong. 2 (2006) (emphasis added). The TDRA as adopted included slightly different language. It defined tarnishment as: "association arising from the similarity between a *mark or trade name* and a famous mark that harms the reputation of the famous mark." Lanham Act § 43(c)(2)(C), 15 U.S.C. § 1125(c)(2)(C). Does this reference to "a mark or trade name" require the plaintiff to show that the defendant's tarnishing expression functions as a designation of source for the defendant's own goods? Otherwise, how would that expression qualify as a "mark or trade name"? Notwithstanding Congress's deletion of the reference to "designation of source," it would appear that the statutory language of the TDRA still requires that the plaintiff show that the defendant's allegedly infringing expression constitutes a trademark, i.e., a designation of source, for the defendant's goods. See Burstein, at 1224. For this reason, a t-shirt or bumper sticker that states 'Wal-Mart is Evil', though certainly tarnishing, would not be prohibited under the TDRA unless the plaintiff can show that consumers perceive this phrase as a trademark. See Barton Beebe, *A Defense of the New Federal Trademark Antidilution Law*, 17 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1143, 1172 (2006). Given that the TDRA's definition of blurring also includes the "mark or trade name" language, should the same use as a mark requirement apply to blurring as well? For a view that both blurring and tarnishment under the TDRA include a requirement that the defendant be shown to be making a "trademark use," see Stacey L. Dogan & Mark A. Lemley, *The Trademark Use Requirement in Dilution Cases*, 24 SANTA CLARA COMPUTER & HIGH TECH. L.J. 541, 549-50 (2008).

2. *Is antidilution law constitutional?* In *Matal v. Tam*, , 137 S. Ct. 1744, 582 U.S. __ (U.S. June 19, 2017), excerpted above in Part I.B.5, the Supreme Court ruled that the Lanham Act § 2(a) prohibition on the registration of marks that "may disparage . . . persons" was invalid under the Free Speech Clause of the First Amendment. What are the implications of the Court's reasoning in *Tam* for antidilution law, and particularly for anti-tarnishment law?

D. Cybersquatting

There are three main methods by which a trademark owner may seek to prevent third-party unauthorized uses of its trademark as part of an internet domain name: (1) the trademark owner can pursue a traditional trademark infringement cause of action by claiming that the domain name creates a likelihood of confusion under Lanham Act § 32 or § 43(a); (2) the trademark owner can bring a cause of action for "cybersquatting" under Lanham Act § 43(d); and (3) the trademark owner can seek cancellation of the domain name or the transfer of the domain name to the trademark owner under the Uniform Dispute Resolution Policy (UDRP) or the Uniform Rapid Suspension System (URS). In Part II.D.1, we will consider the first two options. We will then turn in Part II.D.2 to the UDRP and URS.

1. The Section 43(d) Prohibition Against Cybersquatting

Sporty's Farm L.L.C. v. Sportsman's Market, Inc. **202 F.3d 489 (2d Cir. 2000)**

CALABRESI, Circuit Judge:

[1] This case originally involved the application of the Federal Trademark Dilution Act ("FTDA") to the Internet. *See* Federal Trademark Dilution Act of 1995, Pub.L. No. 104-98, 109 Stat. 985 (codified at 15 U.S.C. §§ 1125, 1127 (Supp.1996)). While the case was pending on appeal, however, the Anticybersquatting Consumer Protection Act ("ACPA"), Pub.L. No. 106-113 (1999), *see* H.R.Rep. No. 106-479 (Nov. 18, 1999), was passed and signed into law. That new law applies to this case.

[2] Plaintiff-Counter-Defendant-Appellant-Cross-Appellee Sporty's Farm L.L.C. ("Sporty's Farm") appeals from a judgment, following a bench trial, of the United States District Court for the District of Connecticut (Alfred V. Covello, *Chief Judge*) dated March 13, 1998. Defendant-Third-Party-Plaintiff-Counter-Claimant-Appellee-Cross-Appellant Sportsman's Market, Inc. ("Sportsman's") cross-appeals from the same judgment.

[3] The district court held: (1) that the Sportsman's trademark ("*sporty's*") was a *famous* mark entitled to protection under the FTDA; (2) that Sporty's Farm and its parent company, Third-Party-Defendant-Appellee Omega Engineering, Inc. ("Omega"), diluted the *sporty's* mark by using the Internet domain name "sportys.com" to sell Christmas trees and by preventing Sportsman's from using its trademark as a domain name; (3) that applying the FTDA to Sporty's Farm through an injunction requiring it to relinquish sportys.com was both equitable and not a retroactive application of the statute; (4) that Sportsman's was limited to injunctive relief since the conduct of Sporty's Farm and Omega did not constitute a willful intent to dilute under the FTDA; and (5) that Sporty's Farm and Omega did not violate the Connecticut Unfair Trade Practices Act ("CUTPA"), Conn. Gen.Stat. Ann. §§ 42-110a to 42-110q (West 1992 & Supp.1999). We apply the new anticybersquatting law and affirm the judgment in all respects, but, given the new law, on different grounds from those relied upon by the district court.

BACKGROUND

I

[4] Although the Internet is on its way to becoming a familiar aspect in our daily lives, it is well to begin with a brief explanation of how it works. The Internet is a network of computers that allows a user to gain access to information stored on any other computer on the network. Information on the Internet is lodged on files called web pages, which can include printed matter, sound, pictures, and links to other web pages. An Internet user can move from one page to another with just the click of a mouse.¹

[5] Web pages are designated by an address called a domain name. A domain name consists of two parts: a top level domain and a secondary level domain. The top level domain is the domain name's suffix. Currently, the Internet is divided primarily into six top level domains: (1) .edu for educational institutions; (2) .org for non-governmental and non-commercial organizations; (3) .gov for governmental entities; (4) .net for networks; (5) .com for commercial users, and (6) a nation-specific domain, which is .us in the United States. The secondary level domain is the remainder of the address, and can consist of combinations of letters, numbers, and some typographical symbols.² To take a

¹ A mouse is a device that allows a computer user to issue commands by moving a marker across the screen and then clicking on the symbol, word, or icon that represents the particular information that the user wants to access.

² Certain symbols, such as apostrophes ('), cannot be used in a domain name.

simple example, in the domain name “cnn.com,” cnn (“Cable News Network”) represents the secondary level domain and .com represents the top level domain. Each domain name is unique.

[6] Over the last few years, the commercial side of the Internet has grown rapidly. Web pages are now used by companies to provide information about their products in a much more detailed fashion than can be done through a standard advertisement. Moreover, many consumers and businesses now order goods and services directly from company web pages. Given that Internet sales are paperless and have lower transaction costs than other types of retail sales, the commercial potential of this technology is vast.

[7] For consumers to buy things or gather information on the Internet, they need an easy way to find particular companies or brand names. The most common method of locating an unknown domain name is simply to type in the company name or logo with the suffix .com.³ If this proves unsuccessful, then Internet users turn to a device called a search engine.⁴ A search engine will find all web pages on the Internet with a particular word or phrase. Given the current state of search engine technology, that search will often produce a list of hundreds of web sites through which the user must sort in order to find what he or she is looking for. As a result, companies strongly prefer that their domain name be comprised of the company or brand trademark and the suffix .com. *See* H.R.Rep. No. 106-412, at 5 (1999).

[8] Until recently, domain names with the .com top level domain could only be obtained from Network Solutions, Inc. (“NSI”). Now other registrars may also assign them. But all these registrars grant such names primarily on a first-come, first-served basis upon payment of a small registration fee. They do not generally inquire into whether a given domain name request matches a trademark held by someone other than the person requesting the name. *See id.*

[9] Due to the lack of any regulatory control over domain name registration, an Internet phenomenon known as “cybersquatting” has become increasingly common in recent years.⁵ *See, e.g., Panavision Int’l, L.P. v. Toeppen*, 141 F.3d 1316 (9th Cir. 1998). Cybersquatting involves the registration as domain names of well-known trademarks by non-trademark holders who then try to sell the names back to the trademark owners. Since domain name registrars do not check to see whether a domain name request is related to existing trademarks, it has been simple and inexpensive for any person to register as domain names the marks of established companies. This prevents use of the domain name by the mark owners, who not infrequently have been willing to pay “ransom” in order to get “their names” back. *See* H.R.Rep. No. 106-412, at 5-7; S.Rep. No. 106-140, at 4-7 (1999).

II

[10] Sportsman’s is a mail order catalog company that is quite well-known among pilots and aviation enthusiasts for selling products tailored to their needs. In recent years, Sportsman’s has expanded its catalog business well beyond the aviation market into that for tools and home accessories. The company annually distributes approximately 18 million catalogs nationwide, and has yearly revenues of about \$50 million. Aviation sales account for about 60% of Sportsman’s revenue, while non-aviation sales comprise the remaining 40%.

³ Nothing prevents an American commercial entity from seeking to use the .org or .us top level domains, but, especially in the United States, it has become customary for commercial web pages to use .com.

⁴ Undoubtedly, there are many people who use a search engine before typing in a company name plus .com. The manner in which users search the Internet depends on how quickly they think the search engine is likely to locate the desired web page.

⁵ “Cyber” is the prefix used to denote Internet-related things. The realm of the Internet is often referred to as “cyberspace.”

[11] In the 1960s, Sportsman's began using the logo "*sporty*" to identify its catalogs and products. In 1985, Sportsman's registered the trademark *sporty's* with the United States Patent and Trademark Office. Since then, Sportsman's has complied with all statutory requirements to preserve its interest in the *sporty's* mark. *Sporty's* appears on the cover of all Sportsman's catalogs; Sportsman's international toll free number is 1-800-4*sportys*; and one of Sportsman's domestic toll free phone numbers is 1-800-*Sportys*. Sportsman's spends about \$10 million per year advertising its *sporty's* logo.

[12] Omega is a mail order catalog company that sells mainly scientific process measurement and control instruments. In late 1994 or early 1995, the owners of Omega, Arthur and Betty Hollander, decided to enter the aviation catalog business and, for that purpose, formed a wholly-owned subsidiary called Pilot's Depot, LLC ("Pilot's Depot"). Shortly thereafter, Omega registered the domain name *sportys.com* with NSI. Arthur Hollander was a pilot who received Sportsman's catalogs and thus was aware of the *sporty's* trademark.

[13] In January 1996, nine months after registering *sportys.com*, Omega formed another wholly-owned subsidiary called Sporty's Farm and sold it the rights to *sportys.com* for \$16,200. Sporty's Farm grows and sells Christmas trees, and soon began advertising its Christmas trees on a *sportys.com* web page. When asked how the name Sporty's Farm was selected for Omega's Christmas tree subsidiary, Ralph S. Michael, the CEO of Omega and manager of Sporty's Farm, explained, as summarized by the district court, that

in his own mind and among his family, he always thought of and referred to the Pennsylvania land where Sporty's Farm now operates as *Spotty's farm*. The origin of the name . . . derived from a childhood memory he had of his uncle's farm in upstate New York. As a youngster, Michael owned a dog named Spotty. Because the dog strayed, his uncle took him to his upstate farm. Michael thereafter referred to the farm as Spotty's farm. The name Sporty's Farm was . . . a subsequent derivation.

Joint Appendix ("JA") at 277 (emphasis added). There is, however, no evidence in the record that Hollander was considering starting a Christmas tree business when he registered *sportys.com* or that Hollander was ever acquainted with Michael's dog Spotty.

[14] In March 1996, Sportsman's discovered that Omega had registered *sportys.com* as a domain name. Thereafter, and before Sportsman's could take any action, Sporty's Farm brought this declaratory action seeking the right to continue its use of *sportys.com*. Sportsman's counterclaimed and also sued Omega as a third-party defendant for, *inter alia*, (1) trademark infringement, (2) trademark dilution pursuant to the FTDA, and (3) unfair competition under state law. Both sides sought injunctive relief to force the other to relinquish its claims to *sportys.com*. While this litigation was ongoing, Sportsman's used "*sportys-catalogs.com*" as its primary domain name.

[15] After a bench trial, the court rejected Sportsman's trademark infringement claim and all related claims that are based on a "likelihood of [consumer] confusion" since "the parties operate wholly unrelated businesses [and t]herefore, confusion in the marketplace is not likely to develop."⁶ *Id.* at 282-83. But on Sportsman's trademark dilution action, where a likelihood of confusion was not necessary, the district court found for Sportsman's. The court concluded (1) that *sporty's* was a *famous* mark entitled to protection under the FTDA since "the '*Sporty's*' mark enjoys general name recognition in the consuming public," *id.* at 288, and (2) that Sporty's Farm and Omega had diluted *sporty's* because "registration of the '*sportys.com*' domain name effectively compromises Sportsman's Market's ability to identify and distinguish its goods on the Internet . . . [by] preclud[ing] Sportsman's Market from using its 'unique identifier,'" *id.* at 289. The court also held, however, that Sportsman's could only get

⁶ The district court also rejected Sportsman's federal actions for false designation and unfair competition on the same rationale. These rulings have not been appealed.

injunctive relief and was not entitled to “punitive damages . . . profits, and attorney’s fees and costs” pursuant to the FTDA since Sporty Farm and Omega’s conduct did not constitute willful dilution under the FTDA.⁷ *Id.* at 292-93.

....

[16] The district court then issued an injunction forcing Sporty’s Farm to relinquish all rights to sportys.com. And Sportsman’s subsequently acquired the domain name. Both Sporty’s Farm and Sportsman’s appeal.⁸ Specifically, Sporty’s Farm appeals the judgment insofar as the district court granted an injunction in favor of Sportsman’s for the use of the domain name. Sportsman’s, on the other hand, in addition to urging this court to affirm the district court’s injunction, cross-appeals, quite correctly as a procedural matter, the district court’s denial of damages under . . . the FTDA *See* 16A Charles Alan Wright, Arthur R. Miller, Edward H. Cooper, *Federal Practice and Procedure* § 3974.4 (3d ed.1999) (“[A] cross-appeal is required to support modification of the judgment . . .”).

III

[17] As we noted above, while this appeal was pending, Congress passed the ACPA. That law was passed “to protect consumers and American businesses, to promote the growth of online commerce, and to provide clarity in the law for trademark owners by prohibiting the bad-faith and abusive registration of distinctive marks as Internet domain names with the intent to profit from the goodwill associated with such marks—a practice commonly referred to as ‘cybersquatting.’” S.Rep. No. 106-140, at 4. In particular, Congress viewed the legal remedies available for victims of cybersquatting before the passage of the ACPA as “expensive and uncertain.” H.R.Rep. No. 106-412, at 6. The Senate made clear its view on this point:

While the [FTDA] has been useful in pursuing cybersquatters, cybersquatters have become increasingly sophisticated as the case law has developed and now take the necessary precautions to insulate themselves from liability. For example, many cybersquatters are now careful to no longer offer the domain name for sale in any manner that could implicate liability under existing trademark dilution case law. And, in cases of warehousing and trafficking in domain names, courts have sometimes declined to provide assistance to trademark holders, leaving them without adequate and effective judicial remedies. This uncertainty as to the trademark law’s application to the Internet has produced inconsistent judicial decisions and created extensive monitoring obligations, unnecessary legal costs, and uncertainty for consumers and trademark owners alike.

S.Rep. No. 106-140, at 7. In short, the ACPA was passed to remedy the perceived shortcomings of applying the FTDA in cybersquatting cases such as this one.

[18] The new act accordingly amends the Trademark Act of 1946, creating a specific federal remedy for cybersquatting. New 15 U.S.C. § 1125(d)(1)(A) reads:

A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person-

(i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and

(ii) registers, traffics in, or uses a domain name that—

⁷ The FTDA does not provide for punitive damages. It does, however, contemplate treble damages. *See* 15 U.S.C. § 1125(c)(2); § 1117(b).

⁸ Omega has not appealed since it prevailed on all the claims made against it by Sportsman’s.

(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;

(II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; . . .

[19] The Act further provides that “a court may order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark,” 15 U.S.C. § 1125(d)(1)(C), if the domain name was “registered before, on, or after the date of the enactment of this Act,” Pub.L. No. 106-113, § 3010. It also provides that damages can be awarded for violations of the Act,⁹ but that they are not “available with respect to the registration, trafficking, or use of a domain name that occurs before the date of the enactment of this Act.” *Id.*

DISCUSSION

[20] This case has three distinct features that are worth noting before we proceed further. First, our opinion appears to be the first interpretation of the ACPA at the appellate level. Second, we are asked to undertake the interpretation of this new statute even though the district court made its ruling based on the FTDA. Third, the case before us presents a factual situation that, as far as we can tell, is rare if not unique: A Competitor X of Company Y has registered Y’s trademark as a domain name and then transferred that name to Subsidiary Z, which operates a business wholly unrelated to Y. These unusual features counsel that we decide no more than is absolutely necessary to resolve the case before us.

A. Application of the ACPA to this Case

[21] Because the ACPA became law while this case was pending before us, we must decide how its passage affects this case. As a general rule, we apply the law that exists at the time of the appeal. . . .

[22] But even if a new law controls, the question remains whether in such circumstances it is more appropriate for the appellate court to apply it directly or, instead, to remand to the district court to enable that court to consider the effect of the new law. We therefore asked for additional briefing from the parties regarding the applicability of the ACPA to the case before us. After receiving those briefs and fully considering the arguments there made, we think it is clear that the new law was adopted specifically to provide courts with a preferable alternative to stretching federal dilution law when dealing with cybersquatting cases. Indeed, the new law constitutes a particularly good fit with this case. Moreover, the findings of the district court, together with the rest of the record, enable us to apply the new law to the case before us without difficulty. Accordingly, we will do so and forego a remand.

B. “Distinctive” or “Famous”

[23] Under the new Act, we must first determine whether *sporty’s* is a distinctive or famous mark and thus entitled to the ACPA’s protection. *See* 15 U.S.C. § 1125(d)(1)(A)(ii)(I), (II). The district court concluded that *sporty’s* is both distinctive and famous. We agree that *sporty’s* is a “distinctive” mark. As a result, and without casting any doubt on the district court’s holding in this respect, we need not, and hence do not, decide whether *sporty’s* is also a “famous” mark.¹⁰

⁹ The new Act permits a plaintiff to “elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than \$1,000 and not more than \$100,000 per domain name, as the court considers just.” Pub.L. No. 106-113, § 3003. If the plaintiff does not so elect, the court may award damages under 15 U.S.C. § 1117(a) and (b), based on damages, profits, and the cost of the action. *See id.*

¹⁰ In most respects, *sporty’s* meets the rigorous criteria laid out in § 1125(c)(1), requiring both fame and distinctiveness for protection under the FTDA. *See Nabisco Brands, Inc., v. PF Brands, Inc.*, 191

[24] More vexing is the question posed by the criterion that focuses on “the degree of recognition of the mark in the trading areas and channels of trade used by the marks’ owner and the person against whom the injunction is sought.” *Id.* at § 1125(c)(1)(F). Sporty’s Farm contends that, although *sporty’s* is a very well-known mark in the pilot and aviation niche market, Sportsman’s did not (and could not) prove that the mark was well-known to *Sporty’s Farm’s* customers. We need not reach this question, as we would have had to do under the FTDA, since the ACPA provides protection not only to famous marks but also to distinctive marks regardless of fame.

[25] Distinctiveness refers to inherent qualities of a mark and is a completely different concept from fame. A mark may be distinctive before it has been used—when its fame is nonexistent. By the same token, even a famous mark may be so ordinary, or descriptive as to be notable for its lack of distinctiveness. *See Nabisco, Inc. v. PF Brands, Inc.*, 191 F.3d 208, 215-26 (2d Cir. 1999). We have no doubt that *sporty’s*, as used in connection with Sportsman’s catalogue of merchandise and advertising, is inherently distinctive. Furthermore, Sportsman’s filed an affidavit under 15 U.S.C. § 1065 that rendered its registration of the *sporty’s* mark incontestable, which entitles Sportsman’s “to a presumption that its registered trademark is inherently distinctive.” *Equine Technologies, Inc. v. Equitechnology, Inc.*, 68 F.3d 542, 545 (1st Cir. 1995). We therefore conclude that, for the purposes of § 1125(d)(1)(A)(ii)(I), the *sporty’s* mark is distinctive.

C. “Identical and Confusingly Similar”

[26] The next question is whether domain name sportys.com is “identical or confusingly similar to” the *sporty’s* mark.¹¹ 15 U.S.C. § 1125(d)(1)(A)(ii)(I). As we noted above, apostrophes cannot be used in domain names. *See supra* note 2. As a result, the secondary domain name in this case (sportys) is indistinguishable from the Sportsman’s trademark (*sporty’s*). *Cf. Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1055 (9th Cir. 1999) (observing that the differences between the mark “MovieBuff” and the domain name “moviebuff.com” are “inconsequential in light of the fact that Web addresses are not caps-sensitive and that the ‘.com’ top-level domain signifies the site’s commercial nature”). We therefore conclude that, although the domain name sportys.com is not precisely identical to the *sporty’s* mark, it is certainly “confusingly similar” to the protected mark under § 1125(d)(1)(A)(ii)(I). *Cf. Wella Corp. v. Wella Graphics, Inc.* 874 F.Supp. 54, 56 (E.D.N.Y.1994) (finding the new mark “Wello” confusingly similar to the trademark “Wella”).

D. “Bad Faith Intent to Profit”

[27] We next turn to the issue of whether Sporty’s Farm acted with a “bad faith intent to profit” from the mark *sporty’s* when it registered the domain name sportys.com. 15 U.S.C. § 1125(d)(1)(A)(i). The statute lists nine factors to assist courts in determining when a defendant has acted with a bad faith intent to profit from the use of a mark.¹² But we are not limited to considering just the listed

F.3d 208, 216 (2d Cir. 1999). The mark (1) is sufficiently distinctive (as we discuss in the text), (2) has been used by Sportsman’s for an extended period of time, (3) has had millions of dollars in advertising spent on it, (4) is used nationwide, and (5) is traded in a wide variety of retail channels. *See* 15 U.S.C. § 1125(c)(1)(A)-(E). Moreover, the record does not indicate that anyone else besides Sportsman’s uses *sporty’s*, and the mark is, of course, registered with federal authorities. *See id.* at § 1125(c)(1)(G)-(H).

¹¹ We note that “confusingly similar” is a different standard from the “likelihood of confusion” standard for trademark infringement adopted by this court in *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir. 1961). *See Wella Corp. v. Wella Graphics, Inc.*, 37 F.3d 46, 48 (2d Cir. 1994).

¹² These factors are:

- (I) the trademark or other intellectual property rights of the person, if any, in the domain name;
- (II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

factors when making our determination of whether the statutory criterion has been met. The factors are, instead, expressly described as indicia that “may” be considered along with other facts. *Id.* § 1125(d)(1)(B)(i).

[28] We hold that there is more than enough evidence in the record below of “bad faith intent to profit” on the part of Sporty’s Farm (as that term is defined in the statute), so that “no reasonable factfinder could return a verdict against” Sportsman’s. *Norville v. Staten Island Univ. Hosp.*, 196 F.3d 89, 95 (2d Cir. 1999). First, it is clear that neither Sporty’s Farm nor Omega had any intellectual property rights in sportys.com at the time Omega registered the domain name. *See id.* § 1125(d)(1)(B)(i)(I). Sporty’s Farm was not formed until nine months after the domain name was registered, and it did not begin operations or obtain the domain name from Omega until after this lawsuit was filed. Second, the domain name does not consist of the legal name of the party that registered it, Omega. *See id.* § 1125(d)(1)(B)(i)(II). Moreover, although the domain name does include part of the name of Sporty’s Farm, that entity did not exist at the time the domain name was registered.

[29] The third factor, the prior use of the domain name in connection with the bona fide offering of any goods or services, also cuts against Sporty’s Farm since it did not use the site until after this litigation began, undermining its claim that the offering of Christmas trees on the site was in good faith. *See id.* § 1125(d)(1)(B)(i)(III). Further weighing in favor of a conclusion that Sporty’s Farm had the requisite statutory bad faith intent, as a matter of law, are the following: (1) Sporty’s Farm does not claim that its use of the domain name was “noncommercial” or a “fair use of the mark,” *see id.* § 1125(d)(1)(B)(i)(IV), (2) Omega sold the mark to Sporty’s Farm under suspicious circumstances, *see Sporty’s Farm v. Sportsman’s Market*, No. 96CV0756 (D.Conn. Mar. 13, 1998), *reprinted in* Joint Appendix at A277 (describing the circumstances of the transfer of sportys.com); 15 U.S.C.

(III) the person’s prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;

(IV) the person’s bona fide noncommercial or fair use of the mark in a site accessible under the domain name;

(V) the person’s intent to divert consumers from the mark owner’s online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

(VI) the person’s offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person’s prior conduct indicating a pattern of such conduct;

(VII) the person’s provision of material and misleading false contact information when applying for the registration of the domain name, the person’s intentional failure to maintain accurate contact information, or the person’s prior conduct indicating a pattern of such conduct;

(VIII) the person’s registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and

(IX) the extent to which the mark incorporated in the person’s domain name registration is or is not distinctive and famous within the meaning of subsection(c)(1) of section 43.

15 U.S.C. § 1125(d)(1)(B)(i).

§ 1125(d)(1)(B)(i)(VI), and, (3) as we discussed above, the *sporty's* mark is undoubtedly distinctive, *see id.* § 1125(d)(1)(B)(i)(IX).

[30] The most important grounds for our holding that Sporty's Farm acted with a bad faith intent, however, are the unique circumstances of this case, which do not fit neatly into the specific factors enumerated by Congress but may nevertheless be considered under the statute. We know from the record and from the district court's findings that Omega planned to enter into direct competition with Sportsman's in the pilot and aviation consumer market. As recipients of Sportsman's catalogs, Omega's owners, the Hollanders, were fully aware that *sporty's* was a very strong mark for consumers of those products. It cannot be doubted, as the court found below, that Omega registered sportys.com for the primary purpose of keeping Sportsman's from using that domain name. Several months later, and after this lawsuit was filed, Omega created another company in an unrelated business that received the name Sporty's Farm so that it could (1) use the sportys.com domain name in some commercial fashion, (2) keep the name away from Sportsman's, and (3) protect itself in the event that Sportsman's brought an infringement claim alleging that a "likelihood of confusion" had been created by Omega's version of cybersquatting. Finally, the explanation given for Sporty's Farm's desire to use the domain name, based on the existence of the dog Spotty, is more amusing than credible. Given these facts and the district court's grant of an equitable injunction under the FTDA, there is ample and overwhelming evidence that, as a matter of law, Sporty's Farm acted with a "bad faith intent to profit" from the domain name sportys.com as those terms are used in the ACPA.¹³ *See Luciano v. Olsten Corp.*, 110 F.3d 210, 214 (2d Cir. 1997) (stating that, as a matter of law, judgment may be granted where "the evidence in favor of the movant is so overwhelming that 'reasonable and fair minded [persons] could not arrive at a verdict against [it].'" (quoting *Cruz v. Local Union No. 3*, 34 F.3d 1148, 1154 (2d Cir. 1994) (alteration in original))).

E. Remedy

[31] Based on the foregoing, we hold that under § 1125(d)(1)(A), Sporty's Farm violated Sportsman's statutory rights by its use of the sportys.com domain name. The question that remains is what remedy is Sportsman's entitled to. The Act permits a court to "order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark," § 1125(d)(1)(C) for any "domain name [] registered before, on, or after the date of the enactment of [the] Act," Pub.L. No. 106-113, § 3010. That is precisely what the district court did here, albeit under the pre-existing law, when it directed a) Omega and Sporty's Farm to release their interest in sportys.com and to transfer the name to Sportsman's, and b) permanently enjoined those entities from taking any action to prevent and/or hinder Sportsman's from obtaining the domain name. That relief remains appropriate under the ACPA. We therefore affirm the district court's grant of injunctive relief.

{The court then determined that Sportsman's was not entitled to damages under the ACPA because the Act states that damages are not "available with respect to the registration, trafficking, or use of a domain name that occurs before the date of the enactment of this Act." The court also affirmed as not clearly in error the district court's determination that Sporty's Farm had not sought willfully to dilute Sportsman's mark and thus that Sportsman's was not entitled to damages under the antidilution provisions of Lanham Act § 43(c).}

¹³ We expressly note that "bad faith intent to profit" are terms of art in the ACPA and hence should not necessarily be equated with "bad faith" in other contexts.

Lamparello v. Falwell
420 F.3d 309 (4th Cir. 2005)

DIANA GRIBBON MOTZ, Circuit Judge.

[1] Christopher Lamparello appeals the district court's order enjoining him from maintaining a gripe website critical of Reverend Jerry Falwell. For the reasons stated below, we reverse.

I.

[2] Reverend Falwell is "a nationally known minister who has been active as a commentator on politics and public affairs." *Hustler Magazine v. Falwell*, 485 U.S. 46, 47, 108 S.Ct. 876, 99 L.Ed.2d 41 (1988). He holds the common law trademarks "Jerry Falwell" and "Falwell," and the registered trademark "Listen America with Jerry Falwell." Jerry Falwell Ministries can be found online at "www.falwell.com," a website which receives 9,000 hits (or visits) per day.

[3] Lamparello registered the domain name "www.fallwell.com" on February 11, 1999, after hearing Reverend Falwell give an interview "in which he expressed opinions about gay people and homosexuality that [Lamparello] considered . . . offensive." Lamparello created a website at that domain name to respond to what he believed were "untruths about gay people." Lamparello's website included headlines such as "Bible verses that Dr. Falwell chooses to ignore" and "Jerry Falwell has been bearing false witness (Exodus 20:16) against his gay and lesbian neighbors for a long time." The site also contained in-depth criticism of Reverend Falwell's views. For example, the website stated:

Dr. Falwell says that he is on the side of truth. He says that he will preach that homosexuality is a sin until the day he dies. But we believe that if the reverend were to take another thoughtful look at the scriptures, he would discover that they have been twisted around to support an anti-gay political agenda . . . at the expense of the gospel.

[4] Although the interior pages of Lamparello's website did not contain a disclaimer, the homepage prominently stated, "This website is NOT affiliated with Jerry Falwell or his ministry"; advised, "If you would like to visit Rev. Falwell's website, you may click here"; and provided a hyperlink to Reverend Falwell's website.

[5] At one point, Lamparello's website included a link to the Amazon.com webpage for a book that offered interpretations of the Bible that Lamparello favored, but the parties agree that Lamparello has never sold goods or services on his website. The parties also agree that "Lamparello's domain name and web site at www.fallwell.com," which received only 200 hits per day, "had no measurable impact on the quantity of visits to [Reverend Falwell's] web site at www.falwell.com."

[6] Nonetheless, Reverend Falwell sent Lamparello letters in October 2001 and June 2003 demanding that he cease and desist from using www.fallwell.com or any variation of Reverend Falwell's name as a domain name. Ultimately, Lamparello filed this action against Reverend Falwell and his ministries (collectively referred to hereinafter as "Reverend Falwell"), seeking a declaratory judgment of noninfringement. Reverend Falwell counter-claimed, alleging trademark infringement under 15 U.S.C. § 1114 (2000), false designation of origin under 15 U.S.C. § 1125(a), unfair competition under 15 U.S.C. § 1126 and the common law of Virginia, and cybersquatting under 15 U.S.C. § 1125(d).

[7] The parties stipulated to all relevant facts and filed cross-motions for summary judgment. The district court granted summary judgment to Reverend Falwell, enjoined Lamparello from using Reverend Falwell's mark at www.fallwell.com, and required Lamparello to transfer the domain name to Reverend Falwell. *Lamparello*, 360 F.Supp.2d at 773, 775. However, the court denied Reverend Falwell's request for statutory damages or attorney fees, reasoning that the "primary motive" of Lamparello's website was "to put forth opinions on issues that were contrary to those of [Reverend Falwell]" and "not to take away monies or to profit." *Id.* at 775.

[8] Lamparello appeals the district court's order; Reverend Falwell cross-appeals the denial of statutory damages and attorney fees. We review *de novo* a district court's ruling on cross-motions for

summary judgment. See *People for the Ethical Treatment of Animals v. Doughney*, 263 F.3d 359, 364 (4th Cir. 2001) [hereinafter “PETA”].

II.

{In analyzing Falwell’s likelihood of confusion claims under Lanham Act §§ 32 and 43(a), the court addressed without deciding the issue of whether Lamparello was engaging in commercial speech or using Falwell’s mark “in connection with the sale, offering for sale, distribution, or advertising of any goods or services.” Instead, the court simply found no likelihood of confusion as to the true source of Lamparello’s website, explaining that “to determine whether a likelihood of confusion exists as to the source of a gripe site like that at issue in this case, a court must look not only to the allegedly infringing domain name, but also to the underlying content of the website.” As for the issue of initial interest confusion, the court stated that “even if we did endorse the initial interest confusion theory, that theory would not assist Reverend Falwell here because it provides no basis for liability in circumstances such as these. The few appellate courts that have followed the Ninth Circuit and imposed liability under this theory for using marks on the Internet have done so only in cases involving a factor utterly absent here—one business’s use of another’s mark for its own financial gain This critical element—use of another firm’s mark to capture the markholder’s customers and profits—simply does not exist when the alleged infringer establishes a gripe site that criticizes the markholder.”}

III.

[9] We evaluate Reverend Falwell’s cybersquatting claim separately because the elements of a cybersquatting violation differ from those of traditional Lanham Act violations. To prevail on a cybersquatting claim, Reverend Falwell must show that Lamparello: (1) “had a bad faith intent to profit from using the [www.falwell.com] domain name,” and (2) the domain name www.falwell.com “is identical or confusingly similar to, or dilutive of, the distinctive and famous [Falwell] mark.” *PETA*, 263 F.3d at 367 (citing 15 U.S.C. § 1125(d)(1)(A)).

[10] “The paradigmatic harm that the ACPA was enacted to eradicate” is “the practice of cybersquatters registering several hundred domain names in an effort to sell them to the legitimate owners of the mark.” *Lucas Nursery & Landscaping, Inc. v. Grosse*, 359 F.3d 806, 810 (6th Cir. 2004). The Act was also intended to stop the registration of multiple marks with the hope of selling them to the highest bidder, “distinctive marks to defraud consumers” or “to engage in counterfeiting activities,” and “well-known marks to prey on consumer confusion by misusing the domain name to divert customers from the mark owner’s site to the cybersquatter’s own site, many of which are pornography sites that derive advertising revenue based on the number of visits, or ‘hits,’ the site receives.” S.Rep. No. 106-140, 1999 WL 594571, at *5-6. The Act was not intended to prevent “noncommercial uses of a mark, such as for comment, criticism, parody, news reporting, etc.,” and thus they “are beyond the scope” of the ACPA. *Id.* at *9.

[11] To distinguish abusive domain name registrations from legitimate ones, the ACPA directs courts to consider nine nonexhaustive factors

[12] These factors attempt “to balance the property interests of trademark owners with the legitimate interests of Internet users and others who seek to make lawful uses of others’ marks, including for purposes such as comparative advertising, *comment*, *criticism*, parody, news reporting, fair use, etc.” H.R. Rep. No. 106-412, 1999 WL 970519, at *10 (emphasis added). “The first four [factors] suggest circumstances that may tend to indicate an absence of bad-faith intent to profit from the goodwill of a mark, and the others suggest circumstances that may tend to indicate that such bad-faith intent exists.” *Id.* However, “[t]here is no simple formula for evaluating and weighing these factors. For example, courts do not simply count up which party has more factors in its favor after the evidence is in.” *Harrods Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214, 234 (4th Cir. 2002). In fact, because use of these listed factors is permissive, “[w]e need not . . . march through” them all in every

case. *Virtual Works, Inc. v. Volkswagen of Am., Inc.*, 238 F.3d 264, 269 (4th Cir. 2001). “The factors are given to courts as a guide, not as a substitute for careful thinking about whether the conduct at issue is motivated by a bad faith intent to profit.” *Lucas Nursery & Landscaping*, 359 F.3d at 811.

[13] After close examination of the undisputed facts involved in this case, we can only conclude that Reverend Falwell cannot demonstrate that Lamparello “had a bad faith intent to profit from using the [www.fallwell.com] domain name.” *PETA*, 263 F.3d at 367. Lamparello clearly employed www.fallwell.com simply to criticize Reverend Falwell’s views. Factor IV of the ACPA, 15 U.S.C. § 1125(d)(1)(B)(i)(IV), counsels against finding a bad faith intent to profit in such circumstances because “use of a domain name for purposes of . . . comment, [and] criticism,” H.R.Rep. No. 106-412, 1999 WL 970519, at *11, constitutes a “bona fide noncommercial or fair use” under the statute, 15 U.S.C. § 1125(d)(1)(B)(i)(IV).⁷ That Lamparello provided a link to an Amazon.com webpage selling a book he favored does not diminish the communicative function of his website. The use of a domain name to engage in criticism or commentary “even where done for profit” does not alone evidence a bad faith intent to profit, H.R.Rep. No. 106-412, 1999 WL 970519, at *11, and Lamparello did not even stand to gain financially from sales of the book at Amazon.com. Thus factor IV weighs heavily in favor of finding Lamparello lacked a bad faith intent to profit from the use of the domain name.

[14] Equally important, Lamparello has not engaged in the type of conduct described in the statutory factors as typifying the bad faith intent to profit essential to a successful cybersquatting claim. First, we have already held, *supra* Part III.B, that Lamparello’s domain name does not create a likelihood of confusion as to source or affiliation. Accordingly, Lamparello has not engaged in the type of conduct—“creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site,” 15 U.S.C. § 1125(d)(1)(B)(i)(V) —described as an indicator of a bad faith intent to profit in factor V of the statute.

[15] Factors VI and VIII also counsel against finding a bad faith intent to profit here. Lamparello has made no attempt—or even indicated a willingness—“to transfer, sell, or otherwise assign the domain name to [Reverend Falwell] or any third party for financial gain.” 15 U.S.C. § 1125(d)(1)(B)(i)(VI). Similarly, Lamparello has not registered “multiple domain names,” 15 U.S.C. § 1125(d)(1)(B)(i)(VIII); rather, the record indicates he has registered only one. Thus, Lamparello’s conduct is not of the suspect variety described in factors VI and VIII of the Act.

[16] Notably, the case at hand differs markedly from those in which the courts have found a bad faith intent to profit from domain names used for websites engaged in political commentary or parody. For example, in *PETA* we found the registrant of www.peta.org engaged in cybersquatting because www.peta.org was one of *fifty to sixty* domain names Doughney had registered, *PETA*, 263 F.3d at 362, and because Doughney had evidenced a clear intent to sell www.peta.org to PETA, stating that PETA should try to “‘settle’ with him and ‘make him an offer.’” *Id.* at 368. *See also Virtual Works*, 238 F.3d at 269-70. Similarly, in *Coca-Cola Co. v. Purdy*, 382 F.3d 774 (8th Cir. 2004), the Eighth Circuit found an anti-abortion activist who had registered domain names incorporating famous marks such as “Washington Post” liable for cybersquatting because he had registered almost *seventy* domain names,

⁷ We note that factor IV does not protect a faux noncommercial site, that is, a noncommercial site created by the registrant for the sole purpose of avoiding liability under the FTDA, which exempts noncommercial uses of marks, *see* 15 U.S.C. § 1125(c)(4)(B), or under the ACPA. As explained by the Senate Report discussing the ACPA, an individual cannot avoid liability for registering and attempting to sell a hundred domain names incorporating famous marks by posting noncommercial content at those domain names. *See* S.Rep. No. 106-140, 1999 WL 594571, at *14 (citing *Panavision Int’l v. Toepfen*, 141 F.3d 1316 (9th Cir. 1998)). But Lamparello’s sole purpose for registering www.fallwell.com was to criticize Reverend Falwell, and this noncommercial use was not a ruse to avoid liability. Therefore, factor IV indicates that Lamparello did not have a bad faith intent to profit.

had offered to stop using the Washington Post mark if the newspaper published an opinion piece by him on its editorial page, and posted content that created a likelihood of confusion as to whether the famous markholders sponsored the anti-abortion sites and “ha[d] taken positions on hotly contested issues.” *Id.* at 786. In contrast, Lamparello did not register multiple domain names, he did not offer to transfer them for valuable consideration, and he did not create a likelihood of confusion.

[17] Instead, Lamparello, like the plaintiffs in two cases recently decided by the Fifth and Sixth Circuits, created a gripe site. Both courts expressly refused to find that gripe sites located at domain names nearly identical to the marks at issue violated the ACPA. In *TMI, Inc. v. Maxwell*, 368 F.3d 433, 434-35 (5th Cir. 2004), Joseph Maxwell, a customer of homebuilder TMI, registered the domain name “www.trendmakerhome.com,” which differed by only one letter from TMI’s mark, TrendMaker Homes, and its domain name, “www.trendmakerhomes.com.” Maxwell used the site to complain about his experience with TMI and to list the name of a contractor whose work pleased him. After his registration expired, Maxwell registered “www.trendmakerhome.info.” TMI then sued, alleging cybersquatting. The Fifth Circuit reversed the district court’s finding that Maxwell violated the ACPA, reasoning that his site was noncommercial and designed only “to inform potential customers about a negative experience with the company.” *Id.* at 438-39.

[18] Similarly, in *Lucas Nursery & Landscaping*, a customer of Lucas Nursery registered the domain name “www.lucasnursery.com” and posted her dissatisfaction with the company’s landscaping services. Because the registrant, Grosse, like Lamparello, registered a single domain name, the Sixth Circuit concluded that her conduct did not constitute that which Congress intended to proscribe—i.e., the registration of multiple domain names. *Lucas Nursery & Landscaping*, 359 F.3d at 810. Noting that Grosse’s gripe site did not create any confusion as to sponsorship and that she had never attempted to sell the domain name to the markholder, the court found that Grosse’s conduct was not actionable under the ACPA. The court explained: “One of the ACPA’s main objectives is the protection of consumers from slick internet peddlers who trade on the names and reputations of established brands. The practice of informing fellow consumers of one’s experience with a particular service provider is surely not inconsistent with this ideal.” *Id.* at 811.

[19] Like Maxwell and Grosse before him, Lamparello has not evidenced a bad faith intent to profit under the ACPA. To the contrary, he has used www.fallwell.com to engage in the type of “comment[]and criticism” that Congress specifically stated militates against a finding of bad faith intent to profit. *See* S. Rep. No. 106-140, 1999 WL 594571, at *14. And he has neither registered multiple domain names nor attempted to transfer www.fallwell.com for valuable consideration. We agree with the Fifth and Sixth Circuits that, given these circumstances, the use of a mark in a domain name for a gripe site criticizing the markholder does not constitute cybersquatting.

IV.

[20] For the foregoing reasons, Lamparello, rather than Reverend Falwell, is entitled to summary judgment on all counts.⁸ Accordingly, the judgment of the district court is reversed and the case is remanded for entry of judgment for Lamparello.

REVERSED AND REMANDED.

⁸ Given our resolution of Lamparello’s appeal, Reverend Falwell’s cross-appeal with respect to statutory damages and attorney fees is moot.

2. The Uniform Dispute Resolution Policy and the Uniform Rapid Suspension System

a. The Uniform Dispute Resolution Policy

WIPO Guide to the Uniform Domain Name Dispute Resolution Policy (UDRP)
(<http://www.wipo.int/amc/en/domains/guide/>)

What is the Uniform Domain Name Dispute Resolution Policy?

The Uniform Domain Name Dispute Resolution Policy (the UDRP Policy) sets out the legal framework for the resolution of disputes between a domain name registrant and a third party (i.e., a party other than the registrar) over the abusive registration and use of an Internet domain name in the generic top level domains or gTLDs (e.g., .biz, .com, .info, .mobi, .name, .net, .org), and those country code top level domains or ccTLDs that have adopted the UDRP Policy on a voluntary basis. At its meetings on August 25 and 26, 1999 in Santiago, Chile, the ICANN* Board of Directors adopted the UDRP Policy, based largely on the recommendations contained in the Report of the WIPO Internet Domain Name Process, as well as comments submitted by registrars and other interested parties. All ICANN-accredited registrars that are authorized to register names in the gTLDs and the ccTLDs that have adopted the Policy have agreed to abide by and implement it for those domains. Any person or entity wishing to register a domain name in the gTLDs and ccTLDs in question is required to consent to the terms and conditions of the UDRP Policy.

What are the advantages of the UDRP Administrative Procedure?

The main advantage of the UDRP Administrative Procedure is that it typically provides a faster and cheaper way to resolve a dispute regarding the registration and use of an Internet domain name than going to court. In addition, the procedures are considerably more informal than litigation and the decision-makers are experts in such areas as international trademark law, domain name issues, electronic commerce, the Internet and dispute resolution. It is also international in scope: it provides a single mechanism for resolving a domain name dispute regardless of where the registrar or the domain name holder or the complainant are located.

What are the WIPO Center's fees for a domain name dispute?

For a case involving between 1 and 5 domain names, the fee for a case that is to be decided by a single Panelist is USD1500 and USD4000 for a case that is to be decided by 3 Panelists.

For a case involving between 6 and 10 domain names, the fee for a case that is to be decided by a single Panelist is USD2000 and USD5000 for a case that is to be decided by 3 Panelists.

The Complainant is responsible for paying the total fees. The only time the Respondent has to share in the fees is when the Respondent chooses to have the case decided by 3 Panelists and the Complainant had chosen a single Panelist.

In exceptional circumstances, either the Panel or the WIPO Center may ask the parties to make additional payments to defray the costs of the administrative procedure.

Uniform Domain Name Dispute Resolution Policy

(As Approved by ICANN on October 24, 1999)

1. Purpose. This Uniform Domain Name Dispute Resolution Policy (the "Policy") has been adopted by the Internet Corporation for Assigned Names and Numbers ("ICANN"), is incorporated by

* {The Internet Corporation for Assigned Names and Numbers (ICANN) is a non-profit, non-governmental organization that, among other things, administers the internet domain name system. ICANN accredits private companies and organizations that wish to provide domain name registration services.}

reference into your Registration Agreement, and sets forth the terms and conditions in connection with a dispute between you and any party other than us (the registrar) over the registration and use of an Internet domain name registered by you. Proceedings under Paragraph 4 of this Policy will be conducted according to the Rules for Uniform Domain Name Dispute Resolution Policy (the "Rules of Procedure"), which are available at <http://www.icann.org/en/dndr/udrp/uniform-rules.htm>, and the selected administrative-dispute-resolution service provider's supplemental rules.

2. Your Representations. By applying to register a domain name, or by asking us to maintain or renew a domain name registration, you hereby represent and warrant to us that (a) the statements that you made in your Registration Agreement are complete and accurate; (b) to your knowledge, the registration of the domain name will not infringe upon or otherwise violate the rights of any third party; (c) you are not registering the domain name for an unlawful purpose; and (d) you will not knowingly use the domain name in violation of any applicable laws or regulations. It is your responsibility to determine whether your domain name registration infringes or violates someone else's rights.

3. Cancellations, Transfers, and Changes. We will cancel, transfer or otherwise make changes to domain name registrations under the following circumstances:

- a. subject to the provisions of Paragraph 8, our receipt of written or appropriate electronic instructions from you or your authorized agent to take such action;
- b. our receipt of an order from a court or arbitral tribunal, in each case of competent jurisdiction, requiring such action; and/or
- c. our receipt of a decision of an Administrative Panel requiring such action in any administrative proceeding to which you were a party and which was conducted under this Policy or a later version of this Policy adopted by ICANN. (See Paragraph 4(i) and (k) below.)

We may also cancel, transfer or otherwise make changes to a domain name registration in accordance with the terms of your Registration Agreement or other legal requirements.

4. Mandatory Administrative Proceeding.

This Paragraph sets forth the type of disputes for which you are required to submit to a mandatory administrative proceeding. These proceedings will be conducted before one of the administrative-dispute-resolution service providers listed at www.icann.org/en/dndr/udrp/approved-providers.htm (each, a "Provider").

a. Applicable Disputes. You are required to submit to a mandatory administrative proceeding in the event that a third party (a "complainant") asserts to the applicable Provider, in compliance with the Rules of Procedure, that

- (i) your domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights; and
- (ii) you have no rights or legitimate interests in respect of the domain name; and
- (iii) your domain name has been registered and is being used in bad faith.

In the administrative proceeding, the complainant must prove that each of these three elements are present.

b. Evidence of Registration and Use in Bad Faith. For the purposes of Paragraph 4(a)(iii), the following circumstances, in particular but without limitation, if found by the Panel to be present, shall be evidence of the registration and use of a domain name in bad faith:

- (i) circumstances indicating that you have registered or you have acquired the domain name primarily for the purpose of selling, renting, or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark or to a competitor of that

complainant, for valuable consideration in excess of your documented out-of-pocket costs directly related to the domain name; or

(ii) you have registered the domain name in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that you have engaged in a pattern of such conduct; or

(iii) you have registered the domain name primarily for the purpose of disrupting the business of a competitor; or

(iv) by using the domain name, you have intentionally attempted to attract, for commercial gain, Internet users to your web site or other on-line location, by creating a likelihood of confusion with the complainant's mark as to the source, sponsorship, affiliation, or endorsement of your web site or location or of a product or service on your web site or location.

c. How to Demonstrate Your Rights to and Legitimate Interests in the Domain Name in Responding to a Complaint. When you receive a complaint, you should refer to Paragraph 5 of the Rules of Procedure in determining how your response should be prepared. Any of the following circumstances, in particular but without limitation, if found by the Panel to be proved based on its evaluation of all evidence presented, shall demonstrate your rights or legitimate interests to the domain name for purposes of Paragraph 4(a)(ii):

(i) before any notice to you of the dispute, your use of, or demonstrable preparations to use, the domain name or a name corresponding to the domain name in connection with a bona fide offering of goods or services; or

(ii) you (as an individual, business, or other organization) have been commonly known by the domain name, even if you have acquired no trademark or service mark rights; or

(iii) you are making a legitimate noncommercial or fair use of the domain name, without intent for commercial gain to misleadingly divert consumers or to tarnish the trademark or service mark at issue.

d. Selection of Provider. The complainant shall select the Provider from among those approved by ICANN by submitting the complaint to that Provider. The selected Provider will administer the proceeding, except in cases of consolidation as described in Paragraph 4(f).

e. Initiation of Proceeding and Process and Appointment of Administrative Panel. The Rules of Procedure state the process for initiating and conducting a proceeding and for appointing the panel that will decide the dispute (the "Administrative Panel").

f. Consolidation. In the event of multiple disputes between you and a complainant, either you or the complainant may petition to consolidate the disputes before a single Administrative Panel. This petition shall be made to the first Administrative Panel appointed to hear a pending dispute between the parties. This Administrative Panel may consolidate before it any or all such disputes in its sole discretion, provided that the disputes being consolidated are governed by this Policy or a later version of this Policy adopted by ICANN.

g. Fees. All fees charged by a Provider in connection with any dispute before an Administrative Panel pursuant to this Policy shall be paid by the complainant, except in cases where you elect to expand the Administrative Panel from one to three panelists as provided in Paragraph 5(b)(iv) of the Rules of Procedure, in which case all fees will be split evenly by you and the complainant.

h. Our Involvement in Administrative Proceedings. We do not, and will not, participate in the administration or conduct of any proceeding before an Administrative Panel. In addition, we will not be liable as a result of any decisions rendered by the Administrative Panel.

i. Remedies. The remedies available to a complainant pursuant to any proceeding before an Administrative Panel shall be limited to requiring the cancellation of your domain name or the transfer of your domain name registration to the complainant.

j. Notification and Publication. The Provider shall notify us of any decision made by an Administrative Panel with respect to a domain name you have registered with us. All decisions under this Policy will be published in full over the Internet, except when an Administrative Panel determines in an exceptional case to redact portions of its decision.

k. Availability of Court Proceedings. The mandatory administrative proceeding requirements set forth in Paragraph 4 shall not prevent either you or the complainant from submitting the dispute to a court of competent jurisdiction for independent resolution before such mandatory administrative proceeding is commenced or after such proceeding is concluded. If an Administrative Panel decides that your domain name registration should be canceled or transferred, we will wait ten (10) business days (as observed in the location of our principal office) after we are informed by the applicable Provider of the Administrative Panel's decision before implementing that decision. We will then implement the decision unless we have received from you during that ten (10) business day period official documentation (such as a copy of a complaint, file-stamped by the clerk of the court) that you have commenced a lawsuit against the complainant in a jurisdiction to which the complainant has submitted under Paragraph 3(b)(xiii) of the Rules of Procedure. (In general, that jurisdiction is either the location of our principal office or of your address as shown in our Whois database. See Paragraphs 1 and 3(b)(xiii) of the Rules of Procedure for details.) If we receive such documentation within the ten (10) business day period, we will not implement the Administrative Panel's decision, and we will take no further action, until we receive (i) evidence satisfactory to us of a resolution between the parties; (ii) evidence satisfactory to us that your lawsuit has been dismissed or withdrawn; or (iii) a copy of an order from such court dismissing your lawsuit or ordering that you do not have the right to continue to use your domain name.

5. All Other Disputes and Litigation. All other disputes between you and any party other than us regarding your domain name registration that are not brought pursuant to the mandatory administrative proceeding provisions of Paragraph 4 shall be resolved between you and such other party through any court, arbitration or other proceeding that may be available.

6. Our Involvement in Disputes. We will not participate in any way in any dispute between you and any party other than us regarding the registration and use of your domain name. You shall not name us as a party or otherwise include us in any such proceeding. In the event that we are named as a party in any such proceeding, we reserve the right to raise any and all defenses deemed appropriate, and to take any other action necessary to defend ourselves.

7. Maintaining the Status Quo. We will not cancel, transfer, activate, deactivate, or otherwise change the status of any domain name registration under this Policy except as provided in Paragraph 3 above.

8. Transfers During a Dispute.

....

9. Policy Modifications. We reserve the right to modify this Policy at any time with the permission of ICANN. We will post our revised Policy at <URL> at least thirty (30) calendar days before it becomes effective. Unless this Policy has already been invoked by the submission of a complaint to a Provider, in which event the version of the Policy in effect at the time it was invoked will apply to you until the dispute is over, all such changes will be binding upon you with respect to any domain name registration dispute, whether the dispute arose before, on or after the effective date of our change. In the event that you object to a change in this Policy, your sole remedy is to cancel your domain name registration with us, provided that you will not be entitled to a refund of any fees you paid to us. The revised Policy will apply to you until you cancel your domain name registration.

Comments and Questions

1. *Appealing a UDRP decision.* As paragraph 4(k) of the UDRP makes clear, litigants unsatisfied with the outcome of the UDRP process may “submit[] the dispute to a court of competent jurisdiction for independent resolution.” U.S. courts afford no deference to UDRP decisions. *See, e.g., Barcelona.com, Inc. v. Excelentísimo Ayuntamiento De Barcelona*, 330 F.3d 617, 626 (4th Cir. 2003) (“[A]ny decision made by a panel under the UDRP is no more than an agreed-upon administration that is *not* given any deference under the ACPA.” (emphasis in original)).

The following UDRP panel decision engages a recent controversy among UDRP panelists concerning a fundamental limitation of the UDRP. Under the terms of UDRP paragraph 4(a)(iii), the complainant must show, among other things, that the domain name was registered in bad faith *and* is being used in bad faith. In a standard UDRP proceeding, it is often not difficult to establish current bad faith use. But what if a domain name, though currently being used in bad faith, was initially registered in good faith? In such situations, UDRP paragraph 4(a)(iii) would apparently fail to trigger transfer of the domain name, even in cases of extreme bad faith use. For a brief period starting in 2009, a number of UDRP panel decisions sought to work around this problem by means of theories of retroactive bad faith registration or bad faith renewal. *See, e.g., Octogen Pharmacal Company, Inc. v. Domains By Proxy, Inc. / Rich Sanders and Octogen e-Solutions*, Case No. D2009-0786 (WIPO Aug. 29, 2009); *Eastman Sport Group LLC v. Jim and Kenny*, Case No. D2009-1688 (WIPO March 1, 2010). Other panel decisions rejected these efforts to reconfigure the UDRP. *See, e.g., Camon S.p.A. v. Intelli-Pet, LLC*, Case No. D2009-1716 (WIPO March 12, 2010). The following decision reports that some degree of consensus has now been reached on the issue.

Also, a pre-comment: *Do not go to pinerest.com*. After Pinterest prevailed in the UDRP dispute concerning the domain name pinerest.com, ownership in the domain name was transferred to Pinterest. However, at least as of this printing (July 2020), Pinterest has neglected to change the name servers for the domain. (Name servers are the servers that link a more easily human-memorable domain name to the numeric Internet Protocol address of the specific computer that hosts the website content). The result is that entering pinerest.com in your web browser will continue to direct you to malware.*

Pinterest, Inc. v. Pinerest.com c/o Whois Privacy Svcs Pty Ltd/Ian Townsend
Case No. D2015-1873 (WIPO Dec. 21, 2015)

1. The Parties

[1] The Complainant is Pinterest, Inc. of San Francisco, California, United States of America (“United States”), represented by Baker & McKenzie, United Kingdom of Great Britain and Northern Ireland (“United Kingdom”).

[2] The Respondent is Pinerest.com c/o Whois Privacy Services Pty Ltd of Fortitude Valley, Queensland, Australia / Ian Townsend of Madrid, Spain.

2. The Domain Name and Registrar

[3] The disputed domain name <pinereest.com> is registered with Fabulous.com (the “Registrar”).

3. Procedural History

* I am grateful to Avi Ginsberg for bringing this situation to light.

[4] The Complaint was filed with the WIPO Arbitration and Mediation Center (the “Center”) on October 20, 2015. On October 21, 2015, the Center transmitted by email to the Registrar a request for registrar verification in connection with the disputed domain name. On October 27, 2015, the Registrar transmitted by email to the Center its verification response disclosing registrant and contact information for the disputed domain name which differed from the named Respondent and contact information in the Complaint. The Center sent an email communication to the Complainant on October 27, 2015, providing the registrant and contact information disclosed by the Registrar, and inviting the Complainant to submit an amended Complaint. The Complainant filed an amended Complaint on October 29, 2015.

[5] The Center verified that the Complaint together with the amended Complaint satisfied the formal requirements of the Uniform Domain Name Dispute Resolution Policy (the “Policy” or “UDRP”), the Rules for Uniform Domain Name Dispute Resolution Policy (the “Rules”), and the WIPO Supplemental Rules for Uniform Domain Name Dispute Resolution Policy (the “Supplemental Rules”).

[6] In accordance with the Rules, paragraphs 2 and 4, the Center formally notified the Respondent of the Complaint, and the proceedings commenced on November 5, 2015. In accordance with the Rules, paragraph 5, the due date for Response was November 25, 2015. The Respondent did not submit any response. Accordingly, the Center notified the Respondent’s default on November 26, 2015.

[7] The Center appointed Andrew D. S. Lothian as the sole panelist in this matter on December 2, 2015. The Panel finds that it was properly constituted. The Panel has submitted the Statement of Acceptance and Declaration of Impartiality and Independence, as required by the Center to ensure compliance with the Rules, paragraph 7.

4. Factual Background

[8] To the Panel’s knowledge (on which subject see section 6A below), the Complainant is a provider of online services via its website and mobile applications under the PINTEREST trademark, providing a facility whereby Internet users may gather images and content and organize this into themed collections on a “pinboard”.

[9] The Complainant is the owner of a variety of registered trademarks for the word mark PINTEREST in a range of different jurisdictions including, for example, United States registered trademark No. 4145087 registered on May 22, 2012 in international classes 42 and 45.

[10] According to WhoIs records the disputed domain name was created on February 25, 1998. Little is known regarding the Respondent, who appears from the WhoIs to be an individual with an address in Spain. The Complainant submits that the Respondent is not the original registrant of the disputed domain name and notes that, according to historic WhoIs records, that entity was a memorial park and funeral home in Alabama, United States. The Complainant says that the disputed domain name has more recently been transferred to the Respondent. The probable date for such transfer, according to the Complainant, is August 24, 2015, which is the “last updated” date shown on the WhoIs record of October 13, 2015.

[11] Screenshots produced by the Complainant illustrate its assertion that the disputed domain name cycles through to a number of different unconnected websites, one of which invites users to participate in a survey purporting to be run by the Complainant, which produces a popup window on entry stating “Congratulations Pinterest Visitor!”, and another of which directs users to malware.

5. Parties’ Contentions

A. Complainant

[12] The Complainant contends that the disputed domain name is confusingly similar to a trademark in which the Complainant owns rights; that the Respondent has no rights or legitimate interests in the disputed domain name; and that the disputed domain name has been registered and is being used in bad faith.

[13] The Complainant submits that it satisfies the threshold requirement of having trademark rights under the Policy and that its PINTEREST trademark is incorporated in the disputed domain name with the omission of a single character. The Complainant asserts that its mark is well known and that the omission of a single character from such mark constitutes “type squatting” [sic] and renders the disputed domain name confusingly similar to such mark.

[14] The Complainant contends that it has not authorized the Respondent to register or use its PINTEREST mark or any confusingly similar variant thereof, that the Respondent has not been commonly known by the disputed domain name and that the Respondent is not making a noncommercial or fair use of the disputed domain name. The Complainant asserts that as the disputed domain name cycles through unconnected websites or popups and directs users to malware this cannot be described as a *bona fide* offering of goods or services. The Complainant submits that the purpose of the disputed domain name is to capture users who mistakenly enter it when attempting to visit the Complainant’s website for the Respondent’s commercial gain and that accordingly the Respondent cannot claim rights or legitimate interests therein.

[15] The Complainant submits that the Respondent acquired the disputed domain name from the original registrant in bad faith in order to use the disputed domain name in bad faith by creating confusion with the Complainant’s PINTEREST mark. The Complainant contends that the *Octogen* trio of cases (*City Views Limited v. Moniker Privacy Services / Xander, Jeduyu, ALGEBRALIVE*, WIPO Case No. D2009-0643; *Phillip Securities Pte Ltd v. Yue Hoong Leong*, ADNDRC Decision DE-0900226; and *Octogen Pharmacal Company, Inc. v. Domains By Proxy, Inc. / Rich Sanders and Octogen e-Solutions*, WIPO Case No. D2009-0786) are applicable in the scenario where the Respondent is not the original registrant of the disputed domain name but subsequently acquired this in bad faith and demonstrably uses it in bad faith. The Complainant also asserts that the date of registration for the purposes of the Complaint should be the date of acquisition of the disputed domain name by the Respondent and not the original creation date.

[16] The Complainant asserts that the date of acquisition of the disputed domain name by the Respondent is August 2015 and that the Respondent would have been aware of the Complainant’s rights by that date. The Complainant also argues that the Respondent must have been fully aware of such rights by virtue of its use of its PINTEREST mark on the surveys to which the disputed domain name points. The Complainant also describes and illustrates the use of the disputed domain name to point to sale items on a popular auction website together with popup advertisements stating that users have downloaded malware. The Complainant asserts that the use of the disputed domain name in this manner constitutes use in bad faith within the meaning of the Policy.

B. Respondent

[17] The Respondent did not reply to the Complainant’s contentions.

6. Discussion and Findings

[18] To succeed, the Complainant must demonstrate that all of the elements listed in paragraph 4(a) of the Policy have been satisfied:

(i) the disputed domain name is identical or confusingly similar to a trademark or service mark in which the Complainant has rights;

(ii) the Respondent has no rights or legitimate interests in respect of the disputed domain name; and

(iii) the disputed domain name has been registered and is being used in bad faith.

....

B. Identical or Confusingly Similar

[19] The Complainant has produced a series of screenshots from the website “www.tmview.org” as evidence of its various registered trademarks. This website provides data directly from the official

trademark offices of its various members and the Panel thus has no reason to doubt the authenticity of the information provided. However, the Complainant's screenshots are in tabular format and do not show a detailed view of any of the marks listed. In order to obtain such a view, the Panel verified the details of the Complainant's mark described in the factual background section above by visiting the official website of the United States Patent and Trademark Office ("USPTO") and inputting the registration number disclosed on the Complainant's screenshot (see [paragraph 4.5](#) of the [WIPO Overview 2.0](#) regarding a panel's discretionary referencing of trademark online databases).

[20] While the Panel is content that the information provided by the Complainant, as supplemented by its visit to the USPTO website, is sufficient to allow it to make a finding that the Complainant has rights in the PINTEREST trademark, the Panel notes that complainants and their representatives would do well to consider providing the greater detail that lies behind the initial tabular view produced by a search on "www.tmview.org", at least in respect of any one mark which is being relied upon for the purposes of paragraph 4(a)(i) of the Policy.

[21] Having found that the Complainant has rights in the PINTEREST trademark, the Panel observes that the disputed domain name is identical to such mark, subject to the omission of the initial letter "t" in the disputed domain name. The Panel accepts the Complainant's submission that the omission of a single letter in the disputed domain name is insufficient to distinguish it from the Complainant's mark and accordingly finds that the disputed domain name is confusingly similar thereto. Accordingly, the Panel finds that the requirements of paragraph 4(a)(i) of the Policy have been satisfied.

C. Rights or Legitimate Interests

[22] Paragraph 4(c) of the Policy lists several ways in which the Respondent may demonstrate rights or legitimate interests in the disputed domain name

[23] As paragraph 2.1 of the WIPO Overview 2.0 notes, a consensus view among panelists in cases under the Policy has emerged that a complainant is required to make out a *prima facie* case that the respondent has no rights or legitimate interests in a domain name and that once such *prima facie* case is made, the burden of production shifts to the respondent to come forward with appropriate allegations or evidence demonstrating such rights or legitimate interests.

[24] In the present proceeding, the Panel is satisfied that the Complainant has made out the requisite *prima facie* case by way of its submissions that the Respondent was not authorized by the Complainant to use the Complainant's PINTEREST mark or a confusingly similar variant, that the Respondent has not been commonly known by the disputed domain name and that the Respondent is not making a noncommercial or fair use thereof. Furthermore, the Complainant's evidence regarding the use to which the disputed domain name has been put, which appears to target the Complainant's PINTEREST trademark by way of a survey addressed to the "Pinterest Visitor" is also supportive of the notion that the Respondent lacks rights or legitimate interests in the disputed domain name, which is itself a close typographical variant of such mark.

[25] In these circumstances the burden of production shifts to the Respondent to bring forward evidence or allegations demonstrating rights or legitimate interests in the disputed domain name. The Respondent, however, has chosen not to file a Response in these proceedings or otherwise to communicate anything which might point towards it having such rights or legitimate interests. The Panel does note that the disputed domain name might also be read as the two words "pine" and "rest", which might well have been the intent of the original registrant of the disputed domain name but the Panel accepts the Complainant's contention that the Respondent is not the original registrant and is a more recent acquirer. In contrast to the original registrant, the Respondent has used the disputed domain name not in connection with any meaning of the words "pine" and "rest" but rather to address the viewer of the associated website as "Pinterest Visitor", that is, the typographical variant representing the Complainant's trademark, and thereafter to deliver to such viewer a variety of

unrelated websites or malware. In the Panel’s opinion, no rights or legitimate interests can vest in the Respondent by virtue of such activity.

[26] Accordingly, the Panel finds that the Respondent has no rights or legitimate interests in the disputed domain name and therefore that the requirements of paragraph 4(a)(ii) of the Policy have been met.

D. Registered and Used in Bad Faith

[27] Paragraph 4(b) of the Policy states that any of the following circumstances, in particular but without limitation, shall be considered evidence of the registration and use of a domain name in bad faith

[28] Typically, a complainant would not prevail on this aspect of the Policy if its trademark rights post-date the creation date of the disputed domain name because the registrant could not have contemplated the complainant’s then non-existent right and thus could not have registered the domain name in bad faith (see the discussion at paragraph 3.1 of the WIPO Overview 2.0). In the present case, the Complainant anticipates that difficulty by referencing the *Octogen* line of decisions, *supra*, in order to assert that the Policy does not require a complainant to show the conjunctive requirement of both bad faith registration and bad faith use. This Panel subscribes to the traditional and generally accepted view of the conjunctive requirement within this element of the Policy and, rather than rehearsing at length the arguments for and against the alternative interpretation provided by the *Octogen* trio, simply notes for the sake of brevity that it endorses the detailed analysis on this topic provided by the panel in *Camon S.p.A. v. Intelli-Pet, LLC*, WIPO Case No. D2009-1716.

[29] Despite this, there are exceptions to the general rule regarding a post-dating trademark, including the circumstance where a domain name has been transferred between unrelated registrants after its creation date, as is alleged here. In such a circumstance, UDRP panels typically assess the registration in bad faith requirement as at the date when the respondent took possession of the disputed domain name and not at its original creation date. In the present matter, the Complainant asserts that the Respondent acquired the disputed domain name in August 2015, thus post-dating the registration of the Complainant’s trademark by almost three years. The Complainant bases its assertion on the fact that this is the “last updated” date shown on the corresponding WhoIs record.

[30] The Panel is aware that while a change in the “last updated” date on a WhoIs record might indicate a registrant transfer of a domain name, such changes can also be triggered by a renewal or indeed by the making of a variety of different types of amendments to the WhoIs data. Accordingly, the Complainant’s case would have been better served by producing entries from historic WhoIs records which might have shown a change of registrants on successive records and thus have placed the matter beyond doubt. In the absence of such records, the Panel has come to the conclusion that it may nevertheless accept the Complainant’s assertion on the following basis: First, the Panel considers that it is not wholly improbable that the “last updated” date on a WhoIs record represents the date of transfer to the present holder and, as such, it is not unreasonable to accept that allegation in the absence of countervailing evidence, the majority of which would necessarily be in the hands of the Respondent in its capacity as holder of the disputed domain name. In other words, once such an allegation has been made and the matter is clearly placed in issue by a complainant, the respondent is the party best able to bring forward evidence, which may come from a wide variety of sources, supporting a contrary proposition that it has been the holder of the domain name concerned for a longer period (as this Panel encountered in *Qwalify, Inc. v. Domain Administrator, Fundacion Private Whois / Gregory Ricks*, [WIPO Case No. D2014-0313](#)).

[31] Secondly, while the present Complaint lacks the detailed evidence which historic WhoIs records would have provided, the Complainant’s averments regarding the identity of the original registrant of the disputed domain name and its past use are also supportive, albeit to a limited degree, of the notion that a transfer has taken place. Taking these two aspects together, the Panel finds on the

balance of probabilities, and in particular on the basis of the present record, that the Respondent received a transfer of the disputed domain name after the Complainant's rights in its trademark came into being, notwithstanding the original date of creation of the disputed domain name. While the disputed domain name may have been created by its original registrant for purposes unrelated to the Complainant or its trademark, the Panel is satisfied on the balance of probabilities that the transferee and present Respondent knew of the Complainant's online fame when taking a transfer of the disputed domain name and took such transfer with intent to target the Complainant's trademark.

[32] Turning to the present use of the disputed domain name, there is little doubt in the Panel's mind that this constitutes use in bad faith within the meaning of the Policy. In the Panel's opinion, the disputed domain name is being used to capture Internet traffic generated by users of the Complainant's services, in order to deploy malware and gain customer data through confusion generated by the typographical variant of the Complainant's trademark contained within the disputed domain name. That the Respondent deliberately intended to target the Complainant by taking advantage of such typographical variant is demonstrated by its use of the correct spelling of the Complainant's trademark in the legend "Congratulations Pinterest Visitor!" displayed on the associated website. Accordingly, there can be no suggestion that the Respondent acquired the disputed domain name with a good faith motivation associated with the dictionary words "pine" and "rest" which are contained therein. Furthermore, the Respondent has chosen not to answer the Complainant's allegations or provide evidence of any alleged good faith motivation in taking a transfer of or using the disputed domain name.

[33] In all of these circumstances, the Panel finds that the disputed domain name has been registered and is being used in bad faith and therefore that the requirements of paragraph 4(a)(iii) of the Policy have been met.

7. Decision

[34] For the foregoing reasons, in accordance with paragraphs 4(i) of the Policy and 15 of the Rules, the Panel orders that the disputed domain name <pinerest.com> be transferred to the Complainant.

Andrew D. S. Lothian

Sole Panelist

Date: December 21, 2015

b. The Uniform Rapid Suspension System

In 2011, ICANN's Board of Directors approved an enormous expansion of the generic top-level domain (gTLD) system beyond the the 22 gTLDs¹ then operating. In January, 2012, ICANN began accepting applications from private companies or organizations that wished to administer new gTLDs consisting essentially of any string of characters, including non-Latin characters. In October, 2013, ICANN "delegated" the first new gTLDs: شبكة (Arabic for "web/network", International Domain Registry Pty. Ltd), онлайн (Cyrillic for "online", CORE Association), сайт (Cyrillic for "site", CORE Association) and 游戏 (Chinese for "game(s)", Spring Fields, LLC). From October 2013 through 2019, ICANN delegated over 1,200 new gTLDs.²

ICANN has established a sophisticated process very much akin to a national trademark registration process for the evaluation of new gTLD applications (which cost \$185,000 per gTLD).

¹ These were: .aero, .arpa, .asia, .biz, .cat, .com, .coop, .edu, .gov, .info, .int, .jobs, .mil, .mobi, .names, .net, .org, .post, .pro, .tel, .travel and .xxx. See Jacqueline Lipton & Mary Wong, *Trademark and Freedom of Expression in ICANN's New gTLD Process*, 38 MONASH U. L. REV. 188, 192 (2012).

² See <http://newgtlds.icann.org/en/program-status/delegated-strings>.

Objections can be raised against a new gTLD application on the ground, among others, that it conflicts with preexisting trademark rights. Students wishing to know more about this process should consult the ICANN *gTLD Applicant Guidebook*.

Our focus here, however, is not on the implications for trademark owners of the ICANN new gTLD delegation process (though those implications can be profound), but rather on a new system by which trademark owners can oppose the registration of second-level domains *within* these new gTLDs. For example, if a third-party seeks to register the second-level domain “microsoft” within the شبكة gTLD, (thus microsoft.شبكة), Microsoft may avail itself of a new means of opposing the registration that is even faster and less expensive than the UDRP. This new process is the Uniform Rapid Suspension System (URS), which largely applies only to second-level domains within new gTLDs established since 2013 and to ccTLDs (country code top-level domains such as .us) that have adopted some variation of the URS. Students wishing to read the URS Procedure may find the document at <http://newgtlds.icann.org/en/applicants/urs>.

The URS is designed for especially clear, essentially “slam-dunk” cases of bad faith second-level domain registration. The URS specifies that the complainant must show:

[1] that the registered domain name is identical or confusingly similar to a word mark: (i) for which the Complainant holds a valid national or regional registration and that is in current use; or (ii) that has been validated through court proceedings; or (iii) that is specifically protected by a statute or treaty in effect at the time the URS complaint is filed.

a. Use can be shown by demonstrating that evidence of use — which can be a declaration and one specimen of current use in commerce — was submitted to, and validated by, the Trademark Clearinghouse.

b. Proof of use may also be submitted directly with the URS Complaint.
and

[2] that the Registrant has no legitimate right or interest to the domain name; and

[3] that the domain was registered and is being used in bad faith.

URS, 1.2.6.1-1.2.6.3. Note that the URS Procedure explicitly states that “[t]he burden of proof shall be clear and convincing evidence.” *Id.* at 8.2

The URS process is very fast. The URS provider (such as the National Arbitration Forum) must review the complaint within two business days from the filing of the complaint. If the complaint complies with all filing requirements, the URS provider notifies the relevant registry operator, who must “lock” the targeted domain within 24 hours (locking a domain in this context merely means that the registrant cannot make any changes to registration data; the domain still resolves to a website). Within 24 hours of locking the domain, the registry operator must notify the registrant of the complaint. The registrant then has 14 days to file a response of no more than 2,500 words. If the registrant defaults on that 14 day period, the registrant still has six months from the date of a Notice of Default to reopen proceedings de novo.

The remedy available to the successful complainant is suspension of the domain name and resolution of the domain to an informational page stating that the domain name has been suspended after a URS proceeding. Unlike the UDRP, the successful complainant cannot win transfer of the domain.

The fee for a URS proceeding, which is conducted entirely electronically and only in English, is \$375 to \$500, depending on the number of domain names complained of. By comparison, UDRP filing fees start at \$1500.

Below is the first URS decision ever issued, with respect to the domain name facebook.pw. (.pw is the TLD of the Pacific nation of Palau and was the first TLD to adopt the URS).

Facebook Inc. v. Radoslav

Claim No. FA1308001515825 (Nat'l Arb. Forum, Sept. 27, 2013)

DOMAIN NAME

<facebok.pw>

PARTIES

Complainant: Facebook Inc. of Menlo Park, California, United States of America.

Complainant Representative: Hogan Lovells (Paris) LLP of Paris, France.

Respondent: Radoslav of Presov, California, SK.

Respondent Representative:

REGISTRIES and REGISTRARS

Registries:

Registrars: Dynadot, LLC

EXAMINER

[1] The undersigned certifies that he has acted independently and impartially and to the best of his knowledge has no known conflict in serving as the Examiner in this proceeding.

Darryl C. Wilson, as Examiner.

PROCEDURAL HISTORY

Complainant submitted: August 21, 2013

Commencement: September 11, 2013

Default Date: September 26, 2013

[2] Having reviewed the communications records, the Examiner finds that the National Arbitration Forum has discharged its responsibility under URS Procedure Paragraphs 3 and 4 and Rule 4 of the Rules for the Uniform Rapid Suspension System (the "Rules") .

RELIEF SOUGHT

[3] Complainant requests that the domain name be suspended for the life of the registration.

STANDARD OF REVIEW

[4] Clear and convincing evidence.

FINDINGS and DISCUSSION

[5] Complainant is Facebook Inc. which lists its address as Menlo Park, CA, USA. Complainant states that since it began doing business in 2004 it has become the world's leading provider of online social networking services with more than 1.11 billion registered users around the world. Complainant also asserts that "it is ranked as the first most visited website in the world, and has the second highest traffic in Slovakia (where the Respondent is based)." Complainant owns numerous domestic and international registrations for its FACEBOOK mark including; FACEBOOK - Community Trade Mark No. 006455687 registered on 07 October 2008.

[6] Complainant contends that Respondent's domain name, <facebok.pw>, is confusingly similar to its FACEBOOK mark, and was registered and is being used in bad faith by the Respondent who has no rights or legitimate interests in the domain name.

[7] Respondent is Radoslav Stach whose address is listed as Presnov, Slovakia. Respondent registered the disputed domain name on or about March 26, 2013. Respondent did not provide a response to the Complaint in accordance with the URS rules of procedure; however Respondent did provide correspondence which stated, "Im was offline, could you pleas tell me what I have doing ? I want removed this domain from my account!"

IDENTICAL OR CONFUSINGLY SIMILAR

[8] The only difference between the Domain Name, <facebok.pw>, and the Complainant's FACEBOOK mark is the absence of one letter ("o") in the Domain Name. In addition, it is well accepted that the top level domain is irrelevant in assessing identity or confusing similarity, thus the ".pw" is of no consequence here. The Examiner finds that the Domain Name is confusingly similar to Complainant's FACEBOOK mark.

NO RIGHTS OR LEGITIMATE INTERESTS

[9] To the best of the Complainant's knowledge, the Respondent does not have any rights in the name FACEBOOK or "facebok" nor is the Respondent commonly known by either name. Complainant has not authorized Respondent's use of its mark and has no affiliation with Respondent. The Domain Name points to a web page listing links for popular search topics which Respondent appears to use to generate click through fees for Respondent's personal financial gain. Such use does not constitute a bona fide offering of goods or services and wrongfully misappropriates Complainant's mark's goodwill. The Examiner finds that the Respondent has established no rights or legitimate interests in the Domain Name.

BAD FAITH REGISTRATION AND USE

[10] The Domain Name was registered and is being used in bad faith.

[11] The Domain Name was registered on or about March 26, 2013, nine years after the Complainant's FACEBOOK marks were first used and began gaining global notoriety.

[12] The Examiner finds that the Respondent has engaged in a pattern of illegitimate domain name registrations (See Complainant's exhibit URS Site Screenshot) whereby Respondent has either altered letters in, or added new letters to, well-known trademarks. Such behavior supports a conclusion of Respondent's bad faith registration and use. Furthermore, the Complainant submits that the Respondent is using the Domain Name in order to attract for commercial gain Internet users to its parking website by creating a likelihood of confusion as to the source, sponsorship or affiliation of the website. The Examiner finds such behavior to further evidence Respondent's bad faith registration and use.

DETERMINATION

[13] After reviewing the Complainant's submissions, the Examiner determines that the Complainant has demonstrated all three elements of the URS by a standard of clear and convincing evidence; the Examiner hereby Orders the following domain names be SUSPENDED for the duration of the registration.

<facebok.pw>

Darryl C. Wilson, Examiner

Dated: September 27, 2013

Questions and Comments

1. *The Trademark Clearinghouse*. To help trademark owners cope with the challenges presented by a greatly expanded domain name system, ICANN oversaw the development of the Trademark Clearinghouse, www.trademark-clearinghouse.com. Trademark owners that register their trademarks with the Clearinghouse (and pay the associated fees) may benefit from two main services. First, the Clearinghouse gives Clearinghouse registrants access to the “Sunrise period” for every new gTLD. During this period (which must last at least 30 days), Clearinghouse registrants enjoy priority registration of their marks as domain names within the new gTLD before that gTLD’s domain name registration process is opened up to the general public. To qualify for the Sunrise Service, Clearinghouse registrants must submit proof that they are actually using the mark they have registered with the Clearinghouse. Second, the Clearinghouse will notify Clearinghouse registrants on an ongoing basis of any third-party attempt to register (or eventual success in registering) within a new gTLD a domain name that matches the Clearinghouse registrant’s trademark. It is then left to the trademark owner to decide whether to pursue an infringement claim against the third-party domain name applicant or registrant.

E. Secondary Liability

1. Service Provider Secondary Liability

The Lanham Act does not explicitly provide for secondary liability. Instead, as the court in *Tiffany (NJ) Inc. v. eBay Inc.* explains, secondary liability in trademark law is an entirely judge-made doctrine. Both of the opinions that follow address secondary liability for providers of services. The first, *Tiffany (NJ) Inc. v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010), has essentially become the law of the land for online auction site liability for infringing conduct occurring on those sites. It focuses on the nature of the knowledge requirement in contributory liability doctrine. The second, *Gucci America, Inc. v. Frontline Processing Corp.*, 721 F.Supp.2d 228 (S.D.N.Y. 2010), involved providers of credit card services. It is a decidedly less influential case, but engages the important issue of how much control a service provider must have over the direct infringer’s conduct to be liable for contributory infringement.

In reading through *Tiffany v. eBay*, consider the following question:

- As a policy matter, has the court chosen the most efficient result? Who can more efficiently bear the burden of policing eBay’s website for counterfeit Tiffany merchandise?
- Are you persuaded that eBay was not willfully blind to the sale of counterfeits on its auction site?

***Tiffany (NJ) Inc. v. eBay Inc.*
600 F.3d 93 (2d Cir. April 1, 2010)**

Sack, Circuit Judge:

[1] eBay, Inc. (“eBay”), through its eponymous online marketplace, has revolutionized the online sale of goods, especially used goods. It has facilitated the buying and selling by hundreds of millions of people and entities, to their benefit and eBay’s profit. But that marketplace is sometimes employed by users as a means to perpetrate fraud by selling counterfeit goods.

[2] Plaintiffs Tiffany (NJ) Inc. and Tiffany and Company (together, “Tiffany”) have created and cultivated a brand of jewelry bespeaking high-end quality and style. Based on Tiffany’s concern that some use eBay’s website to sell counterfeit Tiffany merchandise, Tiffany has instituted this action against eBay, asserting various causes of action—sounding in trademark infringement, trademark dilution and false advertising—arising from eBay’s advertising and listing practices. For the reasons

set forth below, we affirm the district court’s judgment with respect to Tiffany’s claims of trademark infringement and dilution but remand for further proceedings with respect to Tiffany’s false advertising claim.

BACKGROUND

[3] By opinion dated July 14, 2008, following a week-long bench trial, the United States District Court for the Southern District of New York (Richard J. Sullivan, *Judge*) set forth its findings of fact and conclusions of law. *Tiffany (NJ) Inc. v. eBay, Inc.*, 576 F.Supp.2d 463 (S.D.N.Y.2008) (“*Tiffany*”). When reviewing a judgment following a bench trial in the district court, we review the court’s findings of fact for clear error and its conclusions of law *de novo*. *Giordano v. Thomson*, 564 F.3d 163, 168 (2d Cir. 2009). Except where noted otherwise, we conclude that the district court’s findings of fact are not clearly erroneous. We therefore rely upon those non-erroneous findings in setting forth the facts of, and considering, this dispute.

eBay

[4] eBay¹ is the proprietor of www.ebay.com, an Internet-based marketplace that allows those who register with it to purchase goods from and sell goods to one another. It “connect[s] buyers and sellers and [] enable[s] transactions, which are carried out directly between eBay members.” *Tiffany*, 576 F.Supp.2d at 475.² In its auction and listing services, it “provides the venue for the sale [of goods] and support for the transaction[s], [but] it does not itself sell the items” listed for sale on the site, *id.* at 475, nor does it ever take physical possession of them, *id.* Thus, “eBay generally does not know whether or when an item is delivered to the buyer.” *Id.*

[5] eBay has been enormously successful. More than six million new listings are posted on its site daily. *Id.* At any given time it contains some 100 million listings. *Id.*

[6] eBay generates revenue by charging sellers to use its listing services. For any listing, it charges an “insertion fee” based on the auction’s starting price for the goods being sold and ranges from \$0.20 to \$4.80. *Id.* For any completed sale, it charges a “final value fee” that ranges from 5.25% to 10% of the final sale price of the item. *Id.* Sellers have the option of purchasing, at additional cost, features “to differentiate their listings, such as a border or bold-faced type.” *Id.*

[7] eBay also generates revenue through a company named PayPal, which it owns and which allows users to process their purchases. PayPal deducts, as a fee for each transaction that it processes, 1.9% to 2.9% of the transaction amount, plus \$0.30. *Id.* This gives eBay an added incentive to increase both the volume and the price of the goods sold on its website. *Id.*

Tiffany

[8] Tiffany is a world-famous purveyor of, among other things, branded jewelry. *Id.* at 471-72. Since 2000, all new Tiffany jewelry sold in the United States has been available exclusively through Tiffany’s retail stores, catalogs, and website, and through its Corporate Sales Department. *Id.* at 472-73. It does not use liquidators, sell overstock merchandise, or put its goods on sale at discounted prices. *Id.* at 473. It does not—nor can it, for that matter—control the “legitimate secondary market in authentic Tiffany silvery jewelry,” i.e., the market for second-hand Tiffany wares. *Id.* at 473. The record

¹ eBay appears to be short for Echo Bay—the name of eBay’s founder’s consulting firm was Echo Bay Technology Group. The name “EchoBay” was already in use, so eBay was employed as the name for the website. See http://en.wikipedia.org/wiki/EBay#Origins_and_history (last visited Feb. 26, 2010); <http://news.softpedia.com/news/eBay-Turns-Ten-Happy-Birthday-7502.shtml> (last visited Feb. 26, 2010).

² In addition to providing auction-style and fixed-priced listings, eBay is also the proprietor of a traditional classified service. *Id.* at 474.

developed at trial “offere[d] little basis from which to discern the actual availability of authentic Tiffany silver jewelry in the secondary market.” *Id.* at 474.

[9] Sometime before 2004, Tiffany became aware that counterfeit Tiffany merchandise was being sold on eBay’s site. Prior to and during the course of this litigation, Tiffany conducted two surveys known as “Buying Programs,” one in 2004 and another in 2005, in an attempt to assess the extent of this practice. Under those programs, Tiffany bought various items on eBay and then inspected and evaluated them to determine how many were counterfeit. *Id.* at 485. Tiffany found that 73.1% of the purported Tiffany goods purchased in the 2004 Buying Program and 75.5% of those purchased in the 2005 Buying Program were counterfeit. *Id.* The district court concluded, however, that the Buying Programs were “methodologically flawed and of questionable value,” *id.* at 512, and “provide[d] limited evidence as to the total percentage of counterfeit goods available on eBay at any given time,” *id.* at 486. The court nonetheless decided that during the period in which the Buying Programs were in effect, a “significant portion of the ‘Tiffany’ sterling silver jewelry listed on the eBay website . . . was counterfeit,” *id.*, and that eBay knew “that some portion of the Tiffany goods sold on its website might be counterfeit,” *id.* at 507. The court found, however, that “a substantial number of authentic Tiffany goods are [also] sold on eBay.” *Id.* at 509.

[10] Reducing or eliminating the sale of all second-hand Tiffany goods, including genuine Tiffany pieces, through eBay’s website would benefit Tiffany in at least one sense: It would diminish the competition in the market for genuine Tiffany merchandise. *See id.* at 510 n. 36 (noting that “there is at least some basis in the record for eBay’s assertion that one of Tiffany’s goals in pursuing this litigation is to shut down the legitimate secondary market in authentic Tiffany goods”). The immediate effect would be loss of revenue to eBay, even though there might be a countervailing gain by eBay resulting from increased consumer confidence about the bona fides of other goods sold through its website.

Anti-Counterfeiting Measures

[11] Because eBay facilitates many sales of Tiffany goods, genuine and otherwise, and obtains revenue on every transaction, it generates substantial revenues from the sale of purported Tiffany goods, some of which are counterfeit. “eBay’s Jewelry & Watches category manager estimated that, between April 2000 and June 2004, eBay earned \$4.1 million in revenue from completed listings with ‘Tiffany’ in the listing title in the Jewelry & Watches category.” *Id.* at 481. Although eBay was generating revenue from all sales of goods on its site, including counterfeit goods, the district court found eBay to have “an interest in eliminating counterfeit Tiffany merchandise from eBay . . . to preserve the reputation of its website as a safe place to do business.” *Id.* at 469. The buyer of fake Tiffany goods might, if and when the forgery was detected, fault eBay. Indeed, the district court found that “buyers . . . complain[ed] to eBay” about the sale of counterfeit Tiffany goods. *Id.* at 487. “[D]uring the last six weeks of 2004, 125 consumers complained to eBay about purchasing ‘Tiffany’ items through the eBay website that they believed to be counterfeit.” *Id.*

[12] Because eBay “never saw or inspected the merchandise in the listings,” its ability to determine whether a particular listing was for counterfeit goods was limited. *Id.* at 477-78. Even had it been able to inspect the goods, moreover, in many instances it likely would not have had the expertise to determine whether they were counterfeit. *Id.* at 472 n. 7 (“[I]n many instances, determining whether an item is counterfeit will require a physical inspection of the item, and some degree of expertise on the part of the examiner.”).

[13] Notwithstanding these limitations, eBay spent “as much as \$20 million each year on tools to promote trust and safety on its website.” *Id.* at 476. For example, eBay and PayPal set up “buyer protection programs,” under which, in certain circumstances, the buyer would be reimbursed for the cost of items purchased on eBay that were discovered not to be genuine. *Id.* at 479. eBay also established a “Trust and Safety” department, with some 4,000 employees “devoted to trust and safety”

issues, including over 200 who “focus exclusively on combating infringement” and 70 who “work exclusively with law enforcement.” *Id.* at 476.

[14] By May 2002, eBay had implemented a “fraud engine,” “which is principally dedicated to ferreting out illegal listings, including counterfeit listings.” *Id.* at 477. eBay had theretofore employed manual searches for keywords in listings in an effort to “identify blatant instances of potentially infringing . . . activity.” *Id.* “The fraud engine uses rules and complex models that automatically search for activity that violates eBay policies.” *Id.* In addition to identifying items actually advertised as counterfeit, the engine also incorporates various filters designed to screen out less-obvious instances of counterfeiting using “data elements designed to evaluate listings based on, for example, the seller’s Internet protocol address, any issues associated with the seller’s account on eBay, and the feedback the seller has received from other eBay users.” *Id.* In addition to general filters, the fraud engine incorporates “Tiffany-specific filters,” including “approximately 90 different keywords” designed to help distinguish between genuine and counterfeit Tiffany goods. *Id.* at 491. During the period in dispute,³ eBay also “periodically conducted [manual] reviews of listings in an effort to remove those that might be selling counterfeit goods, including Tiffany goods.” *Id.*

[15] For nearly a decade, including the period at issue, eBay has also maintained and administered the “Verified Rights Owner (‘VeRO’) Program”—a “‘notice-and-takedown’ system” allowing owners of intellectual property rights, including Tiffany, to “report to eBay any listing offering potentially infringing items, so that eBay could remove such reported listings.” *Id.* at 478. Any such rights-holder with a “good-faith belief that [a particular listed] item infringed on a copyright or a trademark” could report the item to eBay, using a “Notice Of Claimed Infringement form or NOCI form.” *Id.* During the period under consideration, eBay’s practice was to remove reported listings within twenty-four hours of receiving a NOCI, but eBay in fact deleted seventy to eighty percent of them within twelve hours of notification. *Id.*

[16] On receipt of a NOCI, if the auction or sale had not ended, eBay would, in addition to removing the listing, cancel the bids and inform the seller of the reason for the cancellation. If bidding had ended, eBay would retroactively cancel the transaction. *Id.* In the event of a cancelled auction, eBay would refund the fees it had been paid in connection with the auction. *Id.* at 478-79.

[17] In some circumstances, eBay would reimburse the buyer for the cost of a purchased item, provided the buyer presented evidence that the purchased item was counterfeit. *Id.* at 479.⁴ During the relevant time period, the district court found, eBay “never refused to remove a reported Tiffany listing, acted in good faith in responding to Tiffany’s NOCIs, and always provided Tiffany with the seller’s contact information.” *Id.* at 488.

[18] In addition, eBay has allowed rights owners such as Tiffany to create an “About Me” webpage on eBay’s website “to inform eBay users about their products, intellectual property rights, and legal positions.” *Id.* at 479. eBay does not exercise control over the content of those pages in a manner material to the issues before us.

[19] Tiffany, not eBay, maintains the Tiffany “About Me” page. With the headline “**BUYER BEWARE,**” the page begins: “**Most of the purported TIFFANY & CO. silver jewelry and packaging available on eBay is counterfeit.**” Pl.’s Ex. 290 (bold face type in original). It also says, *inter alia*:

³ In its findings, the district court often used the past tense to describe eBay’s anticounterfeiting efforts. We do not take this usage to suggest that eBay has discontinued these efforts, but only to emphasize that its findings are issued with respect to a particular period of time prior to the completion of trial and issuance of its decision.

⁴ We note, however, that, Tiffany’s “About Me” page on the eBay website states that Tiffany does not authenticate merchandise. Pl.’s Ex. 290.

The only way you can be certain that you are purchasing a genuine TIFFANY & CO. product is to purchase it from a Tiffany & Co. retail store, via our website (www.tiffany.com) or through a Tiffany & Co. catalogue. Tiffany & Co. stores do not authenticate merchandise. A good jeweler or appraiser may be able to do this for you.

Id.

[20] In 2003 or early 2004, eBay began to use “special warning messages when a seller attempted to list a Tiffany item.” *Tiffany*, 576 F.Supp.2d at 491. These messages “instructed the seller to make sure that the item was authentic Tiffany merchandise and informed the seller that eBay ‘does not tolerate the listing of replica, counterfeit, or otherwise unauthorized items’ and that violation of this policy ‘could result in suspension of [the seller’s] account.’” *Id.* (alteration in original). The messages also provided a link to Tiffany’s “About Me” page with its “buyer beware” disclaimer. *Id.* If the seller “continued to list an item despite the warning, the listing was flagged for review.” *Id.*

[21] In addition to cancelling particular suspicious transactions, eBay has also suspended from its website “‘hundreds of thousands of sellers every year,’ tens of thousands of whom were suspected [of] having engaged in infringing conduct.” *Id.* at 489. eBay primarily employed a “‘three strikes rule’” for suspensions, but would suspend sellers after the first violation if it was clear that “‘the seller ‘listed a number of infringing items,’ and ‘[selling counterfeit merchandise] appears to be the only thing they’ve come to eBay to do.’” *Id.* But if “‘a seller listed a potentially infringing item but appeared overall to be a legitimate seller, the ‘infringing items [were] taken down, and the seller [would] be sent a warning on the first offense and given the educational information, [and] told that . . . if they do this again, they will be suspended from eBay.’” *Id.* (alterations in original).⁵

[22] By late 2006, eBay had implemented additional anti-fraud measures: delaying the ability of buyers to view listings of certain brand names, including Tiffany’s, for 6 to 12 hours so as to give rights-holders such as Tiffany more time to review those listings; developing the ability to assess the number of items listed in a given listing; and restricting one-day and three-day auctions and cross-border trading for some brand-name items. *Id.* at 492.

[23] The district court concluded that “eBay consistently took steps to improve its technology and develop anti-fraud measures as such measures became technologically feasible and reasonably available.” *Id.* at 493.

eBay’s Advertising

[24] At the same time that eBay was attempting to reduce the sale of counterfeit items on its website, it actively sought to promote sales of premium and branded jewelry, including Tiffany merchandise, on its site. *Id.* at 479-80. Among other things,

eBay “advised its sellers to take advantage of the demand for Tiffany merchandise as part of a broader effort to grow the Jewelry & Watches category.” *Id.* at 479. And prior to 2003, eBay advertised the availability of Tiffany merchandise on its site. eBay’s advertisements trumpeted “Mother’s Day Gifts!,” Pl.’s Exs. 392, 1064, a “Fall FASHION BRAND BLOWOUT,” Pl.’s Ex. 392, “Jewelry Best Sellers,” *id.*, “GREAT BRANDS, GREAT

⁵ According to the district court, “eBay took appropriate steps to warn and then to suspend sellers when eBay learned of potential trademark infringement under that seller’s account.” *Tiffany*, 576 F.Supp.2d at 489. The district court concluded that it was understandable that eBay did not have a “hard-and-fast, one-strike rule” of suspending sellers because a NOCI “did not constitute a definitive finding that the listed item was counterfeit” and because “suspension was a very serious matter, particularly to those sellers who relied on eBay for their livelihoods.” *Id.* The district court ultimately found eBay’s policy to be “appropriate and effective in preventing sellers from returning to eBay and re-listing potentially counterfeit merchandise.” *Id.*

PRICES,” Pl.’s Ex. 1064, or “Top Valentine’s Deals,” Pl.’s Ex. 392, among other promotions. It encouraged the viewer to “GET THE FINER THINGS.” Pl.’s Ex. 392. These advertisements provided the reader with hyperlinks, at least one of each of which was related to Tiffany merchandise—“Tiffany,” “Tiffany & Co. under \$150,” “Tiffany & Co.,” “Tiffany Rings,” or “Tiffany & Co. under \$50.” Pl.’s Exs. 392, 1064.

eBay also purchased sponsored-link advertisements on various search engines to promote the availability of Tiffany items on its website. *Tiffany*, 576 F.Supp.2d at 480. In one such case, in the form of a printout of the results list from a search on Yahoo! for “tiffany,” the second sponsored link read “**Tiffany** on eBay. Find **tiffany** items at low prices. With over 5 million items for sale every day, you’ll find all kinds of unique [unreadable] Marketplace. www.ebay.com.” Pl.’s Ex. 1065 (bold face type in original). Tiffany complained to eBay of the practice in 2003, and eBay told Tiffany that it had ceased buying sponsored links. *Tiffany*, 576 F.Supp.2d at 480. The district court found, however, that eBay continued to do so indirectly through a third party. *Id.*

Procedural History

[25] By amended complaint dated July 15, 2004, Tiffany initiated this action. It alleged, *inter alia*, that eBay’s conduct—i.e., facilitating and advertising the sale of “Tiffany” goods that turned out to be counterfeit—constituted direct and contributory trademark infringement, trademark dilution, and false advertising. On July 14, 2008, following a bench trial, the district court, in a thorough and thoughtful opinion, set forth its findings of fact and conclusions of law, deciding in favor of eBay on all claims.

[26] Tiffany appeals from the district court’s judgment for eBay.

DISCUSSION

[27] We review the district court’s findings of fact for clear error and its conclusions of law *de novo*. *Giordano v. Thomson*, 564 F.3d 163, 168 (2d Cir. 2009).

I. Direct Trademark Infringement

{The court found that eBay did not directly infringe Tiffany’s trademark when it used the mark on its website and when it purchased sponsored links on Google and Yahoo! triggered by the Tiffany mark.}

II. Contributory Trademark Infringement

[28] The more difficult issue, and the one that the parties have properly focused our attention on, is whether eBay is liable for contributory trademark infringement—i.e., for culpably facilitating the infringing conduct of the counterfeiting vendors. Acknowledging the paucity of case law to guide us, we conclude that the district court correctly granted judgment on this issue in favor of eBay.

A. Principles

[29] Contributory trademark infringement is a judicially created doctrine that derives from the common law of torts. *See, e.g., Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1148 (7th Cir. 1992); *cf. Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930 (2005) (“[T]hese doctrines of secondary liability emerged from common law principles and are well established in the law.”) (citations omitted). The Supreme Court most recently dealt with the subject in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844 (1982). There, the plaintiff, Ives, asserted that several drug manufacturers had induced pharmacists to mislabel a drug the defendants produced to pass it off as Ives’. *See id.* at 847-50. According to the Court, “if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit.”

Id. at 854.⁸ The Court ultimately decided to remand the case to the Court of Appeals after concluding it had improperly rejected factual findings of the district court favoring the defendant manufacturers. *Id.* at 857-59.

[30] *Inwood's* test for contributory trademark infringement applies on its face to manufacturers and distributors of goods. Courts have, however, extended the test to providers of services.

[31] The Seventh Circuit applied *Inwood* to a lawsuit against the owner of a swap meet, or “flea market,” whose vendors were alleged to have sold infringing Hard Rock Café T-shirts. *See Hard Rock Café*, 955 F.2d at 1148-49. The court “treated trademark infringement as a species of tort,” *id.* at 1148, and analogized the swap meet owner to a landlord or licensor, on whom the common law “imposes the same duty . . . [as *Inwood*] impose[s] on manufacturers and distributors,” *id.* at 1149; *see also Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259 (9th Cir. 1996) (adopting *Hard Rock Cafe's* reasoning and applying *Inwood* to a swap meet owner).

[32] Speaking more generally, the Ninth Circuit concluded that *Inwood's* test for contributory trademark infringement applies to a service provider if he or she exercises sufficient control over the infringing conduct. *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999); *see also id.* (“Direct control and monitoring of the instrumentality used by a third party to infringe the plaintiff’s mark permits the expansion of *Inwood Lab.'s* ‘supplies a product’ requirement for contributory infringement.”).

[33] We have apparently addressed contributory trademark infringement in only two related decisions, *see Polymer Tech. Corp. v. Mimran*, 975 F.2d 58, 64 (2d Cir. 1992) (“*Polymer I*”); *Polymer Tech. Corp. v. Mimran*, 37 F.3d 74, 81 (2d Cir. 1994) (“*Polymer II*”), and even then in little detail. Citing *Inwood*, we said that “[a] distributor who intentionally induces another to infringe a trademark, or continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, is contributorily liable for any injury.” *Polymer I*, 975 F.2d at 64.

[34] The limited case law leaves the law of contributory trademark infringement ill-defined. Although we are not the first court to consider the application of *Inwood* to the Internet, *see, e.g., Lockheed*, 194 F.3d 980, *supra* (Internet domain name registrar), we are apparently the first to consider its application to an online marketplace.⁹

⁸ The Supreme Court cited two cases in support of this proposition: *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526 (1924), and *Coca-Cola Co. v. Snow Crest Beverages, Inc.*, 64 F.Supp. 980 (D.Mass.1946) (Wyzanski, J.), *aff'd*, 162 F.2d 280 (1st Cir.), *cert. denied*, 332 U.S. 809 (1947).

Like *Inwood*, *Eli Lilly* involved an allegation by a plaintiff drug manufacturer that a defendant drug manufacturer had intentionally induced distributors to pass off the defendant’s drug to purchasers as the plaintiff’s. 265 U.S. at 529-30. The Supreme Court granted the plaintiff’s request for an injunction, stating that “[o]ne who induces another to commit a fraud and furnishes the means of consummating it is equally guilty and liable for the injury.” *Id.* at 530-31.

In *Snow Crest*, the Coca-Cola Company claimed that a rival soft drink maker had infringed Coca-Cola’s mark because bars purchasing the rival soft drink had substituted it for Coca-Cola when patrons requested a “rum (or whiskey) and Coca-Cola.” 64 F.Supp. at 982, 987. Judge Wyzanski entered judgment in favor of the defendant primarily because there was insufficient evidence of such illicit substitutions taking place. *Id.* at 990. In doing so, the court stated that “[b]efore he can himself be held as a wrongdoer o[r] contributory infringer one who supplies another with the instruments by which that other commits a tort, must be shown to have knowledge that the other will or can reasonably be expected to commit a tort with the supplied instrument.” *Id.* at 989.

⁹ European courts have done so. A Belgian court declined to hold eBay liable for counterfeit cosmetic products sold through its website. *See Lancôme v. eBay*, Brussels Commercial Court (Aug. 12, 2008), Docket No. A/07/06032. French courts, by contrast, have concluded that eBay violated applicable trademark laws. *See, e.g., S.A. Louis Vuitton Malletier v. eBay, Inc.*, Tribunal de Commerce de

B. Discussion

1. Does Inwood Apply?

[35] In the district court, the parties disputed whether eBay was subject to the *Inwood* test. See *Tiffany*, 576 F.Supp.2d at 504. eBay argued that it was not because it supplies a service while *Inwood* governs only manufacturers and distributors of products. *Id.* The district court rejected that distinction. It adopted instead the reasoning of the Ninth Circuit in *Lockheed* to conclude that *Inwood* applies to a service provider who exercises sufficient control over the means of the infringing conduct. *Id.* at 505-06. Looking “to the extent of the control exercised by eBay over its sellers’ means of infringement,” the district court concluded that *Inwood* applied in light of the “significant control” eBay retained over the transactions and listings facilitated by and conducted through its website. *Id.* at 505-07.

[36] On appeal, eBay no longer maintains that it is not subject to *Inwood*.¹⁰ We therefore assume without deciding that *Inwood*’s test for contributory trademark infringement governs.

2. Is eBay Liable Under Inwood?

[37] The question that remains, then, is whether eBay is liable under the *Inwood* test on the basis of the services it provided to those who used its website to sell counterfeit Tiffany products. As noted, when applying *Inwood* to service providers, there are two ways in which a defendant may become contributorily liable for the infringing conduct of another: first, if the service provider “intentionally induces another to infringe a trademark,” and second, if the service provider “continues to supply its [service] to one whom it knows or has reason to know is engaging in trademark infringement.” *Inwood*, 456 U.S. at 854. Tiffany does not argue that eBay induced the sale of counterfeit Tiffany goods on its website—the circumstances addressed by the first part of the *Inwood* test. It argues instead, under the second part of the *Inwood* test, that eBay continued to supply its services to the sellers of counterfeit Tiffany goods while knowing or having reason to know that such sellers were infringing Tiffany’s mark.

[38] The district court rejected this argument. First, it concluded that to the extent the NOCIs that Tiffany submitted gave eBay reason to know that particular listings were for counterfeit goods, eBay did not continue to carry those listings once it learned that they were specious. *Tiffany*, 576 F.Supp.2d at 515-16. The court found that eBay’s practice was promptly to remove the challenged listing from its website, warn sellers and buyers, cancel fees it earned from that listing, and direct buyers not to consummate the sale of the disputed item. *Id.* at 516. The court therefore declined to hold eBay contributorily liable for the infringing conduct of those sellers. *Id.* at 518. On appeal, Tiffany does not

Paris, Premiere Chambre B. (Paris Commercial Court), Case No. 200677799 (June 30, 2008); *Hermes v. eBay*, Troyes High Court (June 4, 2008), Docket No. 06/0264; see also Max Colchester, “eBay to Pay Damages To Unit of LVMH,” *The Wall Street Journal*, Feb. 12, 2010, http://online.wsj.com/article_email/SB10001424052748704337004575059523018541764-1MyQjAxMTAwMDEwMjExNDlyWj.html (last visited Mar. 1, 2010) (“A Paris court Thursday ordered eBay to pay Louis Vuitton Q200,000 (\$275,000) in damages and to stop paying search engines to direct certain key words to the eBay site.”); see generally, Valerie Walsh Johnson & Laura P. Merritt, *TIFFANY v. EBAY: A Case of Genuine Disparity in International Court Rulings on Counterfeit Products*, 1 No. 2 *Landslide* 22 (2008) (surveying decisions by European courts in trademark infringement cases brought against eBay).

¹⁰ Amici do so claim. See *Electronic Frontier Foundation et al. Amici Br. 6* (arguing that *Inwood* should “not govern where, as here, the alleged contributory infringer has no direct means to establish whether there is any act of direct infringement in the first place”). We decline to consider this argument. “Although an *amicus* brief can be helpful in elaborating issues properly presented by the parties, it is normally not a method for injecting new issues into an appeal, at least in cases where the parties are competently represented by counsel.” *Universal City Studios, Inc. v. Corley*, 273 F.3d 429, 445 (2d Cir. 2001).

appear to challenge this conclusion. In any event, we agree with the district court that no liability arises with respect to those terminated listings.

[39] Tiffany disagrees vigorously, however, with the district court's further determination that eBay lacked sufficient knowledge of trademark infringement by sellers behind other, non-terminated listings to provide a basis for *Inwood* liability. Tiffany argued in the district court that eBay knew, or at least had reason to know, that counterfeit Tiffany goods were being sold ubiquitously on its website. *Id.* at 507-08. As evidence, it pointed to, *inter alia*, the demand letters it sent to eBay in 2003 and 2004, the results of its Buying Programs that it shared with eBay, the thousands of NOCIs it filed with eBay alleging its good faith belief that certain listings were counterfeit, and the various complaints eBay received from buyers claiming that they had purchased one or more counterfeit Tiffany items through eBay's website. *Id.* at 507. Tiffany argued that taken together, this evidence established eBay's knowledge of the widespread sale of counterfeit Tiffany products on its website. Tiffany urged that eBay be held contributorily liable on the basis that despite that knowledge, it continued to make its services available to infringing sellers. *Id.* at 507-08.

[40] The district court rejected this argument. It acknowledged that "[t]he evidence produced at trial demonstrated that eBay had *generalized* notice that some portion of the Tiffany goods sold on its website might be counterfeit." *Id.* at 507 (emphasis in original). The court characterized the issue before it as "whether eBay's *generalized* knowledge of trademark infringement on its website was sufficient to meet the 'knowledge or reason to know' prong of the *Inwood* test." *Id.* at 508 (emphasis in original). eBay had argued that "such generalized knowledge is insufficient, and that the law demands more specific knowledge of individual instances of infringement and infringing sellers before imposing a burden upon eBay to remedy the problem." *Id.*

[41] The district court concluded that "while eBay clearly possessed general knowledge as to counterfeiting on its website, such generalized knowledge is insufficient under the *Inwood* test to impose upon eBay an affirmative duty to remedy the problem." *Id.* at 508. The court reasoned that *Inwood*'s language explicitly imposes contributory liability on a defendant who "continues to supply its product [—in eBay's case, its service—] to *one* whom it knows or has reason to know is engaging in trademark infringement." *Id.* at 508 (emphasis in original). The court also noted that plaintiffs "bear a high burden in establishing 'knowledge' of contributory infringement," and that courts have

been reluctant to extend contributory trademark liability to defendants where there is some uncertainty as to the extent or the nature of the infringement. In *Inwood*, Justice White emphasized in his concurring opinion that a defendant is not "require[d] . . . to refuse to sell to dealers who merely *might* pass off its goods."

Id. at 508-09 (quoting *Inwood*, 456 U.S. at 861, 102 S.Ct. 2182) (White, J., concurring) (emphasis and alteration in original).¹¹

[42] Accordingly, the district court concluded that for Tiffany to establish eBay's contributory liability, Tiffany would have to show that eBay "knew or had reason to know of specific instances of actual infringement" beyond those that it addressed upon learning of them. *Id.* at 510. Tiffany failed to make such a showing.

[43] On appeal, Tiffany argues that the distinction drawn by the district court between eBay's general knowledge of the sale of counterfeit Tiffany goods through its website, and its specific knowledge as to which particular sellers were making such sales, is a "false" one not required by the law. Appellants' Br. 28. Tiffany posits that the only relevant question is "whether all of the knowledge, when taken together, puts [eBay] on notice that there is a substantial problem of trademark

¹¹ The district court found the cases Tiffany relied on for the proposition that general knowledge of counterfeiting suffices to trigger liability to be inapposite. *Id.* at 510.

infringement. If so and if it fails to act, [eBay] is liable for contributory trademark infringement.” *Id.* at 29.

[44] We agree with the district court. For contributory trademark infringement liability to lie, a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary.

[45] We are not persuaded by Tiffany’s proposed interpretation of *Inwood*. Tiffany understands the “lesson of *Inwood*” to be that an action for contributory trademark infringement lies where “the evidence [of infringing activity]—direct or circumstantial, taken as a whole— . . . provide[s] a basis for finding that the defendant knew or should have known that its product or service was being used to further illegal counterfeiting activity.” Appellants’ Br. 30. We think that Tiffany reads *Inwood* too broadly. Although the *Inwood* Court articulated a “knows or has reason to know” prong in setting out its contributory liability test, the Court explicitly declined to apply that prong to the facts then before it. *See Inwood*, 456 U.S. at 852 n. 12, 102 S.Ct. 2182 (“The District Court also found that the petitioners did not continue to provide drugs to retailers whom they knew or should have known were engaging in trademark infringement. The Court of Appeals did not discuss that finding, and we do not address it.”) (internal citation omitted). The Court applied only the inducement prong of the test. *See id.* at 852-59.

[46] We therefore do not think that *Inwood* establishes the contours of the “knows or has reason to know” prong. Insofar as it speaks to the issue, though, the particular phrasing that the Court used—that a defendant will be liable if it “continues to supply its product to *one* whom it knows or has reason to know is engaging in trademark infringement,” *id.* at 854, 102 S.Ct. 2182 (emphasis added)—supports the district court’s interpretation of *Inwood*, not Tiffany’s.

[47] We find helpful the Supreme Court’s discussion of *Inwood* in a subsequent *copyright* case, *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984). There, defendant Sony manufactured and sold home video tape recorders. *Id.* at 419. Plaintiffs Universal Studios and Walt Disney Productions held copyrights on various television programs that individual television-viewers had taped using the defendant’s recorders. *Id.* at 419-20. The plaintiffs contended that this use of the recorders constituted copyright infringement for which the defendants should be held contributorily liable. *Id.* In ruling for the defendants, the Court discussed *Inwood* and the differences between contributory liability in trademark versus copyright law.

If *Inwood*’s narrow standard for contributory trademark infringement governed here, [the plaintiffs’] claim of contributory infringement would merit little discussion. Sony certainly does not ‘intentionally induce[]’ its customers to make infringing uses of [the plaintiffs’] copyrights, nor does it supply its products to *identified individuals known by it* to be engaging in continuing infringement of [the plaintiffs’] copyrights.

Id. at 439 n. 19 (quoting *Inwood*, 456 U.S. at 855; emphases added).

[48] Thus, the Court suggested, had the *Inwood* standard applied in *Sony*, the fact that Sony might have known that some portion of the purchasers of its product used it to violate the copyrights of others would not have provided a sufficient basis for contributory liability. *Inwood*’s “narrow standard” would have required knowledge by Sony of “identified individuals” engaging in infringing conduct. Tiffany’s reading of *Inwood* is therefore contrary to the interpretation of that case set forth in *Sony*.

[49] Although the Supreme Court’s observations in *Sony*, a copyright case, about the “knows or has reason to know” prong of the contributory trademark infringement test set forth in *Inwood* were

dicta, they constitute the only discussion of that prong by the Supreme Court of which we are aware. We think them to be persuasive authority here.¹²

[50] Applying *Sony's* interpretation of *Inwood*, we agree with the district court that “Tiffany’s general allegations of counterfeiting failed to provide eBay with the knowledge required under *Inwood*.” *Tiffany*, 576 F.Supp.2d at 511. Tiffany’s demand letters and Buying Programs did not identify particular sellers who Tiffany thought were then offering or would offer counterfeit goods. *Id.* at 511-13.¹³ And although the NOCIs and buyer complaints gave eBay reason to know that certain sellers had been selling counterfeits, those sellers’ listings were removed and repeat offenders were suspended from the eBay site. Thus Tiffany failed to demonstrate that eBay was supplying its service to individuals who it knew or had reason to know were selling counterfeit Tiffany goods.

[51] Accordingly, we affirm the judgment of the district court insofar as it holds that eBay is not contributorially liable for trademark infringement.

3. Willful Blindness.

[52] Tiffany and its amici express their concern that if eBay is not held liable except when specific counterfeit listings are brought to its attention, eBay will have no incentive to root out such listings from its website. They argue that this will effectively require Tiffany and similarly situated retailers to police eBay’s website—and many others like it—“24 hours a day, and 365 days a year.” Council of Fashion Designers of America, Inc. Amicus Br. 5. They urge that this is a burden that most mark holders cannot afford to bear.

[53] First, and most obviously, we are interpreting the law and applying it to the facts of this case. We could not, even if we thought it wise, revise the existing law in order to better serve one party’s interests at the expense of the other’s.

[54] But we are also disposed to think, and the record suggests, that private market forces give eBay and those operating similar businesses a strong incentive to minimize the counterfeit goods sold on their websites. eBay received many complaints from users claiming to have been duped into buying counterfeit Tiffany products sold on eBay. *Tiffany*, 576 F.Supp.2d at 487. The risk of alienating these users gives eBay a reason to identify and remove counterfeit listings.¹⁴ Indeed, it has spent millions of dollars in that effort.

[55] Moreover, we agree with the district court that if eBay had reason to suspect that counterfeit Tiffany goods were being sold through its website, and intentionally shielded itself from discovering the offending listings or the identity of the sellers behind them, eBay might very well have been charged with knowledge of those sales sufficient to satisfy *Inwood's* “knows or has reason to know” prong. *Tiffany*, 576 F.Supp.2d at 513-14. A service provider is not, we think, permitted willful blindness. When it has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from learning of the particular infringing transactions by looking the other way. *See, e.g., Hard Rock Café*, 955 F.2d at 1149 (“To be willfully blind, a person must suspect wrongdoing and deliberately fail to investigate.”); *Fonovisa*, 76 F.3d at 265 (applying *Hard Rock Café's* reasoning to

¹² In discussing *Inwood's* “knows or has reason to know” prong of the contributory infringement test, *Sony* refers to a defendant’s knowledge, but not to its constructive knowledge, of a third party’s infringing conduct. *Sony*, 464 U.S. at 439 n. 19, 104 S.Ct. 774. We do not take the omission as altering the test *Inwood* articulates.

¹³ The demand letters did say that eBay should presume that sellers offering five or more Tiffany goods were selling counterfeits, *id.* at 511, but we agree with the district court that this presumption was factually unfounded, *id.* at 511-12.

¹⁴ At the same time, we appreciate the argument that insofar as eBay receives revenue from undetected counterfeit listings and sales through the fees it charges, it has an incentive to permit such listings and sales to continue.

conclude that “a swap meet can not disregard its vendors’ blatant trademark infringements with impunity”).¹⁵ In the words of the Seventh Circuit, “willful blindness is equivalent to actual knowledge for purposes of the Lanham Act.” *Hard Rock Café*, 955 F.2d at 1149.¹⁶

[56] eBay appears to concede that it knew as a general matter that counterfeit Tiffany products were listed and sold through its website. *Tiffany*, 576 F.Supp.2d at 514. Without more, however, this knowledge is insufficient to trigger liability under *Inwood*. The district court found, after careful consideration, that eBay was not willfully blind to the counterfeit sales. *Id.* at 513. That finding is not clearly erroneous.¹⁷ eBay did not ignore the information it was given about counterfeit sales on its website.

{The Court went on to find that eBay had not diluted Tiffany’s marks and did not engage in false advertising.}

Questions and Comments

1. *What about Amazon?* In *Tre Milano, LLC v. Amazon.com, Inc.*, No. B234753, 2012 WL 3594380 (Cal. App. Ct. Aug. 22, 2012) (unpublished/noncitable), Tre Milano brought suit over the sale on Amazon of counterfeit hair irons. If the facts recounted in *Tre Milano* are any indication, Amazon’s anti-counterfeit measures are significantly less well-developed and less brand-friendly than those described in *Tiffany v. eBay*. “Amazon typically takes one to two weeks to respond to Tre Milano’s NOCIs, and sometimes it takes months for Amazon to respond.” *Tre Milano* at *5. Amazon required “[p]roof of the violation,” which includes an “Amazon.com Order ID of a test buy that confirms the violation.” *Id.* at *13. Yet the California Second District Court of Appeal (an intermediate appellate court) found that Amazon was not secondarily liable. “The evidence presented by the parties showed that the majority of the NOCIs Tre Milano sent to Amazon contained a statement that the product was counterfeit with no supporting evidence.” *Id.* *Tre Milano* is of doubtful significance, however, given that the opinion is unpublished and noncitable. See Michael Pantalony, *Contributing to Infringement Intermediary Liability after Tiffany v. eBay and Louis Vuitton v. Akanoc*, 105 TRADEMARK REP. 709, 721-23 (2015).

¹⁵ To be clear, a service provider is not contributorily liable under *Inwood* merely for failing to anticipate that others would use its service to infringe a protected mark. *Inwood*, 456 U.S. at 854 n. 13, 102 S.Ct. 2182 (stating that for contributory liability to lie, a defendant must do more than “reasonably anticipate” a third party’s infringing conduct (internal quotation marks omitted)). But contributory liability may arise where a defendant is (as was eBay here) made aware that there was infringement on its site but (unlike eBay here) ignored that fact.

¹⁶ The principle that willful blindness is tantamount to knowledge is hardly novel. See, e.g. *Harte-Hanks Commc’ns, Inc. v. Connaughton*, 491 U.S. 657, 659, 692, 109 S.Ct. 2678, 105 L.Ed.2d 562 (1989) (concluding in public-official libel case that “purposeful avoidance of the truth” is equivalent to “knowledge that [a statement] was false or [was made] with reckless disregard of whether it was false” (internal quotation marks omitted)); *United States v. Khorozian*, 333 F.3d 498, 504 (3d Cir. 2003) (acting with willful blindness satisfies the intent requirement of the federal bank fraud statute) . . .

¹⁷ Tiffany’s reliance on the “flea market” cases, *Hard Rock Café* and *Fonovisa*, is unavailing. eBay’s efforts to combat counterfeiting far exceeded the efforts made by the defendants in those cases. See *Hard Rock Café*, 955 F.2d at 1146 (defendant did not investigate any of the seizures of counterfeit products at its swap meet, even though it knew they had occurred); *Fonovisa*, 76 F.3d at 265 (concluding that plaintiff stated a claim for contributory trademark infringement based on allegation that swap meet “disregard[ed] its vendors’ blatant trademark infringements with impunity”). Moreover, neither case concluded that the defendant was willfully blind. The court in *Hard Rock Café* remanded so that the district court could apply the correct definition of “willful blindness,” 955 F.2d at 1149, and the court in *Fonovisa* merely sustained the plaintiff’s complaint against a motion to dismiss, 76 F.3d at 260-61, 265.

In *Perfect 10, Inc. v. Visa Intern. Service Ass'n*, 494 F.3d 788 (9th Cir. 2007), the Ninth Circuit declined to hold credit card providers liable for providing payment services to websites that infringed the plaintiff's copyrights in pornographic images. Judge Kozinski dissented. *See id.* at 810 (Kozinski, J., "dissenting for the most part"). In the following opinion, the S.D.N.Y. had to decide whether to hold credit card processors liable for providing payment services to website operators that sold counterfeit merchandise.

Gucci America, Inc. v. Frontline Processing Corp.
721 F. Supp. 2d 228 (S.D.N.Y. June 23, 2010)

HAROLD BAER, JR., District Judge:

[1] Gucci America, Inc. is a well-known manufacturer of luxury goods. The company holds a variety of trademarks in its products and designs, and invests substantial capital in ensuring that the marks maintain a reputation for quality. Seeking to capitalize on the popularity of Gucci products, certain internet merchants have sold "replica," counterfeit Gucci products that infringe Gucci marks at significantly lower prices and of lower quality. Gucci recently concluded a successful litigation against one such merchant that operated a website called TheBagAddiction.com. The owners of the website admitted that they sold counterfeit Gucci products to customers across the country through the website. In its continuing effort to root out and prevent infringement of its trademarks, Gucci now brings suit against three entities, which while a step down in the "food chain," allegedly ensured that TheBagAddiction.com was able to sell these counterfeit products. These defendants allegedly established the credit card processing services used to complete the online sales of fake Gucci items. The three defendants have jointly moved to dismiss the case for lack of personal jurisdiction and for failure to state a claim. For the reasons that follow, the defendants' motion to dismiss is DENIED.

I. BACKGROUND

[2] Gucci America, Inc. ("Plaintiff" or "Gucci") is a New York company, with its principal place of business in New York City. Compl. ¶ 11. It is the sole, exclusive distributor in the United States of items labeled with the "Gucci Marks," including leather goods, jewelry, home products, and clothing. *Id.* The Gucci Marks are a series of marks—the Gucci name, the Gucci crest, the "non-interlocking GG monogram," the "repeating GG design," etc.—registered by Gucci with the United States Patent and Trademark Office. *See* Compl. ¶¶ 24–25 (reproduction of marks), Ex. 1 (Patent Office registration certificates). According to Plaintiff, the marks are well-known and recognizable in the United States and around the world. Gucci promotes the marks widely, and relies on "strict quality control standards" for its products, and as a result has achieved and retains a reputation for quality. *Id.* ¶ 28. The company spends hundreds of millions of dollars to advertise and promote its products and marks, and enjoys billions in sales of the Gucci products. "Based on the extensive sales of the Gucci [p]roducts and such products' wide popularity," claims Plaintiff, "the Gucci Marks have developed a secondary meaning and significance in the minds of the purchasing public, and the services and products utilizing and/or bearing such marks and names are immediately identified by the purchasing public with Plaintiff." *Id.* ¶ 30.

[3] This case arises out of Plaintiff's attempts to eliminate online sales of counterfeit products and the unauthorized use of the Gucci Marks. In *Gucci America, Inc., et al. v. Laurette Company, Inc., et al.*, No. 08 Civ. 5065(LAK), Gucci brought suit in this District against certain defendants, collectively known as the "Laurette Counterfeiters" or "Laurette," for the sale of counterfeit Gucci products on a website

called “TheBagAddiction.com.”¹ Through this website, the Laurette Counterfeiters sold a variety of “replica” luxury products, and, in particular, sold replica Gucci products under the Gucci name, with the various Gucci registered trademarks, and at fractions of the retail price for an authentic version. *See* Compl. ¶¶ 33–36 (describing and providing images of counterfeit Gucci products sold on TheBagAddiction.com). The website itself was replete with the use of the Gucci name and trademarks. *See id.* ¶ 41 (image of TheBagAddiction.com website). According to Plaintiff, the Laurette Counterfeiters “openly boasted” about the sale of counterfeit products, because the website expressly noted that the products were not authentic but rather “mirror images” of Gucci products. *See id.* ¶ 32. Though they are inferior in quality and workmanship, they appear to the naked eye to be similar if not identical to Gucci products. Gucci claims that, as a result of the sale of these counterfeit products, customers were deceived and misled “into believing that the products sold by the Laurette Counterfeiters on TheBagAddiction.com were authorized or sponsored by the Plaintiff.” *Id.* ¶ 40. Eventually, Laurette consented to the entry of judgment and admitted liability for counterfeiting activities. According to Plaintiff, “the Laurette [c]ounterfeiters admitted . . . that, without authorization or license . . . they willfully and intentionally used, reproduced and/or copied the Gucci [m]arks in connection with their manufacturing, distributing, exporting, importing, advertising, marketing, selling and/or offering to sell their [c]ounterfeit [p]roducts.” *Id.* ¶ 31.

[4] Plaintiff now seeks to bring the present action against three companies, Durango Merchant Services, Frontline Processing Corporation, and Woodforest National Bank,² who allegedly assisted the Laurette Counterfeiters and other similar website operators. Durango Merchant Services (“Durango”) is a Wyoming corporation with its business address in Durango, Colorado. . . . Durango’s business is predicated on assisting merchants in setting up credit card processing services with institutions that provide credit card merchant accounts. . . . Frontline Processing Corporation (“Frontline”) is a Nevada corporation with its principal place of business in Bozeman, Montana. Frontline is a “nationwide provider of credit card processing and electronic payment services for merchants, banks, and sales agents,” and is an “Independent Service Organization” and “Merchant Service Provider” with Visa and MasterCard, respectively. Compl. ¶ 58. . . . Finally, Woodforest National Bank (“Woodforest”) is a bank organized under the laws of the United States, with its business address in The Woodlands, Texas. Similar to Frontline, Woodforest also “provides certain credit card processing services.” *Id.* ¶ 14. . . .

[5] To understand the roles of the three defendants and their alleged liability, a summary explanation of the credit card transaction process is necessary. A customer will initiate the process when he or she purchases a product from the merchant with a credit card. Once the credit card information is “swiped” on a terminal, or entered on a website, the merchant terminal transmits an authorization request to the merchant’s “acquiring bank,” who in this case was Frontline and Woodforest. The acquiring bank sends the credit card request through an electronic network to the cardholder’s issuing bank. Based on the cardholder’s credit limit or other factors, the issuing bank will send a message back through the network to the acquiring bank, who forwards it back to the merchant, which states that the merchant should either approve or decline the transaction. If approved, the merchant will complete the transaction and the acquiring bank will credit the merchant’s account with the appropriate amount of funds. This entire process typically takes a matter of seconds. Some days to

¹ *See* TheBagAddiction.com, [http:// www. The Bag Addiction. com](http://www.TheBagAddiction.com). This site can [no] longer be accessed because it was shut down following Gucci’s lawsuit, but archived versions of the website can be browsed at The Internet Archive Wayback Machine. *See* [http:// web. archive. org/ web/*/ http:// the bag addiction. com](http://web.archive.org/web/*/http://thebagaddiction.com) (last visited May 23, 2010).

² Gucci also brings suit against certain other “ABC Companies,” unknown companies who engaged with the known defendants “in the manufacture, distribution, sale, and advertisement of [c]ounterfeit [p]roducts,” Compl. ¶ 17, and “John Does,” unknown individuals who also participated with the named defendants in the infringement and counterfeiting of Gucci products. *Id.* ¶ 18.

months after the sale is completed, the acquiring bank will submit the transaction information to the issuing bank, which will seek payment from the cardholder and settle with the acquiring bank.

[6] Gucci’s overarching theory of the case is that Durango arranged for web companies that sold counterfeit Gucci products to establish credit card processing services with companies like Woodforest and Frontline. These processors then provided the credit card services necessary for the sale of the faux Gucci items. The complaint focuses largely on the allegedly representative conduct of Defendants with the Laurette Counterfeiters. According to Plaintiff, Durango acted as an agent for the defendant credit card processing companies³ to locate potential customers, including the Laurette Counterfeiters and other similar infringing online operations. Durango collected a referral fee for bringing together these online merchants with banks and companies like Frontline and Woodforest. Durango’s website billed the company as specializing in services for “High Risk Merchant Accounts,” including those who sell “Replica Products.” Compl. ¶ 48. Gucci alleges that the Laurette Counterfeiters entered into a “Merchant Service Agreement” with Durango through one of its sales representatives, Nathan Counley and, through this relationship, “procur[ed] merchant accounts with credit card processing agencies, including Defendants Frontline and Woodforest.” *Id.* ¶ 51. Gucci asserts that, through email and other documents, Durango was aware that TheBagAddiction.com sold counterfeit “replica” Gucci products and nevertheless chose to do business with them.

....

[7] Gucci maintains that the credit card processing services established by these three defendants was essential to the Laurette Counterfeiters’ sale of counterfeit Gucci products. These services “facilitated the Laurette Counterfeiters ability to quickly and efficiently transact sales for [c]ounterfeit [p]roducts through their website by enabling customers to use personal credit cards to pay for purchases on TheBagAddiction.com.” Compl. ¶ 87. Without credit card processing, Plaintiff claims, websites like TheBagAddiction.com could not operate or functionally exist. As such, Gucci believes that Durango, Frontline, and Woodforest are equally responsible for the infringement and counterfeiting engaged in by Laurette through their website. Based on these allegations, Plaintiff brings causes of action for (1) trademark infringement and counterfeiting under the Lanham Act, 15 U.S.C. §§ 1114, 1125, 1116, 1117; (2) contributory trademark infringement and counterfeiting pursuant to the Lanham Act; (3) vicarious liability for trademark infringement and counterfeiting under the Lanham Act; and (4) trademark infringement and unfair competition under New York state law, *see* N.Y. Gen. Bus. Law §§ 360–k, 360–o. Defendants jointly moved to dismiss these claims based on a purported lack of personal jurisdiction, and because Plaintiff has failed to state a claim, pursuant to Rule 12(b)(2) and (6) of the Federal Rules of Civil Procedure.

II. DISCUSSION

A. Personal Jurisdiction

{The court found personal jurisdiction over the defendants.}

B. Trademark Infringement Liability

1. Standard of review

[8] To survive a motion to dismiss, a plaintiff must “plead enough facts to state a claim to relief that is plausible on its face.” *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570, 127 S.Ct. 1955, 167 L.Ed.2d 929 (2007). A facially plausible claim is one where “the plaintiff pleads factual content that allows the

³ Neither party has provided sufficiently clear terminology to describe Woodforest or Frontline. For the purposes of this opinion, terms like “acquiring bank” and “credit card processors” are intended to have the same meaning and do not imply anything about their services beyond what is alleged in the complaint.

court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” *Ashcroft v. Iqbal*, ___ U.S. ___, 129 S.Ct. 1937, 1949 (2009). . . .

[9] . . . Gucci offers three theories of liability to hold Defendants accountable for the infringing sales of counterfeit products by others: direct, vicarious, and contributory liability.⁶

2. Direct and Vicarious Liability

[10] Gucci has not put forth sufficient factual allegations to support trademark infringement claims based on either direct or vicarious theories of liability. . . . The problem for Gucci is that there is no indication that any of the defendants actually “used the mark in commerce.” Knowledge alone of another party’s sale of counterfeit or infringing items is insufficient to support direct liability, *see eBay*, 600 F.3d at 103, and there are otherwise no factual allegations that Durango, Woodforest, or Frontline themselves advertised or sold infringing goods.

[11] Gucci’s allegations are also unable to support a claim for vicarious liability. Vicarious trademark infringement, a theory of liability considered elsewhere but not yet the subject of a decision by this Circuit, “requires a finding that the defendant and the infringer have an apparent or actual partnership, have authority to bind one another in transactions with third parties or exercise joint ownership or control over the infringing product.” *Hard Rock Cafe Licensing Corp. v. Concession Servs., Inc.*, 955 F.2d 1143, 1150 (7th Cir. 1992); *Perfect 10, Inc. v. Visa Intern. Serv. Ass’n*, 494 F.3d 788, 807 (9th Cir. 2007). . . . Though Gucci has raised a number of factual allegations that indicate that Defendants’ services were crucial to a website like TheBagAddiction.com’s sale of infringing goods, there is insufficient evidence to plausibly infer an actual or apparent partnership. The vague, puffery-like references to a “partnership” between these companies and website merchants are not enough to support vicarious liability. *See Louis Vuitton Malletier, S.A. v. Akanoc Solutions, Inc.*, 591 F.Supp.2d 1098, 1113 (N.D.Cal.2008) (“off-hand references to customers as ‘partners’ is insufficient to exhibit the type of behavior and relationship that can be considered an actual or apparent partnership.”). While Defendants may have sufficient control over the sale of counterfeit goods to support contributory liability, *see infra*, the facts alleged do not support an inference that they had the type of control over a company like Laurette as a whole, i.e. akin to joint ownership, necessary for vicarious liability.

3. Contributory Liability

[12] Gucci’s only plausible theory of liability here is contributory trademark infringement. The Supreme Court has determined that liability can extend “beyond those who actually mislabel goods with the mark of another.” *Inwood Lab., Inc. v. Ives Lab., Inc.*, 456 U.S. 844, 853 (1982). . . . As the Seventh Circuit noted, however, the Supreme Court’s test for contributory liability is not as easily applied to service providers as it is to a manufacturer. *See Hard Rock*, 955 F.2d at 1148 (“it is not clear how the doctrine applies to people who do not actually manufacture or distribute the good that is ultimately palmed off as made by someone else”); *see also Tiffany Inc. v. eBay, Inc.*, 576 F.Supp.2d 463, 504 (S.D.N.Y.2008) (reversed on other grounds). While the “intentional inducement” prong of the *Inwood* test still applies, *see eBay*, 600 F.3d at 106, courts have crafted a slightly different test for service providers that “continue [] to supply its [services] to one whom it knows or has reason to know is engaging in trademark infringement.” *Inwood*, 456 U.S. at 853. To avoid imputing liability on truly ancillary figures like a “temporary help service” that may set up a flea market stand for a counterfeiting merchant, *see Hard Rock*, 955 F.2d at 1148, courts in other circuits have determined that a plaintiff must also show “direct control and monitoring of the instrumentality used by a third party to infringe the plaintiff’s mark.” *See, e.g., Perfect 10*, 494 F.3d at 807; *Lockheed Martin Corp. v. Network Solutions, Inc.*, 194 F.3d 980, 984 (9th Cir. 1999). While the Second Circuit has yet to directly

⁶ Federal law and state common law infringement claims are analyzed identically. *See, e.g., eBay*, 600 F.3d at 102 n. 6.

contemplate the validity of this modified part of the *Inwood* test, I concur with Judge Sullivan that this is a “persuasive synthesis.” See *eBay*, 576 F.Supp.2d at 505–06. As such, Gucci can proceed with its action against Defendants if it can show that they (1) intentionally induced the website to infringe through the sale of counterfeit goods or (2) knowingly supplied services to websites and had sufficient control over infringing activity to merit liability.

(a) Intentional Inducement

[13] A party can be held liable for trademark infringement if it intentionally induces another to engage in trademark infringement. With regards to the role played by Durango, Plaintiff’s inducement theory is supported by sufficient factual allegations. Durango’s website reaches out to “high risk merchant accounts,” including those who sell “replica products.” *Id.* ¶ 48. The website further boasts that 95% of merchant accounts are approved and that Durango “specialize[s] in hard to acquire accounts.” See Coyle Decl., Ex. 10 (printed copies of Durango website pages). Similar to the companies that promise the extension of credit or loans to those who are rejected by traditional lending institutions for having bad credit, Gucci’s complaint suggests that Durango bills itself as a company that sets up a certain quality of business with credit card processing services that accept these “high risk” clients. These allegations can fairly be construed as Durango’s attempt to induce less savory businesses, like those who sell counterfeit “replicas” of luxury goods. Moreover, Gucci alleges that Durango’s sales representative, Nathan Counley, specifically discussed Laurette’s difficulty in finding a credit card processor because they were “replica” merchants, which Gucci argues was synonymous on the internet for a counterfeiter.⁷ Durango “communicated an inducing message to [its] . . . users,” and while there is of yet no evidence that they expressly sought out counterfeiters, Gucci has pled sufficient facts to infer that Durango crafted “advertisement[s] or solicitation[s] that broadcast[] a message designed to stimulate others to commit violations.” *Perfect 10*, 494 F.3d at 801 (discussing contributory copyright infringement, but suggesting later that the analysis applies to trademark infringement as well). Finally, Gucci alleges that Counley and Durango helped the Laurette Counterfeiters set up a system to avoid chargebacks, which required customers to check a box that said “I understand these are replicas.” This suggests “affirmative steps taken to foster infringement” or “that Defendants promoted their payment system as a means to infringe.” *Id.* at 800–01.

[14] On the other hand, Gucci has failed to plausibly support a claim that either Woodforest or Frontline intentionally induced Laurette to sell counterfeit products. Durango, not Woodforest or Frontline, helped set up the Laurette Counterfeiters with credit card processing services. Though both companies allegedly advertised for high risk merchants, they did not bring Laurette to the table the way Durango allegedly did. Gucci notes that they both charged higher fees for processing high risk merchants, and that Frontline reviewed the language of the aforementioned acknowledgement of receipt of a replica product. These claims, however, are not enough to suggest that either Woodforest or Frontline took the affirmative steps necessary to foster infringement. See *Perfect 10*, 494 F.3d at 801.

⁷ Defendants challenge the meaning of both “replica” and “high risk,” and claim that both are much more innocuous terms than Gucci suggests. First, “replica” is in fact often used in conjunction, or interchangeably, with the term “counterfeit” in case law on trademark infringement. See, e.g., *Hermès Int’l v. Lederer de Paris Fifth Ave., Inc.*, 219 F.3d 104, 106 (2d Cir. 2000) (“Appellees Lederer and Artbag sell replicas of various Hermès products”); *eBay*, 600 F.3d at 100 (Defendant internet auction house has disclaimer that it “does not tolerate” replicas); *Akanoc*, 591 F.Supp.2d at 1103 (“Plaintiff believes that each of them is a counterfeit replica of Plaintiff’s products which infringe Plaintiff’s copyrights and trademarks.”). Second, the precise meaning of the term is a fact-specific issue that can be dealt with through discovery, and I may rely on Gucci’s pleadings at this stage of the litigation.

(b) Control and knowledge

[15] Even if a defendant does not seek out and intentionally induce a third-party to commit trademark infringement, it may still be held liable for the infringement if it supplied services with knowledge or by willfully shutting its eyes to the infringing conduct, while it had sufficient control over the instrumentality used to infringe. *See eBay*, 576 F.Supp.2d at 505–06; *Perfect 10*, 494 F.3d at 807. Knowledge in this context means that “a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods . . . [s]ome contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary.” *eBay*, 600 F.3d at 107. A showing of willful blindness to this information is also sufficient. *Id.* at 109–10 (“When [a service provider] has reason to suspect that users of its service are infringing a protected mark, it may not shield itself from learning of the particular infringing transactions by looking the other way.”).

[16] Here, Gucci has made substantial factual allegations about the knowledge of all three defendants. These allegations at the very least provide a strong inference that each knew that Laurette traded in counterfeit products, or were willfully blind to that fact. As described previously, Durango allegedly held itself out to high risk replica merchants. Its sales agent, Counley, traded emails with the Laurette Counterfeiters who expressly told him that they were unable to get credit card services because they sold “replica” items. Counley later wrote back to say he had found a U.S. bank that “can do replica accounts now.” Compl. ¶ 54. Surely, a connection between an inability to get the services needed to transact goods online and the sale of replicas should have attracted Durango’s attention.

[17] Frontline likewise is alleged to have sufficient knowledge of trademark infringement by the Laurette Counterfeiters. According to Gucci, Laurette completed an application to obtain Frontline’s services, and Nathan Counley, though a Durango employee, is listed as Frontline’s sales agent. Counley “acted as Frontline’s agent in soliciting and directing credit card processing business from replica merchants like the Laurette Counterfeiters” and therefore Frontline may be charged with his knowledge, including his understanding of Laurette’s difficulty to obtain services for selling replicas. Compl. ¶ 56. Gucci alleges that the “replica acknowledgment” described above that was created for the Laurette website with Counley’s assistance was also reviewed by Frontline, who made suggestions as to where they should place this warning on the website. Even more significantly, Frontline allegedly performed its own investigation of products sold through TheBagAddiction.com as part of Frontline’s chargeback reviews. When faced with a chargeback, Gucci claims that Frontline received supporting documentation from Laurette that included information about the specific item ordered, including a description of the item purchased. Not only did Frontline allegedly review the specific item description, Plaintiff also claims that the relatively small price tag for the item, as well as specific complaints from customers who made chargebacks about not receiving what the website purported to sell, e.g. a product made of genuine leather, should have alerted Frontline that these were infringing products. These fact-specific claims are enough to at least infer that Frontline knew or consciously avoided knowing that the counterfeit products were sold on TheBagAddiction.com

[18] Gucci claims that Woodforest’s situation is similar to Frontline. As was the case with Frontline, Counley represented himself on Laurette’s application as Woodforest’s sales agent. *See* Compl. ¶ 72. The application itself said that Laurette was a “wholesale/retail designer [of] handbags,” and listed the supplier as a Chinese bag manufacturer rather than Gucci. *See* Compl., Ex. 6. Gucci also claims that Woodforest specifically reviewed the website and the products listed on it as part of its initial decision to do business with Laurette. A Woodforest employee allegedly completed an “Internet Merchant Review Checklist,” which required him or her to review the website and confirm whether it contained a complete description of the goods offered. *See* Compl. ¶ 75. Based on these claims and the website images provided by Plaintiff, even a cursory review of the TheBagAddiction.com would indicate that they claimed to sell replica Gucci products. Indeed, Plaintiff alleges that Woodforest printed out a number of pages that displayed goods that were for sale, including counterfeit Gucci

products, and maintained these pages as part of their business records. Woodforest would also perform a second-level review, performed repeatedly after it accepted the business, where an employee would complete a purchase and request a refund. Finally, like Frontline, Woodforest investigated chargeback disputes and received supporting documentation that allegedly should have tipped them off to the infringing conduct. These claims are more than sufficient to suggest, at this stage of the litigation, that Woodforest knew or shielded themselves from the knowledge that Laurette was selling counterfeit Gucci products with their credit card processing system.

[19] The most significant dispute between the parties with regard to contributory liability is whether any or all of the Defendants had sufficient control over Laurette and TheBagAddiction.com website to render them liable for the web merchant’s counterfeiting practices. As noted above, the control element was incorporated by the Seventh Circuit to establish a limiting principle that would exclude those service providers that do not really contribute to the infringing conduct; this Circuit has yet to directly consider the merits or contours of this modified form of the *Inwood* test. See *eBay*, 600 F.3d at 105–06 (noting control element but “assum[ing] without deciding that *Inwood*’s test for contributory trademark infringement governs”). Although the concept of control arose out of the flea market context and is based on common law landlord-tenant tort principles, see *Hard Rock*, 955 F.2d at 1149–50, the concept of control is not limited to that context. *Inwood* “laid down no limiting principle that would require defendant to be a manufacturer or distributor,” and “whether the venue is online or in brick and mortar is immaterial.” *eBay*, 576 F.Supp.2d at 505; see also *Fonovisa, Inc. v. Cherry Auction, Inc.*, 76 F.3d 259, 265 (9th Cir. 1996); *Lockheed Martin*, 194 F.3d at 984. The only relevant inquiry is the “extent of control . . . over the third party’s means of infringement,” *eBay*, 576 F.Supp.2d at 505; *Lockheed Martin*, 194 F.3d at 984, and courts have found sufficient control in an array of service contexts. See, e.g., *eBay*, 576 F.Supp.2d at 505 (online auction house); *Cartier Intern. B.V. v. Liu*, No. 02 Civ. 7926, 2003 WL 1900852, at *3 (S.D.N.Y.2003) (company that shipped goods for counterfeiter); *Akanoc*, 591 F.Supp.2d at 1112 (internet service provider).

[20] Here, Plaintiff provides sufficient factual allegations to establish a claim that Woodforest and Frontline had some control over the directly infringing third-party, but fails to provide enough facts to show control on the part of Durango. Though Gucci has made an adequate showing of intentional inducement by Durango, there is little indication that they had much control over the website’s sales process. Durango appears to be the veritable middleman in this case. Though there allegedly was an ongoing relationship between Durango and the Laurette Counterfeiters, Gucci provides little indication that once Laurette received services from Frontline and Woodforest, Durango had any particular ability to stop or prohibit sales. Plaintiff’s allegations suggest both inducement and knowledge, but “procuring merchant accounts with credit card processing agencies,” Compl. ¶ 51, does not demonstrate that Durango could thereafter prevent the sale of any or all of the counterfeit products.

[21] In contrast, Gucci’s complaint indicates that Frontline and Woodforest’s credit card processing services are a necessary element for the transaction of counterfeit goods online, and were essential to sales from TheBagAddiction.com. Although other methods of online payment exist, such as online escrow-type services like PayPal, generally speaking “credit cards serve as the primary engine of electronic commerce.” *Perfect 10*, 494 F.3d at 794. Indeed, Gucci points out that Durango’s website claims that “9 out of 10 people use a credit card for their online orders.” Compl. ¶ 3. As such, without the credit card processing operation set up by these two defendants, Gucci alleges that TheBagAddiction.com would largely have been unable to sell its counterfeit Gucci products. They further support this claim with an affidavit by one of the website owners, who states that “[a]pproximately 99% of payments from my customers were made using credit cards.” Kirk Decl. ¶ 1. Both Frontline and Woodforest processed transactions for cardholders with major credit card institutions—Visa, MasterCard, and so forth—and, according to Gucci, Laurette sold over \$500,000 in counterfeit products “during the time they utilized Defendants’ merchant bankcard services.” Compl. ¶ 44. By processing these transactions, both companies allegedly earned significant revenue from the

transaction fees they charged. Put another way, “[t]hey knowingly provide a financial bridge between buyers and sellers of [counterfeit products], enabling them to consummate infringing transactions, while making a profit on every sale.” *Perfect 10*, 494 F.3d at 810–11 (Kozinski, J., dissenting).⁹ Though both Frontline and Woodforest insist they are middlemen with no ability to prevent a transaction, they do not dispute that they could have simply refused to do business with “replica” internet merchants, just like the flea market purveyor who refuses to provide a booth to a counterfeiter. *See* Compl. ¶¶ 87–89 (Woodforest and Frontline “facilitated the Laurette Counterfeiters ability to quickly and efficiently transact sales for Counterfeit Products through their website by enabling customers to use personal credit cards to pay for purchases on TheBagAddiction.com”). According to one of the website operators, “[i]f I did not receive an approval for a credit card charge, I would not ship the customer’s order.” Kirk Decl. ¶ 2. These allegations indicate that the infringing products “are delivered to the buyer only after defendants approve the transaction . . . This is not just an economic incentive for infringement; it’s an essential step in the infringement process.” *Perfect 10*, 494 F.3d at 811–12 (Kozinski, J., dissenting).

[22] Frontline and Woodforest insist that these allegations are insufficient because they do not allege direct or complete control over the website itself. However, the ability to literally shut down the website is not needed given the facts of this case. The circuits that have considered this issue look for control and monitoring over the “instrumentality used . . . to infringe the plaintiff’s mark.” *Perfect 10*, 494 F.3d at 807. Based on Gucci’s claims, the instrumentality in this case is the combination of the website and the credit card network, since both are allegedly necessary elements for the infringing act—the sale and distribution of the counterfeit good.¹⁰ Defendants’ rely on the fact that, in *Perfect 10*, the Ninth Circuit declined to hold certain credit card processors liable for a website’s trademark infringement. There, however, the infringing conduct was the publication *on the website* of trademarked images of nude models, and the distribution occurred via individuals viewing and taking the image directly from the website. *See Perfect 10*, 494 F.3d at 796 (“the infringement rests on the reproduction, alteration, display and distribution of Perfect 10’s images over the internet”); *Perfect 10, Inc. v. Visa Inter. Serv. Assoc.*, No. C 04–00371, 2004 WL 3217732 (N.D.Cal. Dec. 3, 2004) (“Plaintiff alleges that a number of websites routinely and illicitly publish Plaintiff’s images-and thereby infringe.”). Plaintiff in that case failed or perhaps was unable to allege that the credit card service providers had the “power to remove infringing material” or “directly stop their distribution” because the infringement occurred on the website itself and a credit card transaction was not needed for the website to continue to infringe. *See Perfect 10*, 494 F.3d at 807. This is not the case here.

[23] Rather, Gucci’s allegations indicate that they are concerned primarily with the sale of tangible counterfeit goods to customers around the country, which allegedly could not be accomplished without Woodforest and Frontline’s ability to process the credit card-based purchases. In the words of the Supreme Court, these defendants “furnish[ed] the means of consummating” the trademark infringement. *See eBay*, 600 F.3d at 104 (quoting *William R. Warner & Co. v. Eli Lilly & Co.*, 265 U.S. 526, 530, 44 S.Ct. 615, 68 L.Ed. 1161 (1924)). While in *Perfect 10* the credit card services may not have been needed for a website to display infringing photographs, the infringement here occurred through the sale of the counterfeit products. “It’s not possible to distribute by sale without receiving compensation, so payment is in fact part of the infringement process.” *Perfect 10*, 494 F.3d at 814 (Kozinski, J., dissenting). This action resembles cases with defendants who helped consummate

⁹ Judge Kozinski’s analysis, like that of the majority in *Perfect 10*, is largely set in the context of copyright infringement. However, he later states that his dissent on trademark infringement is based on “precisely the same reasons.” *Perfect 10*, 494 F.3d at 822.

¹⁰ Indeed, Frontline and Woodforest’s credit card processing system were likely integrated to some degree, since some sort of credit card “portal” necessarily had to be embedded in the website for a customer to make a purchase.

infringing transactions by delivering the counterfeit or infringing goods to the customer. In *Getty Petroleum Corp. v. Aris Getty, Inc.*, the First Circuit found a defendant common carrier contributorily liable because it delivered unbranded gasoline to gas stations it knew would re-sell the gasoline under the Getty brand name. See 55 F.3d 718, 719 (1st Cir. 1995). Lack of title to the gasoline did not matter; the defendant “supplied[] an essential factor—physical possession of the property to which the trademark was to be attached.” *Id.* at 720. Similarly, these defendants allegedly provided an “essential factor” to the infringement because the goods could not be sold and shipped without their credit card services. “[I]t makes no difference that defendants control only the means of payment, not the mechanics of transferring the material . . . In a commercial environment, distribution and payment are . . . like love and marriage—you can’t have one without the other. If cards don’t process payments, pirates don’t deliver booty.” *Perfect 10*, 494 F.3d at 818 (Kozinski, J., dissenting). If, as Gucci alleges, the Laurette website was functionally dependent upon Woodforest and Frontline’s credit card processing services to sell counterfeit Gucci products, it would be sufficient to demonstrate the control needed for liability.

* * *

[24] Gucci has sufficiently alleged facts to support personal jurisdiction and its trademark claims against Durango, Woodforest, and Frontline. Although Plaintiff has not sufficiently pled facts to support either direct or vicarious theories of liability, claims against all three defendants may proceed based on a contributory liability theory. The factual allegations are sufficient to infer that Durango intentionally induced trademark infringement, and that Woodforest and Frontline exerted sufficient control over the infringing transactions and knowingly provided its services to a counterfeiter.

III. CONCLUSION

[25] For the foregoing reasons, Defendant’s motion to dismiss is DENIED.
SO ORDERED.

2. Landlord-Tenant Secondary Liability

Since *Tiffany v. eBay*, non-internet, brick-and-mortar defendants have sought to take advantage of *Tiffany v. eBay*’s defendant-friendly reformulation of contributory liability doctrine in trademark law. As the following case demonstrates, they have not been successful.



The exterior and interior of the mall at issue

Luxottica Group, S.P.A. v. Airport Mini Mall, LLC
932 F.3d 1303 (2019)

JILL PRYOR, Circuit Judge:

Luxury eyewear manufacturers holding registered trademarks brought a contributory trademark infringement action under the Lanham Act against owners of a discount mall whose subtenants were selling counterfeit eyewear. At trial, the jury returned a verdict in the plaintiffs’ favor. After careful review and with the benefit of oral argument, we conclude that none of the issues the defendants raise on appeal demonstrates reversible error, so we affirm the jury’s verdict.

I. FACTUAL AND PROCEDURAL BACKGROUND

Plaintiffs Luxottica Group, S.p.A. and its subsidiary Oakley, Inc. (collectively and individually “Luxottica”) manufacture and sell luxury eyewear and own registered trademarks for the Ray-Ban and Oakley brands. Defendants Jerome and Jenny Yeh own defendant Yes Assets, LLC. In 2004, Yes Assets purchased the Old National Village Shopping Center in College Park, Georgia. The Shopping Center included about 30 store fronts as well as an approximately 79,000-square-foot indoor space (the “Mall”), which contained between 120 and 130 booths to lease to individual vendors. Defendant Alice Jamison, the Yehs’ daughter, managed the Shopping Center. Her responsibilities included reviewing leases, collecting rent, and visiting the Shopping Center and Yes Assets’ tenants, including the lessee of the Mall.

Until December 1, 2009, Yes Assets leased the Mall to a tenant, who assigned it to a subtenant, who subleased it to former Georgia congressman Pat Swindall, who in turn subleased the booths to vendors. From December 1, 2009 forward, Yes Assets leased the Mall to defendant Airport Mini Mall, LLC (“AMM”), a company Jerome and Jenny created and later gave to their son, defendant Donald Yeh, and the Mall became known as the International Discount Mall, AMM’s tradename. Under the lease agreement, Yes Assets provided AMM and its subtenants (the vendors in the 120 to 130 booths) with a variety of services—including lighting, water, sewerage, maintenance and repairs, painting, and cleaning—and a parking area for customers. Greg Dickerson, whom Jerome hired as AMM’s property manager, subleased the booths to vendors and reported to Jamison and Jerome until 2013, when Jerome had a stroke, and to Jamison and Donald afterward.

AMM’s tenure as the Mall’s landlord saw three law enforcement raids there, during which officers executed search warrants, arrested subtenants, and seized alleged counterfeits of Luxottica eyewear and other brands’ products. After the first raid, law enforcement left a copy of the search warrant and a list of items seized, including eyewear bearing Luxottica’s marks, at the raided booth. The second raid lasted more than 14 hours and involved approximately 30 federal and local law enforcement agents who shut down the Mall to execute search warrants, arrested subtenants for selling counterfeit goods, seized thousands of counterfeit items bearing Luxottica’s marks, and loaded the items onto a tractor-trailer parked in front of the Shopping Center. Dickerson witnessed the second raid from the Shopping Center’s parking lot and notified Jamison, Donald, and Jerome and Jenny’s attorney, Louis Bridges. Dickerson later walked through the Mall to compile a list of the booths where law enforcement had seized goods and informed Jamison, Jerome, and Bridges about his inquiries of subtenants regarding the raid and whether they were selling counterfeit items. Each subtenant denied selling counterfeit merchandise, but Jamison admitted that she would expect the subtenants to lie if they were selling counterfeit goods. On Bridges’ advice, the defendants decided to take no action against the subtenants unless the subtenants were convicted of a crime. More than a year after Luxottica filed this lawsuit, police executed several more search warrants at the Mall and seized additional counterfeit items bearing Luxottica’s marks.

Luxottica twice sent letters notifying the defendants that their subtenants were not authorized to sell Luxottica’s eyewear and that any mark resembling Ray-Ban or Oakley marks would indicate that the glasses were counterfeit. The second letter also identified specific booths Luxottica suspected of

selling counterfeit eyewear. Jamison and Donald were aware of both letters. Dickerson visited the booths named in the second letter but made no attempt to determine whether those vendors' eyewear products were counterfeit or to terminate their leases. After Luxottica filed this lawsuit, Jamison and Bridges attended a meeting at the College Park Police Department to discuss the unlawful selling of counterfeit products at the Mall.

Despite the raids, letters, and meeting with law enforcement, the defendants took no steps to evict the infringing subtenants; they even renewed leases with several of the subtenants who had been arrested during the 14-plus-hour raid. In the month leading up to the filing of this lawsuit, Isabel Rozo, an employee of Luxottica's private investigator Geanie Johansen, purchased and photographed \$15 and \$20 counterfeit Ray-Ban glasses at several booths. Ray-Ban glasses normally retail for \$140 to \$220 a pair.

... After an 11-day trial, the jury returned a special verdict holding all defendants except Jenny liable for contributory trademark infringement and assessing \$100,000 in damages for each infringed trademark, totaling \$1.9 million in damages. Having moved for judgment as a matter of law after the close of all the evidence, the defendants renewed their motion, which the district court denied.

....

III. DISCUSSION

....

A. Luxottica Presented Sufficient Evidence to Sustain the Jury's Verdict on Contributory Trademark Infringement.

....

1. Contributory Liability Under the Lanham Act

....

In support of its theory that the defendants had at least constructive knowledge of their subtenants' infringement, Luxottica presented evidence tending to show that the defendants exhibited willful blindness to the subtenants' unlawful conduct. Across the circuits, a consensus has developed that willful blindness is one way to show that a defendant had constructive knowledge in cases of contributory trademark infringement. ... *{S}ee also United States v. Baxter Int'l, Inc.*, 345 F.3d 866, 902 (11th Cir. 2003) (holding, in the context of the Medicare Secondary Payer statute, that "[a] party that willfully blinds itself to a fact ... can be charged with constructive knowledge of that fact"). Willful blindness occurs when a person "suspect[s] wrongdoing and deliberately fail[s] to investigate." *Hard Rock Cafe*, 955 F.2d at 1149. We agree with the other circuits that willful blindness is a form of constructive knowledge for contributory trademark infringement. We evaluate the strength of Luxottica's evidence regarding willful blindness and constructive knowledge in Part III.A.3.

....

3. The Evidence Was Sufficient to Prove That the Defendants Had at Least Constructive Knowledge of Specific Acts of Infringement.

Pursuing a knowledge theory of contributory trademark infringement, Luxottica sought to prove that the defendants knew or had reason to know that their subtenants were selling counterfeit items yet continued to supply services (space, utilities, maintenance, and parking) that enabled the subtenants to sell their goods. The question that arises—[] one of first impression for this Court—is whether the knowledge theory of contributory liability requires the plaintiff to prove that the defendant had actual or constructive knowledge of *specific* infringing acts. We need not answer this question, however, because even if liability for contributory trademark infringement requires the defendant to have knowledge of specific acts of direct infringement, the evidence in this case was sufficient for a reasonable jury to find that the defendants had at least constructive knowledge of (or were willfully blind to) specific acts of direct infringement by their subtenants.

The defendants argue that the district court should have applied what they deem a stricter standard from *Tiffany (NJ) v. eBay Inc.*, 600 F.3d 93 (2d Cir. 2010), in ruling on their renewed motion for judgment as a matter of law. In *Tiffany*, the jewelry titan sued the online listing service eBay for contributory trademark infringement because vendors listed counterfeit Tiffany products for sale on eBay’s website. Whenever Tiffany notified eBay of a direct infringer’s identity, eBay delisted the vendor within 24 hours. But, by itself, eBay was unable to identify and block each direct infringer, even with 200 employees focused on that task, because its website contained 100 million listings, and eBay lacked the ability to inspect goods in person and the expertise to distinguish Tiffany products from non-Tiffany products. “For contributory trademark infringement liability to lie,” the Second Circuit held, “a service provider must have more than a general knowledge or reason to know that its service is being used to sell counterfeit goods. Some contemporary knowledge of which particular listings are infringing or will infringe in the future is necessary.” *Id.* at 107. Because Tiffany’s demand letters identified no additional sellers of counterfeit goods other than the sellers eBay had already delisted, eBay lacked actual or constructive knowledge of the remaining direct infringers. The court thus upheld the bench trial verdict in favor of eBay.

The defendants articulate *Tiffany’s* legal standard for contributory trademark infringement as whether “Plaintiffs provide[d] notice to Defendants that a particular seller was then selling counterfeit versions of Plaintiffs’ product.” Appellants’ Initial Br. at 22 (internal quotation marks omitted). The defendants err, though, in asserting that *Tiffany* narrowed the sources of a defendant’s actual or constructive knowledge to just one: notice by the trademark holders. *Tiffany* did not categorically shift the burden onto trademark holders to provide notice to defendants; it simply clarified that certain facts of the case—a marketplace of 100 million listings and eBay’s inability to inspect goods in person and lack of expertise to distinguish Tiffany from non-Tiffany jewelry—made it unlikely that eBay could identify the infringing vendors on its own, without help from Tiffany. *Tiffany*, 600 F.3d at 97-98, 109. In arguing that it was Luxottica’s burden to notify the defendants of the infringing subtenants’ identities, the defendants fail to acknowledge that actual or constructive knowledge of the direct infringers’ identities could arise from many sources, including steps the defendants could have taken to investigate alleged direct infringement at the Mall after being put on notice by Luxottica that unnamed subtenants’ may have been selling counterfeit Luxottica products.

In any event, we need not decide today whether a defendant must be found to have had knowledge of specific acts of direct infringement for contributory liability to attach. Even if specific knowledge is necessary, the trial evidence was sufficient to prove that the defendants had at least constructive knowledge of specific instances where their subtenants infringed Luxottica’s marks. Unlike in *Tiffany*, the defendants here did not need Luxottica’s help to identify the infringing subtenants. Although *Inwood* created “no affirmative duty to take precautions against the sale of counterfeits,” *Hard Rock Cafe*, 955 F.2d at 1149, the jury reasonably could have found that Luxottica’s notice letters would have prompted a reasonable landlord to do at least a cursory visual inspection of the Mall’s 130 booths to determine which vendors displayed eyewear with Luxottica’s marks and sold it at prices low enough—\$15 or \$20 a pair for glasses that typically retail at \$140 to \$220 a pair—to alert a reasonable person that it was counterfeit. Similarly, the jury reasonably could have found that a cursory visual inspection of 130 booths to see if they displayed what appeared to be counterfeit Luxottica eyewear was not so burdensome as to relieve the defendants of the responsibility to investigate after being informed by Luxottica that unnamed subtenants may have been engaging in illegal activity.

What’s more, previously we have held that evidence of “serious and widespread” infringement makes it more likely that a defendant knew about the infringement. *Mini Maid Servs. Co. v. Maid Brigade Sys., Inc.*, 967 F.2d 1516, 1522 (11th Cir. 1992). The three law enforcement raids—one of which lasted over 14 hours and required a tractor-trailer to haul away the seized merchandise—evidenced “serious and widespread” violations that gave the defendants at least constructive knowledge that their

subtenants were selling counterfeit goods. *Id.* After the 14-plus-hour raid, Dickerson, the defendants' property manager, walked through the Mall; compiled a list of booths where law enforcement had seized goods; and informed Jerome, Jamison, and Bridges about his conversations with subtenants regarding the raid and whether they were selling counterfeit products. The record evidence of (1) the raids, arrests, and seizures, (2) the meeting at the College Park Police Department Jamison and Bridges attended where they discussed the sale of counterfeit goods at the Mall, and (3) the defendants' ability to visually inspect the approximately 130 booths was, taken together, sufficient to support a jury finding that the defendants had at least constructive knowledge of, or were willfully blind to learning, which subtenants were directly infringing Luxottica's trademarks.

In sum, evidence of the defendants' knowledge of specific infringing acts by subtenants who relied on the services the defendants provided (including space, utilities, and maintenance) amply supported the jury verdict.

1. *Tiffany v. eBay and Canal Street*. A Canal Street* landlord sought to use the specific knowledge standard in *Tiffany v. eBay* to escape secondary liability for the continuing sale of counterfeit watches by unnamed individuals operating out of its building as either tenants or subtenants. Like the defendants would in *Luxottica*, the landlord 375 Canal argued that while it had been made aware of previous unnamed individuals selling counterfeits from its building, it did not have specific knowledge of the counterfeit sales that were the subject of the current suit, which were made by different unnamed individuals (whom the landlord basically claimed not to be able to tell apart). Judge Crotty dispensed with this argument:

375 Canal attempts to make much of the absence of allegations that 375 Canal “had notice of prior infringement by the same individual”—that is, the same John Doe. 375 Canal's argument is that specific notice of counterfeit sales by an identified individual is required before it can be cast into liability. That is not the law. While *Tiffany* required notice of specific “listings” or “sellers,” that was in the factual context of an internet auction service, where that information would be useful to eBay in identifying and reducing instances of infringement. 600 F.3d at 107, 109. At any given time, eBay had over 100 million listings with a high turnover rate of more than six million new listings daily. *Id.* at 97. Aside from specific notices of claimed infringement (“NOCIs”) that were not at issue, *Tiffany's* research gave eBay “generalized notice that some portion of . . . goods sold . . . might be counterfeit.” 600 F.3d at 97–98, 106–07. The district court noted, however, that there were also a substantial number of authentic *Tiffany* goods for sale on eBay. *Id.* at 98. Armed with this general knowledge, there was little that eBay could do to distinguish between genuine and infringing products. The situation here is much different. The complaint does not allege that the retailer at the property sold authentic Swatch and Omega watches or that there were so many sellers that the names and identities of the John Does would be essential to identifying the counterfeit goods. Notice as to the sale of a particular type of good, by an (unnamed) individual, at a specific location is comparable to the “listings” required in *Tiffany*.

Omega SA v. 375 Canal, LLC, No. 12 Civ. 6979, 2013 WL 2156043, at *4 (S.D.N.Y. May 20, 2013) (denying motion to dismiss).

* Canal Street is a major street in New York City at the northern edge of Manhattan's Chinatown.