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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Intrust Financial Corporation, Opposer, v. nTrust Corp., Applicant.	))))))))))	Opposition No. 91204456 Application Serial No.: 85/250992 Mark: NTRUST

Honorable Commissioner of Trademarks
2900 Crystal Drive
Arlington, VA 220235-14

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I. INTRODUCTION

This case raises an important question for the Board to answer: as advances in digital technology enable many business types – both banks and non-banks – to provide an ever-increasing array of electronic means to transfer money, what is considered a "banking service"?

Opposer Intrust Financial Corporation ("Intrust Bank") takes the overreaching and untenable position that "banking services" encompass anything that a bank ***can*** provide or could be ***perceived*** to do – even if a service is not unique to having a bank license and can be provided by non-banks (such as electronically transferring money, notarizing documents, photocopy services, or even selling lemonade). This position would mean that Intrust Bank could use its registrations for "banking services" to subsume almost the entirety of International Class 36. It must adopt this aggressive position because it has weak rights in its INTRUST-formative marks – which all incorporate a term ("Intrust") commonly used for financial services, and which are recognized mostly in just Sedgwick County, Kansas (where likely over 50% of its customers are located) and by a customer base mostly (58%) aged 55 years and older who are less likely to use mobile financial services. Intrust Bank is further hampered by its 20+year old trademark registrations, which cover (for the most part) only "banking services," because it did not secure additional registrations for newer methods for transferring or moving money as technology evolved.

Today, non-banks – such emerging "fintech" (financial technology) company nTrust Corp., and Apply Pay , Google Wallet, the Square and Venmo mobile applications - are transforming the methods by which consumers can digitally transfer money and make payments. nTrust Corp. is advancing this digital wave with online person-to-person money transfers – a newer form of service which Intrust Bank still does not provide and could never have dreamt 20 years ago. The providers of such services are not banks, do not need a bank license to operate, and are instead regulated as "money services businesses." Although Intrust Bank spends much time in its brief arguing about additional online services it provides in practice or could be perceived as providing, that overreaches far past the "banking services" covered by its trademark registrations. "Banking services" cannot be interpreted so broadly as to cover non-bank financial services – such as the electronic means to transfer money identified in nTrust's application.

Had Intrust Bank wanted trademark rights for new fintech products, it should have obtained additional registrations. It cannot use its generic "banking service" registrations – for a set of weak INTRUST marks - to preclude registration of NTRUST for use with electronic money transfer and related digital services. The Board should dismiss the opposition and allow nTrust's mark to be registered.

II. ISSUE PRESENTED

Is nTrust entitled to registration of its NTRUST mark for various forms of money transfer services conducted via electronic communications works, when Intrust Bank only has 20-year old trademark registrations that cover (for the most part) only "banking services" and that have never been expanded to new digital means of transferring money which are today commonly provided by non-banks?

III. DESCRIPTION OF THE RECORD

In accordance with Rule 801.03 of the TTAB Manual of Procedure, 37 C.F.R. § 2.128(b), nTrust provides the following description of the record, subject to its objections to certain evidence set forth in the accompanying appendix:

1. The pleadings;
2. The prosecution files for the NTRUST mark, Application Serial No. 85250992;
3. Pursuant to 37 C.F.R. § 2.122(d)(l), the following Federal Registrations:
    a. Registration No. 1,802,917 for INTRUST;
    b. Registration No. 2,738,638 for INTRUST MERCHANT SERVICES;
    c. Registration No. 3,358,359 for INTRUST WEALTH MANAGEMENT (stylized);
    d. Registration No. 3,219,237 for INTRUST VALUE PACK;
    e. Registration No. 2,197, 748 for I INTRUST BANK (stylized and design);
    f. Registration No. 1,957,654 for INTRUST CHECK CARD;
    g. Registration No. 1,840,083 for INTRUST BANK, N.A.;
    h. Registration No. 1,849,586 for INTRUST FINANCIAL CORPORATION;
    i. Registration No. 1,841,487 for INTRUST BANK;
    j. Registration No. 1,879,319 for INTRUST CARD CENTER;

k. Registration No. 1,832,427 for INTRUST 24 HOUR BANKING; and

l. Registration No. 3, 711,317 for I TRUST INTRUST.

4. Intrust's First Notice of Reliance and Second Notice of Reliance and exhibits thereto, filed March 27, 2014 (Dkt. Nos. 17 and 18);
5. nTrust's First, Second and Third Notices of Reliance and exhibits thereto, filed March 31, 2015 (Dkt. Nos. 30, 31 and 32);
6. Intrust's First Rebuttal Notice of Reliance, Second Rebuttal Notice of Reliance, and Third Rebuttal Notice of Reliance, filed April17, 2015 (Dkt. No. 33);
7. March 25, 2014, testimony of Lisa Elliott and Exs. 1-42, 44-52, 101-124 (Dkt. Nos. 37, 38 and 40);
8. March 25, 2014, testimony of Kimberly Klocek and Exs. 8, 74, 75 (Dkt. Nos. 37 and 38);
9. March 26, 2014, testimony of Linda Cullinan and Exs. 13, 58-63, 68-73, 76-80, 108 (Dkt. Nos. 37 and 38);
10. March 26,2014, testimony of Thomas Morrison and Exs. 53-57, 81, 114, 117, 125, 126 (Dkt. Nos. 37 and 38);
11. October 16,2014, testimony of Geno Reed and Exs. 130-133 (Dkt. Nos. 37 and 38);
12. October 16, 2014, testimony of Deborah Canfarelli and Exs. 131 and 132 (Dkt. Nos. 37 and 38);
13. April 24, 2015, testimony of Robert McGregor and Exs. 201-225 (Dkt. Nos. 37 and 38).

IV. FACTUAL AND PROCEDURAL BACKGROUND

A. Money Service Businesses Versus Banks

This case illuminates the difference between two separate types of financial service providers: money services businesses (nTrust) vs. banks (Intrust Bank). A money services business ("MSB") is a sub-category of financial institution that transmits and converts money; it is sometimes called "non-bank financial services." MacGregor Dep. at 33:21-34:21. MSBs are not the same as banks, and are in fact regulated differently. *Id.* at 34:12-21; *see also* Morrison Dep. at 110:11-20 (acknowledging there are non-bank MSBs). This is evident from 31 C.F.R. §1010.100(t), which defines many different financial institutions – of which banks and money services businesses are separate types. Specifically, 31 C.F.R.

§1010.100(ff) defines MSBs as a business that conducts or is a: (1) foreign exchange; (2) check cashing; (3) issuing or selling traveler's checks or money orders; (4) provider of prepaid access to funds (stored value); (5) money transmitter; (6) the U.S. Postal Service (with respect to sale of postage products); or (7) seller of prepaid access (stored value).[1] Common examples include wire transfer (Western Union), foreign currency exchange services at airports (Travelex), and issuers of retailer-branded prepaid cards (Apple gift cards). As technology has advanced, MSBs now operate via the Internet and mobile applications - such as PayPal, Google Wallet, Apple Pay, mobile apps Square and Venmo, and near field communications (NFC) technologies that allow mobile phones to securely interact with reader devices at merchants. MacGregor Dep. at 37:10-38:13, Exs. F-1, F-2, G-1-G14.

Notably, the federal regulatory definition of MSB states that it "shall not include: (i) A bank or foreign bank." 31 C.F.R. §1010.100(ff)(8). Reinforcing separation between MSBs and banks, the same regulation has a separate definition of "bank" (in subsection (d)) - distinct from subsection (ff)'s definition of MSB. *See also* Ex. F-3 (Financial Crimes Enforcement Network ["FinCEN"] web page stating MSBs business does not include a "bank" citing to 31 C.F.R. §1010.100(d)). It defines "bank" as a company doing business in one or more of the following capacities: (1) a commercial bank or trust company; (2) a private bank; (3) a savings and loan association or a building and loan association; (4) an insured institution as defined in section 401 of the National Housing Act; (5) a savings bank, industrial bank or other thrift institution; (6) a credit union; (7) any other organization (***except a money services business***) chartered under the banking laws of any state and subject to the supervision of the bank supervisory authorities of a State; (8) a bank organized under foreign law; and (9) any national banking association or corporation acting under the foreign branches provisions of the Federal Reserve Act. 31 C.F.R. §1010.100(d). As with the federal regulatory definition of MSB, which ***excludes*** banks, this federal regulatory definition of bank in turn ***expressly excludes*** MSBs. *See* 31 C.F.R. §1010.100(d)(7). The regulatory framework evinces a clear desire to legally distinguish MSBs and banks.

[1] 31 C.F.R. §1010.100 is part of the regulations implementing the Bank Secrecy Act - which is overseen by the U.S. Department of Treasury's Financial Crimes Enforcement Network (FinCEN). The FinCEN website summarizes well this regulatory definition of MSB. *See* Ex. F-3.

Therefore, while both banks and MSBs are types of financial institutions (each requiring different licensure by appropriate governmental agencies), they are not one and the same. Indeed, in the today's world of digital technology, an increasingly diverse array of businesses – who are clearly not banks (think PayPal, Apple Pay, Google Wallet and other "fintech" companies) – provide products, services and technological tools that enable consumers to quickly transfer and convert money.

B. nTrust is a Money Service Business

nTrust is not a bank, never intends to be a bank, and will not provide banking services. MacGregor Dep. at 49:13-24. Instead, it is a cloud-based MSB that enables online person-to-person money transfers between individual users over the Internet (especially for international transfers). *Id.* at 5:19-6:16. At the trial depositions, the parties and witnesses agreed on this understanding of person-to-person (P2P) payment services: a service that gives an individual the capability to send funds to another individual using a common identifier, such as an email address, mobile phone number, or social media account. Elliott Dep. at 223:12-17; 232:24-233:8. Because P2P services do not require a sender to know the recipient's bank account information, they make it much easier to send money to a friend or family member.[2] nTrust also provides physical, reloadable cards (onto which users can load funds from their nTrust cloud account) to use for online and point of sale purchases. *Id.* at 5:19-6:16; 16:7-17:14.

Instead of being a bank, the very reason that nTrust was created was to empower people who did ***not*** have bank accounts ("unbanked consumers") with a more convenient and inexpensive method to send and receive funds – especially foreign overseas workers sending modest amounts of money to their families in countries like the Philippines. *Id.* at 5:25-6:4, 20:5-21:14. This is a common "remittance" transfer - electronic transfers of funds by a consumer sent to someone in a foreign country. *See* Ex. F-4, report at p. 2. As the Federal Reserve System reports, "remittance transfers are often payments originated by expatriates, typically workers who send money to their families in their home countries regularly." *Id.*

[2] The Federal Financial Institutions Examination Council provides a good explanation of online person-to-person payment systems as means "to transfer funds electronically from one consumer to another." Unlike account-to-account payment systems, they do not require the sender to know the recipient's account number at a financial institution or another identifier for a receiving account. *See* Ex. F-1.

"U.S. consumers have a number of possible channels for sending remittance transfers" and this includes "money transmitters" such as "Western Union and MoneyGram, Internet payment systems such as PayPal, and other electronic systems that engage in the business of transmitting funds." *Id.* at p. 3-4.

Traditional methods (e.g. wire transfer) to internationally transfer money charge fees that can be high in proportion to the amount sent (*i.e.,* part of a worker's paycheck). With money transmitters, the average amount sent is $50 to $200, meaning an overseas worker could pay a significant percentage of that just to send the remittance. MacGregor Dep. at 22:1-17. nTrust provides a less expensive means. *Id.* at 7:8-12, 22:18-23:23. Its goal is to get its service fees down to "zero." *Id.* at 20:9.

To use nTrust's services, an individual signs on and creates a cloud account at nTrust's website or mobile application. *Id.* at 16:7-17:14, 31:12-25. The user then deposits funds to the nTrust cloud account from a variety of sources - *e.g.,* via credit card payment, bank account withdrawal, or over the counter at nTrust's partners. *Id.* at 16:7-17:14. After funds are deposited, those funds can be moved instantaneously from a sending user's cloud account to any receiving user's cloud account. *Id.* at 16:7-17:25. The receiving user can then: (1) withdraw those funds (in cash) over the counter at some nTrust partners; (2) load a physical prepaid debit card (offered currently on the MasterCard payment network) and use the card to withdraw cash from an ATM or as a payment method to purchase items. *Id.* at 16:7-17:14.

Because nTrust enables P2P money transfers over the Internet between users' cloud accounts, it effectuates transfers on a faster basis and does not require physical agents. *Id.* at 8:24-9:8. It is also able to avoid the higher charges imposed by companies that use physical offices or agents for cash pickup (like Western Union). *Id.* And as a P2P person payment service, nTrust does not require the sending user to know the recipient's bank account information. *Id.* at 25:15-22. In fact, it is important for nTrust to provide ways for recipients to get money out of their cloud ***without involving any bank account*** – precisely because international remittances often involve a younger more tech savvy user sending funds back to an older, less tech savvy person (*i.e.,* parent back home in the Philippines). *Id.* at 27:8-29:2.

In addition to enabling P2P transfers, nTrust offers person-to-***merchant*** payment capabilities. In other words, individual users can use funds from their cloud account to pay local merchants (such as to

pay for a taco at a neighborhood taco truck). *Id.* at 29:3-31:11.

To offer its services, nTrust needs to be licensed as a MSB from appropriate governmental agencies in its operating jurisdictions. *Id.* at 32:17-33:5. It currently offers services in Canada and the Philippines. *Id.* at 32:1-4. nTrust plans to offer services in the United States but does not currently do so (as it is not yet licensed in the U.S.). *Id.* at 32:5-9; 33:6-8.

nTrust is not licensed anywhere as a bank. *Id.* at 131:2-13. In fact, because banks are not viewed favorably by consumers, nTrust ***does not want to be perceived as a bank*** and tells consumers it is not a bank. *Id.* at 127:22-128:25. It is also important from a regulatory perspective for nTrust to not be viewed as a bank – which would trigger other regulatory requirements. *Id.* at 130:10-131:13. Nor does nTrust currently offer nor intend to offer what could be conceived as "banking services." *Id.* at 49:13-21; 64:24-65:3. Specifically, nTrust will not offer in the U.S. these services (which are identified, in addition to the general "banking services," in Intrust Bank's trademark registrations): online debit card or banking card services (*id.* at 65:4-7), merchant services such as credit card and debit card services (*id.* at 65:8-11), wealth management services (*id.* at 65:12-14), management of trust and investment accounts (*id.* at 65:15-17), non-commercial banking service (*id.* at 65:18-20), and upgraded checking account service (*id.* at 65:21-23). Thus, nTrust's trademark application neither includes nor refers to such services.

Furthermore, none of nTrust's users — account holders who either send or receive funds — need a bank account in order to use the service. *Id.* at 38:16-22. (Indeed, it was created for unbanked consumers.) The average amount deposited in nTrust accounts is "quite low" — the system was never intended for nTrust clouds to hold significant amounts of money – and the average transaction is $20 or less. *Id.* at 50:7-52:17; 55:9-25. This is consistent with nTrust not being a bank – where customers deposit larger amounts of money for long term holding. *See, e.g.*, Morrison Dep. at 43:2-8 and Ex. 53 (showing $1,224.73 is the average dollar amount deposited per Intrust Bank customer using just mobile deposit services). In part, this may be attributed to the fact that nTrust, unlike a bank, does not and cannot pay interest to users on their deposited funds. MacGregor Dep. at 56:1-9. Thus, there is no incentive for consumers to deposit large amounts into their nTrust clouds or leave funds there long term.

Also, unlike banks, nTrust has no physical branches in its current countries of operation, and does intend to have any physical branches anywhere; it operates entirely online. Not surprisingly, as a new digital service transfer, nTrust's target customer demographic skews younger; the majority of its current users (in its current operating countries) are age 20 to 34. *Id.* at 50:7-51:3; 53:2-54:9. Its advertising strategy focuses on online and social media advertising (such as on Facebook) to target a younger customer demographic. *Id.* at 62:15-63:12.[3]

Finally, whenever nTrust does launch its services in the United States, it plans to do so initially only in these states: California, New York, Alaska, Florida, Illinois and New Jersey. *Id.* at 66:4-18. nTrust does not intend to target customers nor advertise in Kansas, Oklahoma or Arkansas (the three states where Intrust Bank's customers are primarily located). *Id.* at 67:15-68:11.

C. The NTRUST Mark

nTrust's founder and CEO chose the NTRUST mark because it played on the word "trust" and Internet. MacGregor Dep. at 3:16-17; 9:9-10:10;11:5-8. The mark is to be written with a lowercase "n" and capital "T" ("nTrust"); the lower case "n" connotes the Internet or net, like the lowercase "i" in iPad or iPod. *Id.* at 10:16-11:1. He liked the word "trust" because the company was going to offer new online services dealing with people's money, so "trust" was a key for success. *Id.*

In its brief, Intrust Bank incorrectly recites nTrust's original identification of services. On February 24, 2011, nTrust filed an intent to use application for register NTRUST in a single class (class 36). In an Office Action dated June 7, 2011, the examining attorney found no conflicting marks that would bar registration, but asked for clarification of two items in the identification of services: (1) requesting that "in trust" be added to this item as follows: "cashless purchasing services for merchants and consumers whereby purchase monies are held **<u>in trust</u>** and sent to merchants upon sales to

[3] Intrust Bank misleadingly points to statements on nTrust's website that it is "regulated like a bank" and provides "bank level security" to suggest that nTrust is like "banking services." Intrust Bank Brief at 3 and 15. But these statements do not show consumer perception of these services and as Mr. MacGregor explained, were made for other marketing and regulatory reasons. MacGregor Dep. at 128:4-131:13 (to appeal to those that dislike banks and to clarify from regulatory perspective); 101:5-102:19. (comparison made only of security nTrust provides, referencing Payment Card Industry Standard).

consumers; and (2) the item "providing financial fraud protection and prevention" should be in separate class 45. Ex. 201 at N00029-31. On November 15, 2011, nTrust amended its description of services in accordance with those recommendations. *Id.* at N00022-25. The NTRUST mark was subsequently published for opposition on December 28, 2011, for the following services now in two classes:

- In class 36 (six service items): Financial services conducted via electronic communications networks, namely, electronic funds transfer; bill payment services; cashless purchasing services for merchants and consumers whereby purchase monies are held in trust and sent to merchants upon sales to consumers; stored value card services; electronic money issuance and transfer services; direct deposit of funds into customer bank accounts
- In class 45: Providing financial fraud protection and prevention.

After nTrust submitted its response to the Office Action, Intrust Bank submitted a Letter of Protest against nTrust's application, arguing likelihood of confusion with its INTRUST-formative registrations. Via a December 8, 2011 Letter of Protest Memorandum, the examining attorney was instructed to consider Intrust Bank's objections. *Id.* at N00011-13. Thereafter, with full knowledge of — but obviously finding no likelihood of confusion with — Intrust Bank's registered marks, the examining attorney found NTRUST entitled to registration and issued a Notice of Publication. *Id.* at N00005-9. After the mark was published, Intrust Bank filed its Notice of Opposition in this action.

D. Intrust Bank Has Limited Consumer Awareness of It Marks Outside of Kansas

Intrust Bank admits that it has not established the high level of recognition of a national bank. Instead, it only claims to be "regionally renowned" but still suggests that its marks deserve a heightened scope of protection. ***However, it has not conducted studies of its brand awareness among consumers, even for its home state of Kansas.*** Elliott Dep. at 242:2-7. The evidence confirms that while it may have a national bank charter, Intrust Bank has a regional customer base that is narrower than painted in its opening brief. It has a total of 46 physical branches in only three states, Kansas, Oklahoma, and Arkansas. Elliott Dep. at 6:15-22; 190:7-191:2. But virtually all of its locations (39) are in Kansas (and

the majority of those are only in Wichita).[4] *Id.* at 190:14-20. Outside of Kansas, it only has 6 locations in Oklahoma (in 5 cities); and in Arkansas, it has a single location in a single city (Rogers). *Id.* at 243:13-244:6. Intrust Bank customers are geographically concentrated in the foregoing markets where it actually has physical locations (*id.* at 217:5-10); ***in fact, the majority ("more than likely" over 50%) of its customers are in just Sedgwick County).*** *Id.* at 244:11-17. Intrust has customers in "warm" areas of the United States (presumably retirement areas to which Midwest customers have moved) but they are "a small percentage compared to the whole" (*id.* at 217:20-218:7).

While Intrust Bank proclaims that it spends millions in advertising, it targets advertising to only those geographic markets where it has physical locations (*id.* at 244:23-245:2), and has never done a national buy for TV ads, radio ads, online ads, billboards or even print ads (*id.* at 246:16-25-247:16). Its television ad buys are on local and cable broadcasts - primarily in just Sedgwick and Butler counties, Kansas. *Id.* at 246:1-12. For Internet keyword advertising, Intrust Bank buys ads only for markets where it is physically located - but not even in Arkansas (*i.e.,* only for users in Kansas and Oklahoma). *Id.* at 249:25-251:23. That is because for Intrust Bank's website (*id.* at 40:22-25), the majority of traffic — more than 50%— comes from a single geographic market within Kansas: the city of Wichita (*id.* at 255:15-18; Ex. 119). Its next biggest source of website traffic comes from Topeka with 2.4%; no other measured market generates more than 3%. *Id.* at 255:19-256:5.

Intrust Bank touts the fact that it purchased the naming rights to an arena as evidence of promoting its brand. Intrust Bank Brief at 7. But, again, the arena (notably branded "Intrust Bank Arena" – not "Intrust Arena") is located in downtown Wichita and its exposure is limited because it is not the home arena for any national or college sports teams; it serves as the location for concerts, a limited number of NBA exhibition games and a couple of games a year for Wichita State and Kansas State, as well as the early rounds of the women's NCAA tournament. Elliott Dep. at 84:11-85:17.

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[4] In Kansas, Intrust Bank's physical locations are in Sedgwick county (where Wichita is located), Butler county, Junction city, Manhattan, Topeka, Lawrence, and Kansas City. In Oklahoma, it has only six branches in five cities (Oklahoma City, Edmond, Moore, Mustang and Norman). And in Arkansas, it has a single branch in just one city. Elliott Dep. at 242:2-244:6.

Not surprisingly, brand awareness of INTRUST-related marks is strongest in Wichita, Kansas. *Id.* at 241:23-242:1; 242:15-18. Intrust Bank also has brand awareness in other specific cities and counties where it has physical locations (Kansas, five cities in Oklahoma and one city in Arkansas) – but only among its actual customer base. *Id.* at 241:19-244:17. It admits that it does not have a high level of brand awareness outside its customer base in Kansas. *Id.* at 242:8-11.

Intrust Bank also admits that it has a "relatively old" customer base, ***with 58% of its customers age 55 and older***. *Id.* at 226:7-20; 227:15-20; Ex. 114. It concedes such older customers are less likely to use mobile financial services – for which the target demographic is age 18-34. *Id.* at 227:25-228:11.

E. Intrust Bank's Marks

Intrust Bank identifies 12 registrations which it uses to oppose nTrust's application. But one of those marks, INTRUST VALUE PACK (Reg. No. 3,219,237)**,** was cancelled on October 25, 2013 (due to failure to file a Section 8 declaration), and was for a service that no longer exists. *See* Elliott Dep. at 203:23-204:11; 37 C.F.R. § 2.122(b) (the file of a particular registration that is the subject of the proceeding forms part of the record); TBMP § 704.03(a). Thus, that mark cannot form the basis for this opposition, and the Board can easily dismiss the opposition with respect to INTRUST VALUE PACK.

As for the remaining eleven marks, Intrust Bank attempts to gloss over differences between each of them – and how that affects the likelihood of confusion analysis – by lumping them all together into its definition of "INTRUST marks." But only one mark is for the word INTRUST by itself; the other ten registrations are for marks comprised of INTRUST + other words. The registrations also span some different subsets of financial services (all in Class 36):

- Seven marks are registered for simply "banking services" (INTRUST, I INTRUST BANK (stylized), INTRUST BANK, N.A., INTRUST FINANCIAL CORPORATION, INTRUST BANK, INTRUST 24 HOUR BANKING, and I TRUST INTRUST). Except for the slogan I TRUST INTRUST (registered in 2009), these registrations date back to 1993 and 1994.
    - Two more marks (INTRUST CARD CENTER and INTRUST CHECK CARD) are registered for narrower services within the subset of "banking services": "credit card services" and "on

line debit card services." They were registered in 1994 and 1996, respectively.

- Two registrations do not mention banking services, but relate to other financial services:
  - INTRUST MERCHANT SERVICES is registered for "merchant services," namely "credit card and debit card services"
  - INTRUST WEALTH MANAGEMENT is registered for "management of trusts and investment accounts."

None of Intrust Bank's registrations refer to the six specific items listed by nTrust for Class 36 or the seventh item listed for Class 45. None are in Class 45 at all. None are limited by channel of trade – as nTrust's application is – to financial services "conducted via electronic communications networks."

V. ARGUMENT

The seminal *DuPont* case lists 13 factors that may be considered in testing for likelihood of confusion. *Application of E.I. Du Pont De Nemours & Co.*, 476 F.2d 1357, 1360-62, 177 U.S.P.Q. 563(CCPA 1973). The relevant factors here are:

(1) The similarity and nature of the goods or services as described in an application or registration or in connection with which a prior mark is in use;

(2) The fame of the prior mark;

(3) The similarity of the marks in their entireties as to appearance, sound, connotation and commercial impression;

(4) The similarity or dissimilarity of established, likely-to-continue trade channels;

(5) The conditions under which, and buyers to whom, sales are made (i.e., "impulse" vs. careful, sophisticated purchasing);

(6) The number and nature of similar marks in use on similar goods;

(7) The nature and extent of any actual confusion;

(8) The market interface between the applicant and the owner of a prior mark;

(9) The extent of potential confusion, whether *de minimis* or substantial; and

(10) Whether the applicant has the right to exclude others from use of its marks on its goods.

As the opposer, Intrust Bank has the burden of proof - which it has failed to carry here. *Bose Corp. v. QSC Audio Prods. Inc.*, 293 F.3d 1367, 1370, 63 U.S.P.Q.2d 1303, 1305 (Fed. Cir. 2002); *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1309, 113 U.S.P.Q.2d 2045 (2015) (citing 37 C.F.R. § 2.116(b)); TBMP § 702.04(a) ("In either an opposition or cancellation, the burden of proof remains with the plaintiff, who must establish its case by a preponderance of evidence.").

A. The Services In Intrust Bank's Registrations and nTrust's Application Are Not Similar

A key factor is whether the parties' claimed services are similar, and that requires a threshold examination of what are "banking services" – which are the only service item identified in seven of Intrust Bank's asserted registrations and which are the "parent" category for two other registrations. As explained below, Intrust Bank incorrectly points to online financial services it offers ***in practice*** or ***could be perceived*** to offer; but when viewed on the face of the parties' competing registrations vs. application, the claimed services are not similar. Intrust Bank also offers an over-reaching and circular definition of "banking services" to mean "the business of a bank" – in other words, anything a bank does or can do. That approach would subsume almost the entirety of financial services – as evidenced by Intrust Bank's argument that "the 'financial services' referenced in nTrust's application – including bill pay, electronic funds transfer, direct deposit of funds, physical cards for purchasing goods, and financial fraud protection – are part of 'the business of a bank' and therefore fall within the types of services encompassed by Intrust's marks." (Intrust Bank Brief at 13.). Intrust Bank provides no regulatory or evidentiary support to meet its burden of proving that these service items are "the business of a bank." Instead, the Board should adopt nTrust's more logical approach – to limit "banking services" to only those services uniquely permitted by a bank charter or license. The electronic money transfer services listed in nTrust's application – commonly offered by non-bank technology companies such as Apple and Google – are distinct enough such that consumers are not likely to confuse them with banking services.

1. <u>On Their Face, the Parties' Descriptions of Services Are Different</u>

To determine similarity of goods and services "requires a comparison between the goods or services described in the application and those described in the registration," rather than what the

evidence shows the goods or services to be in practice. *Coach Servs., Inc., v. Triumph Learning LLC*, 668 F.3d 1356, 1369, 101 U.S.P.Q.2d 1713 (Fed. Cir. 2012) (upholding Board's conclusion that the parties' goods as identified in the application and registration are not related and there was no likelihood of confusion). *See also Hewlett-Packard Co. v. Packard Press, Inc.*, 281 F.3d 1261, 1266, 62 U.S.P.Q.2d 1001 (Fed. Cir. 2002); *Octocom Sys.,Inc. v. Houston Computer Servs., Inc.*, 918 F.2d 937, 943, 16 U.S.P.Q.2d 1783 (Fed. Cir. 1990). A "registration constitutes prima facie evidence of a protected interest with respect to the goods specified in the registration only." *Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352, 1354, 228 U.S.P.Q. 346 (9th Cir. 1985) (citing 15 U.S.C. § 1115); *interState Net Bank v. Netb@nk, Inc.*, 221 F. Supp. 2d 513, 520 (D.N.J. 2002); *S. Indus., Inc. v. GMI Holdings, Inc.*, 1998 U.S. Dist. LEXIS 1780, *7 (N.D. Ill. Jan. 30, 1998) (only extends as far as the goods noted in registration).

Intrust Bank spends significant portions of its opening brief arguing that services it provides (and what it wants to provide in the future – such as online P2P payments) are similar to what nTrust will provide, and that banks can be ***perceived*** to provide the services recited in nTrust's application. But that is not the test. Instead, when the Board focuses on the face of Intrust Bank's registrations, it is evident they do not describe the same – or even similar - services as those set forth in nTrust's application.

The Intrust Bank registrations (all in Class 36 only) cover these services:

- "banking services" - INTRUST, I INTRUST BANK (stylized), INTRUST BANK, N.A., INTRUST FINANCIAL CORPORATION, INTRUST BANK, INTRUST 24 HOUR BANKING, and I TRUST INTRUST;
- "banking services, namely credit card services" - INTRUST CARD CENTER;
- "banking card services, specifically on line debit card" - INTRUST CHECK CARD;
- "merchant services, namely, credit card and debit card services" - INTRUST MERCHANT SERVICES; and
- "financial services, namely, management of trusts and investment accounts" - INTRUST WEALTH MANAGEMENT.

Exs. 102-110, 112-113.[5] In contrast, the NRUST application (Ex. 201 at N00001) in Class 36 lists six specific financial service items, all limited to being ***conducted via electronic communications networks***:

> "electronic funds transfer; bill payment services; cashless purchasing services for merchants and consumers whereby purchase monies are held in trust and sent to merchants upon sales to consumers; stored value card services; electronic money issuance and transfer services; and direct deposit of funds into customer bank accounts."

In class 45, the NTRUST application is only for "Providing financial fraud protection and prevention."

No services described in nTrust's application are the same, or similar, to those in Intrust Bank's registrations. This is especially apparent with nTrust's Class 45 application – because Intrust Bank has no registration - in Class 45 or anywhere - that mentions anything related to "financial fraud protection and prevention." Indeed, it is unclear whether Intrust Bank even challenges that part of nTrust's application. As discussed above, it incorrectly quotes nTrust's original identification of services for a single Class 36 application; but nTrust amended its application to divide "providing financial fraud protection and prevention" to class 45. In its trial brief, Intrust Bank makes only passing reference to its own purported offerings – in practice - of fraud protection services. *See* Intrust Bank Brief at 8.[6] But it completely sidesteps the fatal point that it has no registered rights in class 45 or for fraud protection and detection. The Board can easily conclude there is no similarity between nTrust's claimed Class 45 services, and the unrelated banking, merchant, and wealth management services recited in Intrust Bank's registrations.

In Class 36, four Intrust Bank registrations are easily disregarded as covering dissimilar services:

- INTRUST WEALTH MANAGEMENT: nTrust's application does not refer to "managing trusts and investment accounts" recited in this registration, or anything related to wealth management.
- INTRUST MERCHANT SERVICES: None of nTrust's claimed services reference "credit card

[5] As noted above, one of Intrust Bank's marks, INTRUST VALUE PACK, was cancelled and thus cannot be considered for purposes of determining similarity of described services.

[6] To the extent what Intrust Bank actually offers in practice is even relevant, its witnesses admitted that any fraud protection services that it provides are merely incidental to its other services – *i.e.,* to fulfill consumer expectations that online banking methods are secure - and not offered under any INTRUST mark as a stand-alone service. Elliott Dep. at 296:3-297:4; Morrison Dep. at 112:7-113:12; 117:16-19.

and debit card services" or any "merchant services," as recited in this registration. nTrust's only reference to merchants is for "cashless purchasing services for merchants and consumers whereby purchase monies are held and sent to merchants upon sales to consumers." This is not similar to "credit card and debit card services" and does not involve cards at all. The only mention of "cards" in nTrust's application - "stored value card services" - are wholly different types of cards (which do not involve lending credit, or linking to a consumer's bank account for debiting).

- Comparing against the INTRUST CARD CENTER and INTRUST CHECK CARD registrations, nTrust's application includes no reference to "online debit card" or "credit card services" as subsets of banking services. As noted above, nTrust's application only refers to "stored value card services" – which are materially different than online debit or credit cards.

That leaves Intrust Bank's seven registrations in Class 36 for just "banking services". The Board can quickly see that nTrust's application does not reference "banking services" or "banking" at all. The only mention of a "bank" is nTrust's item for "direct deposit of funds into customer bank accounts." Direct depositing is of course not itself a banking service, and can be provided by many non-bank businesses (such as payroll service directly depositing salary payments into an employee's bank account). All of nTrust's claimed services relate to movement of funds — such as "electronic funds transfer," "bill payment services" and "electronic money issuance and transfer services." While banks may also offer these services, these are broader types of financial services (offered by many non-bank companies) and are not similar enough to banking services to create likely consumer confusion.

Indeed, case law has established that "electronic payment" services, including an online P2P payment service — which form the crux of nTrust's application — are ***not*** similar to "banking services." The Board's decision in *Citigroup Inc. v. Capital City Bank Group, Inc.*. 94 U.S.P.Q.2d 1645 (TTAB 2010) is highly instructive. There, the applicant (Capital City Bank) asserted a prior registration (or laches) defense against opposer Citigroup – *i.e.,* arguing it already owned three incontestable registrations for marks incorporating CAPITAL CITY BANK for banking services, and thus Citigroup would not be damaged by registration of four new applications. That defense required the Board to examine whether

the applicant's prior registrations were for essentially the same mark and the essentially the same services covered by its new applications. The Board found that "the services in applicant's registered marks ('banking services') are not substantially identical to the services in [its new] applications." *Id.* at 1652. In particular, its new application for (among other things) "electronic payment, namely, electronic processing and transmission of bill payment data," and securities brokerage and administration services was found to be ***different*** than "banking services." The Board concluded: "While all the activities in the applications and registrations may fall under the broad umbrella of financial services, the applications include services different from the banking services listed in the registrations." *Id.* at 1652-1653. Thus, "electronic payment" and "electronic processing and transmission of bill payment data" - which are similar to the electronic financial services in nTrust's application - are not the same as "banking services."

Equally instructive is *interState Net Bank v. Netb@nk, Inc.*, 348 F. Supp. 2d 340, 77 U.S.P.Q.2d 1015 (D.N.J. 2004), a case highly similar to this one because it involved whether a mark registered for "banking services" also covered "electronic payment services." A company called Software Agents registered the mark NETBANK in Class 36 for "electronic payment services featuring a system of electronic money coupons that are exchanged by means of on-line computer service." 348 F. Supp. 2d at 344. Software Agents "was not a bank, did not intend to establish a bank and did not apply the mark to banking services." *Id.* A second company, Internet Organizing Group, Inc. ("IOG"), subsequently purchased the NETBANK registration from Software Agents and began using it in connection with Internet banking run through another entity. *Id.* at 345-46. IOG was unable, however, to obtain a registration for NETBANK for Internet banking because the USPTO considered the mark generic for banking services. *Id.* at 346. IOG then tried to enforce the already registered NETBANK registration (for electronic payment services registration) against companies using allegedly similar terms and was sued by one of those companies in a declaratory relief action. *Id.* at 346-47. In resolving a motion for summary judgment against IOG, the Court found that the original registration for NETBANK for "electronic payment services" was ***not*** the same basic service as "banking services." *Id.* at 351. "[T]he two services are substantially distinct, as the two services perform entirely different functions and appeal to vastly

disparate customer groups. Those distinctions, moreover, outweigh any superficial similarity." *Id.* at 351. The Court emphasized that Software Agents, the company that first registered the mark, was not a bank, did not intend to establish a bank and did not apply the mark to banking services. *Id.* at 344, 349-50. Importantly, it further found that the original use of the NETBANK mark was to facilitate ***person to person payments between merchants and customers*** signed up for the NETBANK service – something that was ***not*** a banking service. *Id.* at 349. This case thus confirms key points in nTrust's favor: neither electronic payment services nor P2P payments between merchants and consumers are banking services.

This is likely why, throughout its brief, Intrust Bank makes the overreaching claim that its registrations describe not just "banking services," but also "financial services." Intrust Bank Brief at 14 ("Intrust's registrations describe financial services and banking services"); at 15 ("The banking services offered by a bank are, by their very nature, financial services."). Such a broad identification of "financial services" is not supported by Intrust Bank's registrations – which on their face only describe discrete ***subsets*** of financial services. Only one of the registrations even uses the term "financial services" — INTRUST WEALTH MANAGEMENT– which is further limited to only "management of trusts and investment accounts." Ex. 112. All of Intrust Bank's other registrations are confined to banking services (or further subsets thereof), and subsets of banking card and merchant services. This is not surprising because no trademark applicant could ever obtain registration for just "financial services," without further specification, as that would occupy almost the entirety of Class 36.

It is also why the Board in *Citigroup* explained that "banking services" do not encompass all "financial services." Because one of the applications in *Citigroup* included "banking service" as a separate and distinct service, "[t]his belies applicant's assertion that financial services are substantially identical to banking services. If banking services encompassed all financial services, there would be no need for applicant to recite anything other than banking services. Furthermore, there is no evidence in the record regarding the relationship between banking services and financial services and when banks expanded beyond ***traditional banking services*** and began rendering other types of financial services." 94 U.S.P.Q.2d at 1653 n.19 (emphasis added). Thus, it is evident from the face of nTrust's application that

its claimed financial services are not the same as, nor similar to, "banking services."

2. Intrust Bank's Definition of "Banking Services" Is Overreaching

Unable to re-write its registrations to be for broader "financial services," Intrust Bank asks the Board to adopt an overreaching definition of "banking services" that covers anything a bank ***could*** do or be ***perceived*** to do – which would yield ludicrous results. Thus, an important threshold question for the Board to answer is what exactly are "banking services" covered by many of Intrust Bank's registrations?

Intrust Bank's witnesses (all designated to testify as corporate witnesses) could not offer a sensible definition. When asked to define the "banking services" covered by the registrations, one witness testified that it includes just about anything a bank does. (Elliott Dep. at 171:6-22; 182:11-24; 263:21-23). (That testimony came from Lisa Elliott, senior manager for marketing, whose responsibilities include dealing with Intrust Bank's trademark applications and enforcement).

Thomas Morrison (Intrust Bank's witness knowledgeable about payments technology) offered this test to determine what are banking services: if consumers would ***perceive*** something as originating from a bank, it is a banking service (even if the service goes beyond that permitted by the bank's charter):

> Q: And would you agree with me that the activities it is licensed to provide under that [bank] charter are banking services?
> A: I would agree that the service that we provide under our charter are perceived by customers as banking services.
> Q: And if Intrust Bank provides services that are not authorized by that [bank] charter, are those banking services too?
> [Objection omitted]
> A: I think our customers would perceive anything that we provided to them as a banking service.
> Q: So anything the bank provides will be perceived in your mind by customers as a banking service?
> A: I would agree with that.

Id. at 86:11-87:2. Taking this to the extreme, he concluded: "I believe that our customers would perceive ***anything that we do*** as a banking service" – even if it is something a bank has not traditionally done in the past. *Id.* at 88:4-17. Intrust Bank now advances that as the test for what are "banking services"; it argues that even if nTrust's money-moving services are not technically "banking services," they are

related to banking services in the mind of consumers. Intrust Bank Brief at 13-14.[7]

But Intrust Bank's approach is replete with problems. Indicative of inherent deficiencies trying to define "banking services" to be anything a bank does or could be perceived to do, the witnesses could not meaningfully differentiate between when something was a "banking service" and when it was not. Ms. Elliott testified that notarizing documents constitutes a "banking service" as long as a bank does it (Elliott Dep. at 182:11-24), but acknowledged the same activities that banks provide would ***not*** be "banking services" if a non-bank did them (*id.* at 235:20-236:11). Mr. Morrison also claims that notarizing documents would be a banking service, and went even further to say that even operating a photocopy service – like Kinko's – could be a banking service – as long as such services are provided by a bank. (Morrison Dep. at 87:3-24.) Going even further, if the bank started selling lemonade: "if customers consistently over time purchased lemonade from us, they would perceive that as banking services." *Id.* at 18-25. And if the lemonade example seems ludicrous, Ms. Elliott went equally far to suggest that selling hamburgers inside bank branches would be a "banking service" - because it is done by the bank:

> Q: So you told me earlier than when they're not provided by a bank, they're not banking services; is that right?
> A: Yes.
> Q: Even if it's not something the bank is authorized by its charter to do?
> A: What would be - - what's an example of something we wouldn't be authorized to do?
> Q: I walk in, I want a document notarized, is that a banking service?
> A: I believe it's a service we provide as a bank, so I throw it under that category.
> Q: Even if your charter doesn't talk about licensing a bank to notarized documents?
> A: Yes.
> Q: Therefore, it becomes a banking service?
> A: It's -- yes.
> Q: So if you want to start selling hamburgers tomorrow in your bank branches, is that a banking service?
> A: It would be a service that we would be providing.

Elliot Dep. at 263:17:-264:16.

The problem with Intrust Bank's approach was also apparent when its witnesses were asked about electronic money transfer services. Ms. Elliott testified that if a ***non-bank*** such as Western Union or

[7] At another point in his deposition, Mr. Morrison offered a slightly more limited definition of banking service as a "service provided to customers for the movement of money and access to funds." Deposition of Thomas Morrison ("Morrison Dep."), at 85:3-7. But even that is too broad as it would encompass any service related to moving money – including money services businesses, which are separate from banks.

PayPal were offering electronic money issuance and transfer service or a ***non-bank*** such as PopMoney and ZashPay were offering P2P payment services, those services would ***not*** be a "banking service" simply because they are being offered by a ***non-bank.*** *Id.* at 175:11-176:14; 235:16-236:11. She said "If they're not a bank and they're offering that service, then I wouldn't consider them a bank. . . I wouldn't consider it a banking service that they were offering." *Id.* at 235:6-11. This of course is an admission that none of nTrust's claimed services are "banking services" because nTrust is undisputedly not a bank.

Thus, the testimony reveals the inherent fallacy with Intrust Bank's proffered definition – which turns entirely on the ***nature of the company*** offering the service, rather than examining the ***nature of the service*** itself. Just because a bank entity provides or could be perceived to provide a service does not automatically make that a "banking service." If Intrust Bank were to start operating coffee stands inside bank branches, would such coffee sales be a "banking service"? If Intrust Bank sold INTRUST-branded t-shirts, sweatshirts and other clothing items, would that make such products a "banking service"?

For case law support, Intrust Bank relies on *In re Arcus Capital Partners, LLC*, 2012 TTAB LEXIS 412, *9 (TTAB Oct. 26, 2012) to argue that "banking services" should be defined as "the business of a bank." Intrust Bank Brief at 16. As discussed below, the phrase "business of banking" comes from federal statutes and regulations that govern banking. But that phrase presents a rather circular and unmeaningful attempt to define what are "banking services" for trademark purposes. Not surprisingly, *Arcus* is a non-precedential decision of the Board. Even if the Board looks to *Arcus*, the decision is distinguishable and confined to its specific facts. There, the Board never really defined what are "banking services." Instead, it referenced the examining attorney's finding that "banking services" may be defined as "the business of a bank," but never itself adopted this circular construction; nor did it expound on what it meant to be in "the business of a bank" beyond the specific factual situation before it. *Id.* at *9. Looking to those specific facts, the Board referenced evidence considered by the examining attorney of "traditional banking services, including checking and savings accounts" and then what are described as "financial investment services, including 'wealth management' under the same mark" and "administration of health savings accounts." *Id.* at *9-17. The only implication drawn by the Board was that "financial

investment services" are part of "banking services." *Id.* at *18. The Board found that banks provide the types of "financial investment services" described in the registrations and those could be either covered by or related enough to "banking services." *Id.* This does not amount to an expansive ruling that "banking services" amount to anything that a bank can provide – without further inquiry (and of course nTrust does not even claim "financial investment services").[8] Such a definition would run counter to the numerous cases – summarized below – in which courts have confined "banking services" to the more traditional services provided by banks pursuant to their banking licenses.

Intrust Bank points out that banks are expanding into new areas of service they did not offer before. It cites a number of third-party registrations (Exs. E-1, E-4, E-5, E-7, E-11, E-12 and E-14) by banks that describe service items such as "electronic fund transfer and transaction services," "automatic bill payment services," "online cash accounts from prepaid cash cards," "money transfer services" and "wire transfer services." *See* Intrust Bank Brief at 17-18. Because bank entities have registrations for these specific service items, Intrust Bank concludes that consumers must perceive those as banking services and banks must be "in the business" of offering services recited in nTrust's application. What these third-party registrations really illustrate, however, is the opposite: such specific service items ***are not covered*** by the general umbrella of "banking services."[9] Undermining Intrust Bank's case, they demonstrate that many banks realized that they could not rely on registrations for only "banking services" to cover new offerings enabled by digital technology. Instead, these other banks obtained ***additional and more specific*** registrations so their scope of protection extended to such new product offerings.

That is because the services covered by a registration should be evaluated by looking at what the

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[8] To the extent *Arcus* could be read to conclude that ***any*** services provided by a bank would be perceived by consumers as emanating from the bank's mark, nTrust submits the case was wrongly decided on that point. Just because a bank can provide multiple products and services under the same mark does not mean consumers will perceive all of them as being a "banking service." As illustrated by the non-sensical testimony of Intrust Bank's witnesses, a bank could sell photocopy services, lemonade, and hamburgers under its mark — but that does not magically convert those into "banking services."

[9] Furthermore, except for the Exhibit E-7 registration, all the remaining third-party registrations cited by Intrust Bank (E-1, E-4, E-5, E-11,E-12 and E-14) are for "banking **and financial services"** or "banking ***and financing services***" (emphasis added) – making even more clear that these electronic service items claimed by banking entities are part of the larger pool of "financial services."

registrant contemplated at the time of the application – *i.e.,* what services did Intrust Bank contemplate when it applied for its registrations (mostly in 1993 and 1994). *See interState Net Bank, Inc.*, 221 F. Supp. 2d. at 521 ("Furthermore, there is no evidence indicating that internet banking services had been contemplated as an industry at all at the time of the mark's application.") It is not reasonable (and Intrust offers no supporting evidence) to conclude that Intrust Bank intended back in 1993 or 1994 that its applications cover online money transfer services – which would not have been possible at the infancy of the Internet in the early 1990s. Like the other banks whose registrations for more modern products it cites, Intrust Bank was free to seek new registrations for its marks to cover digital offerings that it now wants to protect. It failed to do so – and must now rely on 20 year-old registrations that never contemplated – and certainly do not expressly cover - the electronic services claimed by nTrust here.

In other contexts, courts have not permitted trademark owners to expansively interpret the goods or services listed in their registrations to include just any item in the same field. *See S. Indus., Inc. v. GMI Holdings, Inc.*, 1998 U.S. Dist. LEXIS 1780, *20 (N.D. Ill. Jan. 30, 1998) (plaintiff cannot claim rights in garage door openers when it sells garage door locks); *Westward Coach Mfg. Co. v. Ford Motor Co.*, 388 F.2d 627, 635, 156 U.S.P.Q. 437 (7th Cir.), *cert. denied*, 392 U.S. 927, 88 S. Ct. 2286, 20 L. Ed. 2d 1386 (1968) ("while the products of the automotive industry are necessary to provide mobility for the products of the trailer industry . . . we cannot say that campers and trailers and sport cars are similar goods . . . ."). The result is the same here. Just because Intrust Bank has registrations for "banking services" does not mean it can claim dominion over anything – especially newer technology services - related to money.

3. <u>"Banking Services" Should Be Defined As Those Banking Activities Uniquely Authorized by a Bank's Charter or License.</u>

Given Intrust Bank's entirely unworkable definition, the Board should adopt a more logical way to define "banking services." nTrust submits that the most logical approach is to view "banking services" as those activities that uniquely require a bank charter and/or license to perform.

Federal statutes and their implementing regulations carefully define what a "bank" is (*see* 31 C.F.R. § 1010.100(d)), and what it may do (*see* 12 C.F.R. § 7.1000, *et seq.* [applying to national banks]).

For example, for national banking associations, 12 U.S.C. § 24 gives authority to engage in all such "incidental powers as shall be necessary to carry on the business of banking." While it and subsequent statutes use the phrase "business of banking" (similar to what Intrust Bank says), 12 U.S.C. § 24 lists specific items to illustrate the business of banking, including "discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; by loaning money on personal security. . . ."

This outline of banking services is reinforced in the implementing regulations. The regulations governing national banks have an entire subpart (12 C.F.R. Part 7, Subpart A) containing 21 regulations (§7.1000 to 7.1021) that define "Bank Powers." These include:

- "money lent at banking offices or at other than banking offices." (12 C.F.R. § 7.1003)
- "Loans originating at other than banking offices." (12 C.F.R. § 7.1004)
- "Credit decisions at other than banking office." (12 C.F.R. § 7.1005)
- "Sale of money orders at nonbanking outlets." (12 C.F.R. § 7.1014)
- "Automatic payment plan account" under which "a savings account will earn dividends at the current rate paid on regular savings accounts." (12 C.F.R. § 7.1018.)

And rules govern what electronic activities a bank may be authorized to do "that are part of, or incidental to, the business of banking under 12 U.S.C. 24 [or other statutory authority]." *See* 12 C.F.R. § 7.5001.

As a result, courts looking at what constitute "banking services" have consistently limited them to traditional banking activities (for which a banking license is required) – such as offering personal and business checking, savings, money market or other bank accounts; extending loans including home mortgage loans and home equity lines of credit; commercial loans and lines of credit; offering certificates of deposit; and paying interest on money deposited with the bank. *See interState Net Bank,* 221 F. Supp. 2d at 344 ("Moreover, Software Agents did not offer checking, savings or other bank accounts, did not extend loans and did not pay interest. The NetBank service thus did not resemble any usual banking service."); *Flagstar Bank, FSB v. Freestar Bank, N.A.*, 687 F. Supp. 2d 811, 818 (C.D. Ill. 2009) ("Freestar offers traditional banking services including checking and savings accounts as well as home

mortgage loans."); *Oriental Fin. Group, Inc. v. Cooperativa de Ahorro y Credito Oriental*, 698 F.3d 9, 13, 105 U.S.P.Q.2d 1128 (1st Cir. 2012) ("Oriental's competitor, Cooperativa, is a non-profit credit union offering various banking services such as personal checking and savings accounts, loans, and credit products."); *Alliance Bank v. New Century Bank*, 742 F. Supp. 2d 532, 538, 98 U.S.P.Q.2d 1292 (E.D. Pa. 2010) ("Alliance provides a full range of banking services, including checking and savings accounts, certificates of deposits, online banking, loan products such as mortgage loans, home equity loans, commercial loans and lines of credit, and other related products and services customary in the banking industry."); *CNB Fin.Corp. v. CNB Community Bank (IO)*, 2004 U.S. Dist. LEXIS 21483, at *3 (E.D. Pa. Sept. 30, 2004) ("CNB, through its subsidiary, provides a variety of banking services, including checking accounts, savings accounts, certificates of deposit, money market accounts, IRA accounts, annuities, and loan products (e.g., consumer loans, mortgage loans, commercial loans)."); *Citigroup Inc. v. City Holding Co.*, 2003 U.S. Dist. LEXIS 1845, *5-6 (S.D.N.Y. Feb. 10, 2003) ("Citigroup provides a broad range of financial services to consumers and corporate customers, including banking services such as checking accounts, savings accounts, loans, credit and debit cards, insurance, travelers checks, mortgages, bill payment services, brokerage services and investment advisory services.")[10]

It is notable that these "traditional" banking services are features which incentivize consumers to use banks as the institutions where they deposit for the long term much (if not all) of their money, and as the source of loans and credit. In contrast, MSBs are typically used by consumers to immediately transfer smaller sums of money (rather than hold long term deposits of large amounts).

Because industries of course evolve, the Office of the Comptroller of the Currency ("OCC") (the bureau which charters, regulates and supervises national banks) sets forth four factors to consider when determining whether a bank is authorized to engage in a ***new activity*** as part of the "business of banking."

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[10] In contrast, insurance services (also in Class 36) — such as issuing life insurance, long-term care insurance, mutual funds, annuities, IRA's, education funding, charitable giving and estate and retirement planning — have been found ***not*** to be "banking services." *Bay State Sav. Bank v. Baystate Fin. Servs., LLC*, 338 F. Supp. 2d 181, 185 (D. Mass 2004). And in one case, the mere offering of credit cards was even insufficient to establish recognition of a bank's mark in connection with traditional banking services. *Popular Bank of Florida v. Banco Popular de Puerto Rico*, 9 F. Supp. 2d 1347,1354 (S.D. Fla. 1998).

These factors can help guide the Board's construction of "banking services" as technology changes. The factors are: (i) whether the activity is the functional equivalent to, or a logical outgrowth of, a recognized banking activity; (ii) whether the activity strengthens the bank by benefiting its customers or its business; (iii) whether the activity involves risks similar in nature to those already assumed by banks; and (iv) whether the activity is authorized for state-chartered banks. 12 C.F.R. § 7.5001(c).

In its Final Rule setting forth this regulation, the OCC explained the basis for these factors. ***Notably, this Final Rule was submitted by Intrust Bank itself as evidence in its Rebuttal Notice of Reliance*** - *see* Ex. K-25 (attaching Final Rule found in Vol. 67, No. 96 (May 17, 2002) of the Federal Register). Relevant here are the OCC's explanations of the first and second factors. For the first factor, the OCC stated it "is based on judicial precedents approving activities that ***traditionally*** have been performed by banks, that are functionally similar to recognized banking activities, or that represent advances in recognized banking practices." *Id.* (emphasis added). The OCC cited two supporting cases, both of which focus on the ***lending and financial investment activities*** banks traditionally performed. *Id.*, citing *M & M Leasing Corp. v. Seattle First Nat'l Bank*, 563 F.2d 1377 (9th Cir. 1977), *cert. denied*, 436 U.S. 956 (1978) (national bank leasing of personal property permissible because it was functionally interchangeable with loaning money on personal security and is incidental to the express power of loaning money on personal security); and *NationsBank of North Carolina v. Variable Annuity Life Insurance Co.*, 513 U.S. 251, 259-60 (1995) (national bank annuity sales are permissible because they are functionally similar to other financial investment products banks have long been authorized to sell).

Regarding the second factor, the OCC noted that "[e]xamples of the types of activities the OCC would look to include those where the activity increases service, convenience, or options for bank customers or lowers the cost to banks of providing a product or service." *Id.* The OCC also cited two cases to explain this factor, again focusing on traditional banking practices – ***certifying checks and entering into depositors' agreements***. *See Merchants' Bank v. State Bank*, 77 U.S. 604, 648 (1870) ('The practice of certifying checks has grown out of the business needs of the country.''). *See also Clement National Bank v. Vermont*, 231 U.S. 120, 140 (1913) (''the bank should be free to make reasonable

[depositors'] agreements, and thus promote the convenience of its business.'').

Therefore, the regulatory landscape and implementing rules for banks, as well as case law in the trademark context, confirm nTrust's more sensible approach: "banking services" mean only services which a banking charter or license is uniquely required to provide. As outlined above, this would include "traditional" bank services such as offering savings and checking accounts, certificates of deposit, and loan product. As technology evolves, it can include new services which a bank is authorized - such as by the OCC by applying its four-factor test – to provide under the bank charter. There may be situations where banks and non-banks can provide the same service (such as electronic money transfers); those should not be considered be a "banking service" but are instead a ***differen***t type of ***financial service***. Notably, this definitional approach does not preclude banks from registering their marks for ***additional*** financial services that do not fall within regulated "banking services." It simply provides a logical limit on what "banking services" cover – especially in today's digital age where non-banks provide technological means for consumers to transfer money.

4. <u>nTrust's Listed Services Are Not "Banking Services"</u>

With this more logical approach in mind, it is apparent that electronic money transfer services described in nTrust's application are ***not*** banking services nor sufficiently related to create likely consumer confusion. Intrust Bank argues that many banks have registrations for the services described in nTrust's application, and such services must therefore fall under "banking services." Intrust Bank Brief at 16-23. nTrust fully acknowledges that many banks now perform (or want to perform) the activities described in its application. But that just means they are new types of ***financial*** services, not necessarily ***banking*** services. "When two products are part of distinct sectors of a broad product category, they can be sufficiently unrelated that consumers are not likely to assume the products originate from the same mark." *Checkpoint Sys., Inc. v. Check Point Software Tech. Inc.*, 269 F.3d 270, 288, 60 U.S.P.Q.2d 1609 (3rd Cir. 2001). *See Plus Prods. v. Plus Disc. Foods, Inc.*, 722 F.2d 999, 1008, 222 U.S.P.Q. 373 (2d Cir. 1983) (bargain and health foods were not so similar as to create likely confusion); *Nutri/System Inc. v. Con–Stan Indus.*, 809 F.2d 601, 606, U.S.P.Q. 2d 1809 (9th Cir. 1987) (weight loss centers and weight

loss counseling differed in methods, customer groups and facilities); *Astra Pharm. Prods. v. Beckman Instruments, Inc.*, 718 F.2d 1201, 1207, 220 U.S.P.Q. 786 (1st Cir. 1983) (no similarity in medical technology sold to different departments in hospital because "'the hospital community' is not a homogeneous whole, but is composed of separate departments with diverse purchasing requirements, which, in effect, constitute different markets for the parties' respective products."); *Harlem Wizards Entm't Basketball, Inc. v. NBA Props., Inc.*, 952 F. Supp. 1084, 1095 (D.N.J. 1997) (no similarity between professional competitive and "show basketball" teams).

Commerce Nat'l Ins. Servs., Inc. v. Commerce Ins. Agency, Inc., 214 F.3d 432, 441, 55 U.S.P.Q.2d 1098 (3rd Cir. 2000) is particularly instructive. It was a dispute between an insurance agency (Commerce Insurance Agency) and a banking industry company (a subsidiary of Commerce Bancorp) which wanted to enter the insurance business with a variation of its COMMERCE mark. The District Court found likelihood of confusion by assuming that banking and insurance are similar industries in the minds of consumers, and that consumers would expect banks to expand into the insurance industry. The Court of Appeal reversed, finding insufficient evidence that banking and insurance are similar fields. *Id.* at 441. It highlighted that both parties were in two separate and distinctly regulated fields – even noting that New Jersey law severely limited banks from engaging in the general insurance industry at the relevant time. *Id.* at 441-42. Here, the situation is similar – with the parties being a bank and a money services business – each regulated, but distinct, financial services.

Further reinforcing this distinction, it is widely known that numerous ***non-banks*** are already offering in the marketplace, and have registered marks, for the services listed in nTrust's application:

Service	Non-Bank Offering Service	Registrations by Non-Banks in Class 36 (or other classes)
"electronic funds transfer"	PayPal (Ex. G-13), TransferWise (Exs. G-10, G-11), Wal-Mart (Exs. G-1, G-2), Facebook (Exs. G-2, G-12, G-14), WorldRemit (Ex. G-4), Snapchat (Ex. G-	Ex. H-1; Ex. H-2; Ex. H-5; Ex. H-15; Ex. H-16; Ex. H-21; Ex. H-24; Ex. H-42 (classes 9, 36 and 42)

Service	Non-Bank Offering Service	Registrations by Non-Banks in Class 36 (or other classes)
	8), Square (Ex. G-8), Western Union (Exs. G-1, G-2, G-13), MoneyGram (Exs. G-1, G-2, G-13), Xoom (Exs. G-4, G-13), Ria (Ex. G-13), Venmo (Exs. G-8, G-14)	
"bill payment services"	PayNearMe (Ex. G-2), Dwolla (Ex. G-2), Western Union (Ex. G-13), Wal-Mart (Ex. G-1), MSN bill pay, Quicken bill pay (*see* MacGregor Dep. at 41:3-12)	Ex. H-1; Ex. H-2; Ex. H-3; Ex. H-4; Ex. H-5; Ex. H-6; Ex. H-9; Ex. H-16; Ex. H-20; Ex. H-24; Ex. H-27; Ex. H-31; Ex. H-40; Ex. H-42 (classes 9, 36 and 42)
"cashless purchasing services for merchants and consumers whereby purchase monies are held in trust and sent to merchants upon sales to consumers"	Google Wallet (Ex. G-8), Apple Pay (Exs. G-3, G-5, G-8), Starbucks (Exs. G-6, G-7), PayPal, Square (Ex. G-8), Circle (*see also* MacGregor Dep. at 42:13-24)	Ex. H-7; Ex. H-8; Ex. H-9
"stored value card services"	Starbucks, Verizon, Wal-Mart, Target, Walgreens, Green Dot (*see* MacGregor Dep. at 43:11-16; Morrison Dep. at 118:22-119:4)	Ex. H-9 (classes 9 and 36); Ex. H-27 (classes 9 and 36); Ex. H-28; Ex. H-29; Ex. H-30; Ex. H-31; Ex. H-32 (classes 35 and 36); Ex. H-33 (classes 9 and

Service	Non-Bank Offering Service	Registrations by Non-Banks in Class 36 (or other classes)
		36); Ex. H-34; Ex. H-35 (class 16); Ex. H-36 (classes 16 and 36); Ex. H-37 (classes 9 and 36); Ex. H-38; Ex. H-39; Ex. H-40 (classes 9 and 36); Ex. H-41
"electronic money issuance and transfer services"	Wal-Mart (Exs. G-1, G-2), Facebook (Exs. G-2, G-12, G-14), Snapchat (Exs. G-8, G-9), Square (Exs. G-8, G-9), TransferWise (Exs. G-10, G-11), Western Union (Exs. G-1, G-2, G-13),MoneyGram (Exs. G-1, G-2, G-13), PayPal (Ex. G-13), Xoom (Exs. G-4, G-13), Ria (Ex. G-13), Venmo (Exs. G-8, G-14)	Ex. H-20; Ex. H-21; Ex. H-22; Ex. H-23; Ex. H-24; Ex. H-25; Ex. H-42 (classes 9, 36, 41 and 42)
"direct deposit of funds into customer bank accounts"	PayPal, Google Wallet, Apple Pay, ADP (*see* MacGregor Dep. at 46:3-21)	Ex. H-10; Ex. H-11; Ex. H-12; Ex. H-13; Ex. H-14; Ex. H-15; Ex. H-16; Ex. H-17; Ex. H-18; Ex. H-19; Ex. H-26

Consumers are already accustomed to seeing technology companies and other non-banks offer digital money services, and often much earlier than banks; thus, they would not associate such services with just a bank. In fact, given the many non-bank offerings, many consumers would likely believe the opposite to be true – that ***non-banks*** are the primary source for digital money transfer and payment services.[11]

Federal agencies are also publishing reports and guidance about the rise of online P2P payment systems – expressly recognizing they are provided by non-banks. In Ex. F-2, the FDIC explains: "This

[11] Reinforcing this, the service provider (FIS) that Intrust Bank is planning to use for its future P2P services promotes its product by saying it would provide Intrust Bank with a competitive advantage against the non-bank parties already performing these services. Morrison Dep. at 152:16-153:7; Ex. 117.

person-to-person or 'P2P' payment service is offered by some banks and non-banks as an alternative to using cash, checks, debit cards or credit cards." It also notes "your cell phone company" as being an example of a "non-bank service provider" of P2P services. In addition, the Federal Reserve System defines "mobile banking" differently than "mobile payments" in Exhibit F-5's "Consumers and Mobile Financial Services 2015" report. Notably, it defines, surveys consumer usage of, and reports separately for "mobile banking" ("using a mobile phone to access your bank of credit union account") and "mobile payments" ("purchases, bill payments, charitable donations, payments to another person, or any other payments made using a mobile phone."). *See* definitions on pp. 10 and 14 in F-5. Thus, federal agencies distinguish between "banking services" and electronic money transfer.

In sum, the overwhelming weight of financial regulatory instruction, trademark case law, and evidence show that the services claimed on the parties' registrations vs. application materially differ.[12]

B. The INTRUST Marks are Weak and Lack Fame

It is well recognized that "[f]amous or strong marks enjoy a wide latitude of legal protection." *Kenner Parker Toys, Inc. v. Rose Art Indus., Inc.*, 963 F.2d 350, 352, 22 U.S.P.Q.2d 1453 (Fed. Cir. 1992). A mark with extensive public recognition receives more legal protection than a weak or obscure mark. *Id.* The party asserting that its mark is famous must clearly prove it. *Leading Jewelers Guild Inc. v. LJOW Holdings LLC*, 82 U.S.P.Q.2d 1901, 1904 (TTAB 2007). If a party uses a weak mark, competitors may come closer to that mark without violating trademark rights than would be the case with

[12] Intrust Bank does not explicitly argue that nTrust's claimed services are in its natural zone of expansion, but makes one passing reference to the doctrine for the proposition that the parties' respective services need not be identical. *See* Intrust Bank Brief at 21 (citing *Time Warner Entm't Co. v. Jones*, 65 U.S.P.Q.2d 1650, 1661 (TTAB 2002). It is not surprising that Intrust Bank does not expressly invoke the doctrine of natural expansion – because doing so would be admitting that its "banking services" registrations do not already cover nTrust's services.

To the extent Intrust Bank does seek to invoke this doctrine, it has offered no supporting evidence. The proponent of natural expansion must present evidence to show that services argued to be in the natural zone of expansion are associated in the minds of consumers with a bank, and that consumers would expect a bank to expand into these new services. *See Commerce Nat'l Ins. Servs.,* 214 F.3d at 441-442 (assumption by district court that a bank's expansion into insurance was not supported by evidence showing that consumers would consider them similar). Other than conclusory and insufficient statements by its witnesses, Intrust Bank has provided no evidence (such as by consumer survey) that would support this finding and cannot introduce new evidence with its reply brief.

a strong mark. *See* 2 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 11:73 (4th ed. 2009). A weak mark limits the scope of protection to "the substantially identical designation and/or to the subsequent use thereof on substantially similar goods." *Plus Prods. v. Redken Labs., Inc.*, 199 U.S.P.Q. 111, 116 (TTAB 1978). *See also W. E. Kautenberg Co. v. Ekco Products Co.*, 251 F.2d 628, 631, 116 U.S.P.Q. 417 (CCPA 1958) ("If the mark is weak, its protection may have an 'extremely narrow scope' and may indeed be limited to similar goods similarly marketed. Only the strong mark will be protected against infringements arising out of its use in connection with noncompeting goods." (quoting Callman, 3 Callman, Unfair Competition and Trade-Marks (2d ed. 1950) at 1504). Here, the INTRUST marks have not just one, but three major weaknesses.

Weakness #1: the INTRUST marks are descriptive or highly suggestive. "Marks that are descriptive or highly suggestive are entitled to a narrower scope of protection, *i.e.*, are less likely to generate confusion over source identification, than their more fanciful counterparts." *Juice Generation, Inc. v. GS Enters. LLC*, 794 F.3d 1334, 1339, 115 U.S.P.Q.2d 1671 (Fed. Cir. 2015) (reversing Board's determination of likelihood of confusion, because it overlooked whether phrase PEACE & LOVE carries a suggestive or descriptive connotation in food industry and is thus weak); *Grupo Gigante S.A. de C.V. v. Dallo & Co.*, 391 F.3d 1088, 1102, 73 U.S.P.Q.2d 1258 (9th Cir. 2004) ("Descriptive or suggestive marks are relatively weak."); *In re GMC*, 23 U.S.P.Q.2d 1465, 1469 (TTAB 1992) (no likelihood of confusion between GRAND PRIX for "automobiles" and GRAND PRIX for a variety of automotive products (e.g., tires, mufflers, motor oil), holding that the term GRAND PRIX was highly suggestive and entitled to a narrow scope of protection). As Intrust Bank concedes, it relies on the commonly understood definition of "intrust," a variant of "entrust," meaning "to confer a trust on" or "to commit to another with confidence," as the meaning behind the INTRUST part of its marks. Intrust Bank Brief at 12; Elliott Dep. at 23:20-22; 165:22-166:8; Ex. 4. Intrust Bank asserts the purpose of the INTRUST mark is to "convey to consumers the trust that is the foundation of their relationship with the bank." Intrust Bank Brief at 12, citing Elliott Dep. at 40:12-21. Unlike the unique spelling of NTRUST (a coined term design to connote the Internet), Intrust Bank uses "Intrust" without any changed spelling or fanciful elements. Given the

nature of services provided by Intrust Bank – serving as an institution that receives individuals' money in trust for various account or investment related purposes – the INTRUST part of its marks is descriptive or at least highly suggestive of the trust that it seeks to engender with its services.

Furthermore, only one of the marks is INTRUST by itself; the others have additional descriptive words – such as INTRUST BANK or INTRUST CHECK CARD - which are all disclaimed.

Weakness #2: the Intrust marks have limited regional recognition. To be famous, a mark must have extensive public recognition and renown. *Bose Corp. v. QSC Audio Products, Inc.*, 293 F.3d 1367, 1371 63 U.S.P.Q.2d 1303, 1305 (Fed. Cir. 2002). Intrust Bank claims that it has achieved regional renown but its renown is – at best – questionable outside of Kansas. The INTRUST marks are predominantly used in only three states – Kansas, Oklahoma, and Arkansas. *See* Section IV.D., supra. Most of its physical locations are in Wichita, Kansas, with only 6 locations in Oklahoma and a single location in Arkansas. Elliott Dep. at 190:14-20; 244:25-245:2. This is reflected in its customer base – more than 50% are likely in ***just Sedgwick County (where Wichita is located).*** *Id.* at 244:11-17. That also explains why over 50% of its web traffic is from just the Wichita area (where its physical branches are concentrated) and no other market – inside or outside of Kansas – even reaches 3% of its web traffic). *Id.* at 255:15-256:5; Ex. 119 at p. O-00831. Therefore, any "renown" is in reality limited to Sedgwick County, Kansas. But even being more generous, the INTRUST marks' recognizability would be limited to just Kansas – with modest recognizability in Oklahoma and Arkansas.

Out of those three states, the INTRUST marks have little recognition. The advertising and use of the INTRUST marks outside of these states is *de minimis* – focusing primarily on so-called Affinity relationship groups (12 of which were in Kansas, one in Illinois and one in Indiana) for certain Intrust Bank cards and general presence on the Internet. *See* Cullinan Dep. at 95:12-96:3. But Intrust Bank's witness could not even quantify the number of out-of-state users it had of its Affinity cards.

Intrust Bank cites cases to argue that its regional renown is sufficient for heightened protection of its marks, but that authority is easily distinguished. In *O.C. Seacrets, Inc. v. Hotelplan Italia S.p.A.*, 2012 TTAB LEXIS 70, at *11-12 (TTAB Mar. 8, 2012), the Board was heavily influenced by the fact that the

Opposer registrant was a hotel. Because hotels are travel destinations and marketed throughout the U.S. to attract guests from every state, ***not just the area in which it sits***, the Board found there was significant regional renown for the Opposer's mark to support a broader scope of protection. It found the consumer base for a hotel is national, even though the marketing and recognition for Opposer in that case was concentrated in the mid-Atlantic region. Further, the Board found the Opposer's hotel had significant recognition as an attraction, which visiting customers outside the region would know about. Second, in *iMedica Corp. v. Medica Health Plansmedica Health Plans*, 2007 TTAB LEXIS 140, *5-6 (TTAB June 7, 2007), the Board relied on the fact that both parties were using their marks in the same limited geographic area, Minnesota, where the senior user had over 50% of its customers. Therefore, the regional renown had greater weight, because the consumer base and the geographic market were the same for both parties. Finally, the issue in *Ecolab Inc. v. Sumecht NA Inc.*, 2013 TTAB LEXIS 424, *8-9 (TTAB July 29, 2013), was not about fame or regional renown, but instead commercial strength. In fact, the Board found that the renown did not rise to the level of a famous mark, but that the mark was a commercially strong mark entitled to a broad scope of protection – a wholly different analysis.

A bank is clearly not a travel destination like a hotel. For practical reasons, such as access to in-person customer service, teller transactions and ATMs, it does not make sense for most consumers to bank outside their local home area (except for instances when a customer moves away from Kansas but keeps an Intrust Bank account). Online and mobile banking make the interface between customer and bank easier, but they do not themselves increase the overall reach of a bank to new customers outside the bank's home market. Further, nTrust, when it does enter the U.S., is not planning to enter into the same states as Intrust Bank, and will not be competing for the same consumer base. Given the limited regional reach of Intrust Bank, its marks should be accorded a narrow scope of protection.

Weakness #3: the Intrust marks operate in a crowded field of similar marks. "In a crowded field of look-alike marks, each member of the crowd is relatively 'weak' in its ability to prevent use by others in the crowd." 2 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 11:85 (4th ed. 2009); *see Puma-Sportschuhfabriken Rudolf Dassler K.G. v. Superga S.p.A.*, 210 U.S.P.Q. 316,

317 (TTAB 1980) (dismissing opposition and holding that stripe designs on sports shoes are a crowded field; widespread use of similar stripe designs has "narrowed the breadth of protection" in registrant's stripe mark). "Evidence of third-party use of similar marks on similar goods [or services] is relevant to show that a mark is relatively weak and entitled to only a narrow scope of protection." *Palm Bay Imps., Inc. v. Veuve Clicquot Ponsardin Maison Fondee En 1772*, 396 F.3d 1369, 1373, 73 U.S.P.Q.2d 1689 (Fed. Cir. 2005); *In re Coors Brewing Co.*, 343 F.3d 1340, 1345, 68 U.S.P.Q. 1059 (Fed. Cir. 2003) (third-party use can establish that mark is not strong); *Fleetwood Co. v. Mende*, 298 F.2d 797, 799, 132 U.S.P.Q. 458 (CCPA 1962) ("Where a party uses a weak mark, his competitors may come closer to his mark than would be the case with a strong mark without violating his rights.")

Here, the evidence shows there are numerous marks used in commerce for financial services that have similarities to INTRUST marks. *See* Exs. 202-218; MacGregor Dep. at 68:19-70:14. nTrust presented evidence of the following marks registered with "trust" or variations (in the Exhibit I series), and evidence of their actual continued usage in commerce (web pages and documents showing recent usage in the Exhibit J series). While these third-party marks are not necessarily likely to cause confusion with INTRUST marks (just as NTRUST does not), they demonstrate a crowded field of "trust" marks.

Mark	**Description**	**Reg. Exhibit**	**Use Exhibit**
NTRUST	Reg. No. 2,778,670 (Class 36 for "financial services in the field of money lending, namely the processing and disbursement of financial aid funds on behalf of educational institutions and their participating lenders")	I-1	J-18
NTRUST	Reg. No. 3,851,321 (Class 35 for "database administration for others, namely, database management")	I-2	
ENTRUST FINANCIAL	Reg. No. 2,541,717 (Class 36 for "financial planning in the nature of individual retirement plans")	I-3	J-12
THE ENTRUST GROUP	Reg. No. 3,456,660 (Class 36 for "financial services, namely, third party management and record keeping of self-directed tax-deferred or tax-free retirement plans, retirement accountants and trusts")	I-4	J-14

Mark	Description	Reg. Exhibit	Use Exhibit
THE ENTRUST GROUP GREEN IRA	Reg. No. 3,772,135 (Class 36 for "financial services, namely, third party management and record keeping of self-directed tax-deferred or tax-free retirement plans, retirement accounts, and trusts")	I-5	J-14
WINTRUST MORTGAGE	Reg. No. 3,666,386 (Class 36 for "mortgage lending services")	I-6	J-23
WINTRUST COMMERCIAL BANKING	Reg. No. 4,149,962 (Class 36 for "commercial lending services")	I-7	J-23
MNTRUST	Reg. No. 3,756,325 (Class 36 for "trust services, namely, investment and trust company services; financial management")	I-8	J-17
MNTRUST (& design)	Reg. No. 3,789,538 (Class 36 for "trust services, namely, investment and trust company services; financial management")	I-9	J-17
ALLIANCE ENTRUST	Reg. No. 3,793,094 (Class 36 for "financial advisory and consultancy services; financial asset management; financial management; financial portfolio management; financial risk management; financial services, namely, a total portfolio offering for high net worth clients consisting of both separate accounts and mutual funds for equity and fixed income investments; insurance brokerage")	I-10	J-1, J-7
MTRUST	Reg. No. 4,168,374 (Classes 35, 36, 42 and 45, including in class 36 for "providing infrastructure, system, network and service for payment by mobile telecommunications devices, namely, providing secure commercial transactions and payment options using a mobile device as a payment apparatus; and providing consumer protection and security in financial transactions, namely, providing secure commercial transactions and payment options")	I-11	
MTRUST	Reg. No. 4,268,566 (Class 38 for "distribution of media content and promotions for mobile and other telecommunications	I-12	

Mark	Description	Reg. Exhibit	Use Exhibit
	devices, namely mobile media services in the nature of electronic transmission of entertainment media content; providing telecommunications gateway services for mobile media content and promotions; providing infrastructure for payment by mobile telecommunications devices, namely, providing third party users with access to telecommunication infrastructure; providing access to telecommunication networks, namely, providing network and service for payment by mobile telecommunications devices")		
NTRUST FINANCIAL NTRUST IN US	Commonwealth of Massachusetts Application for and Registration (Classes 35, 36 for financial services, mortgage services and real estate service)	I-13	
ENTRUST ADMINISTRATION, INC. (& design)	Reg. No. 3,334,386 (Class 36 for "financial services, namely, third party management and record keeping of self-directed tax-deferred or tax-free retirement plans, retirement accounts, and trusts"). Registered November 13, 2007; cancelled on January 20, 2014 because registrant did not file an acceptable Section 8 declaration.	I-14	J-2, J-3
ENTRUST FEDERAL CREDIT UNION (& design)	Reg. No. 3,939,537 (Class 36 for "credit union services") – later abandoned. Commonwealth of Virginia (Class 36)	I-15, I-16, I-17	J-13
ENTRUST FEDERAL CREDIT UNION – ENTRUST US WITH YOUR FUTURE (& design)	Commonwealth of Virginia (Class 36)	I-18	J-13
ENTRUST	Commonwealth of Virginia (Class 36)	I-19	J-13

Intrust Bank tries to escape this crowded field by arguing that it obtained agreements with ***some*** third-party users of similar marks to cancel or change their marks, and there is no evidence that the remaining third-party marks are being actually used in commerce. Intrust Bank Brief at 27-28. But even though Intrust Bank obtained agreements to halt usage by a limited number of third parties, there remain numerous others still using similar marks. In fact, Intrust Bank casually ignores the evidence showing continued third-party usage of numerous marks: ALLIANCE ENTRUST (Exs. J-1, J-7), ENTRUST ADMINISTRATION SERVICES INC. (J-2), ENTRUST ADMINISTRATION INC. (J-3). ENTRUST BANKCARD (J-8 and J-9; also J-4, J-5, J-10), INTRUST MORTGAGE SERVICES (J-6), ENTRUST CAPITAL (J-11), ENTRUST FINANCIAL (J-12 and J-13), ENTRUST GROUP (J-14); INTRUST GLOBAL INVESTMENTS (J-15 and J-16); MNTRUST (J-17); NTRUST (J-18); NTRUST FINANCIAL (J-19); NTRUST WEALTH MANAGEMENT (J-20 and J-21); NTRUST FINANCIAL (J-22); and WINTRUST (J-23). In sum, Intrust Bank's marks are weak and entitled to a narrow protection.

C. Although the Parties' Marks Have Similarities, They Have Sufficient Differences

nTrust recognizes that INTRUST and NTRUST have similarity. But the Board must consider similarity or dissimilarity of marks in their entireties as to appearance, connotation and commercial impression. *Sports Auth. Mich., Inc. v. PC Auth., Inc.*, 63 U.S.P.Q.2d 1782, 1792 (TTAB 2002). The test is "whether the marks are sufficiently similar in terms of their commercial impression" such that consumers who see the marks would be likely to assume a connection between the parties. *Leading Jewelers Guild,* 82 U.S.P.Q.2d at 1905. Even if marks are identical or nearly identical, differences in connotation can outweigh visual and phonetic similarity. *Coach Servs.,* 668 F.3d at 1368.; *Blue Man Prods. Inc. v. Tarmann*, 75 U.S.P.Q.2d 1811, 1820-21 (TTAB 2005); *In re Sears, Roebuck & Co.*, 2 U.S.P.Q.2d 1312, 1314 (TTAB 1987). In *In re Sears*, the Board considered CROSSOVER for brassieres and CROSSOVER for ladies' sportswear, and found that "[a]s a result of their different meanings when applied to the goods of applicant and registrant, the two marks create different commercial impressions, notwithstanding the fact that they are legally identical in sound and appearance." 2 U.S.P.Q.2d at 1314.

Intrust Bank improperly conflates all of its asserted marks, arguing they are similar to NTRUST.

Yet Intrust Bank's witnesses concede that INTRUST BANK is its primary mark, as opposed to INTRUST itself "[b]ecause we're a bank" and the word bank "better describes what services we provide." Elliott Dep. at 165:12-21. Thus, the most relevant mark to begin comparison is INTRUST BANK (not INTRUST). The addition of the word "bank" after INTRUST does in fact further differentiate the mark from NTRUST – by conveying quite clearly that the source of services is a bank. [13]

Each of Intrust Bank's other marks similarly include additional words after INTRUST. This distinction is important because – even if "Intrust" is viewed as the primary word in those formative marks - the addition of "bank," "24 hour banking," "card center," "merchant services" and other words following "Intrust" serves to distinguish almost all of Intrust Bank's marks from NTRUST. *See In re TSI Brands, Inc.*, 67 U.S.P.Q.2d 1657, 1661-62 (TTAB 2002) (additional words and design elements in a letter mark cannot be ignored and are distinguishing elements). Importantly, when presented one-by-one with each of the marks asserted by Intrust Bank, its senior marketing manager conceded that the addition of words after INTRUST makes those marks different from INTRUST by itself, ***and even change the impression of the marks in the mind of the consumer***. *See* Elliott Dep. at 188:10-16; 189:20-23; 192:7-10; 193:4-8; 195:22-25; 197:8-11; 199:5-13; 203:11-22; 205:18-25; 219:25-15. She admitted that inclusion of other words after INTRUST changes the meaning of those marks – making the focus of the mark the words following INTRUST. *See* Elliott Dep. at 189:1-9; 189:20-190:4; 196:1-5. She further conceded that the slogan – I TRUST INTRUST – has added words before the "Intrust," and the words "I Trust" are therefore more prominent than "Intrust" in that mark. *Id.* at 218:25-220:19. And two of Intrust Bank's marks are design marks with the words INTRUST WEALTH MANAGEMENT and INTRUST BANK (with an I logo) in stylized form – making them even further distinguishable from the NTRUST word mark. *In re Viterra Inc.*, 671 F.3d 1358, 1362, 101 U.S.P.Q.2d 1905 (Fed. Cir. 2012) ("[M]arks

[13] In practice, Intrust Bank rarely uses INTRUST alone. Its branding guides (Exs. 5 and 6) show the main mark is INTRUST BANK or INTRUST plus other words. *See* Elliott Dep. at 168:1-5 (admitting Ex. 6 contains no samples of logo without "bank" or some other term). Its website is "IntrustBank.com," not Intrust.com (*Id.* at 40:22-25), its Facebook address is "Facebook.com/IntrustBank" and its Twitter handle is "Intrust Bank" (*id.* at 169:25-170:7). The arena is "INTRUST BANK ARENA" because that "accurately reflects the entity that we are, we're Intrust Bank . . ." and Intrust Bank wanted consumers to know that it's a bank. *Id.* at 168:22-169:16.

must be viewed 'in their entireties,' and it is improper to dissect a mark when engaging in this analysis, including when a mark contains both words and a design.") Thus, virtually all of Intrust marks are therefore sufficiently different than NTRUST in appearance, connotation, and commercial impression.

That leaves comparison of NTRUST to the INTRUST standalone mark. Admittedly, they have similarity. But Intrust Bank chose a word ("Intrust" or "trust") that is commonly used for financial services, and must therefore tolerate usage by third parties of marks that may have only minor differences. As the Board has stated: "[w]e are aware that in banking and financial service circles, some designations like 'Security', 'Metropolitan' 'Perpetual', 'Mutual' and perhaps even 'Freedom' may appear with sufficient frequency (see, e.g., the several compound mark registrations including the term 'FREEDOM' which were introduced by applicant) that their capacity for source differentiation may be attenuated and, as a result, ***minor additions, suffixes, prefixes and design variations*** could be sufficient to distinguish between different service providers and avoid source confusion as to their services."[14] *Freedom S&L Ass'n v. Fid. Bankers Life Ins. Co.*, 31, 224 U.S.P.Q. 300, 305 n.5 (TTAB Sept. 28, 1984) (emphasis added); *see In re Hamilton Bank*, 222 U.S.P.Q. 174 (TTAB 1984) (stylized mark "KEY" for banking services not confusingly similar to "BANKEY," "KEYCHECK," "KEY-CARD BANK," "KEYBANKER" and "CB KEY" for banking services).; *In re Bed & Breakfast Registry*, 791 F.2d 157, 159, 229 U.S.P.Q. 818 (Fed. Cir. 1986) (no likelihood of confusion between BED & BREAKFAST REGISTRY for "making lodging reservations for others in private homes" and BED & BREAKFAST INTERNATIONAL for "room booking agency services" in class 42; the marks were not confusingly similar in either sound or appearance and the words in common did not have same meaning when viewed in their entireties, noting different connotation between "registry" and "international").

Here, the differences between INTRUST and NTRUST are important. As noted above, even identical or nearly identical marks can have different meanings and commercial impressions. *In re Sears,*

[14] A search of the USPTO's TESS conducted on October 8, 2015, generated 430 applications or registrations for marks containing "TRUST" with "banking" listed in the goods and services, and 552 applications or registrations for marks containing "TRUST" with "financial" listed in the goods and services. "Trust" is obviously a common term used for financial services.

Roebuck & Co., 2 U.S.P.Q.2d at 1314 (CROSSOVER for brassieres and CROSSOVER for ladies' sportswear found to create differential commercial impressions even though identical in sound and appearance) . Here, NTRUST conveys a different connotation than INTRUST (or any of the other INTRUST-formative marks). NTRUST is a coined term that was chosen because it combines "n" to signify the Internet, with the concept of trust. MacGregor Dep. at 11:5-8. The lowercase "n" connotes the Internet or net, like the lowercase "i" in iPad or iPod. *Id.* at 10:16-11:1. The word is meant to be written with a lowercase "n" at the beginning of the mark and capital T (as in "nTrust"). This differs from the very literal meaning of INTRUST - "to confer a trust on" or "to commit to another with confidence." Intrust Bank Brief at 12; Elliott Dep. at 23:20-22; 165:22-166:8; Ex. 4. Unlike NTRUST, it conveys no explicit or implicit reference to the Internet and is not a coined term.[15] Thus, while there may be similarities between "Intrust" and "nTrust," there are sufficient differences - especially given Intrust Bank's choice of a common term "trust" - to sway this factor in nTrust's favor or render it neutral.

D. Customers For Financial Services Make Careful, Sophisticated Decisions

The degree of care exercised by an ordinary purchaser of the parties' services is another significant factor. *See NSM Resources Corp. v. Target Corp.*, 636 F. Supp. 2d 857, 868 (D. Minn. 2008). There is little dispute that customers making decisions about money and especially online services dealing with money are more careful and discerning. *See* MacGregor Dep. at 58:24-59:12; 59:24-60:18. Indeed, choosing a bank involves a relatively high degree of care, and therefore people are more likely to recognize differences between banks. *Peoples Fed. Sav. Bank v. People's United Bank*, 750 F. Supp. 2d 217, 226, 99 U.S.P.Q.2d 1205 (D. Mass 2010); *see also Commercial Sav. Bank v. Hawkeye Fed. Sav. Bank*, 592 N.W.2d 321, 332 (Iowa 1999) (no "ordinary consumer would be misled in banking decisions simply because two banks in the area have similar names"); *First Nat'l Bank in Sioux Falls v. First Nat'l Bank, S.D.*, 153 F.3d 885, 889, 47 U.S.P.Q.2d 1847 (8th Cir.1998) ("[C]onsumers tend to exercise a relatively high degree of care in selecting banking services").

[15] Intrust Bank's witnesses confirmed that the capitalization of the "I" in the Intrust marks was important in identifying the mark in the minds of the consumers, which only serves to further distinguish it from the nTrust mark with a lower case "n" at the beginning of the mark. Elliott Dep. at 166:17-20.

Because consumers exercise great care before selecting financial service providers, both parties face very high costs for customer acquisition. On average, it costs $250 for Intrust Bank to have its own customers acquire an Intrust-branded card, while it can cost as much as $800 to acquire new customers. Cullinan Dep. at 124:1-127:19. It also takes consumers many steps before they can open an Intrust Bank account, and then activate online banking, online bill pay, and then other digital services offered. Morrison Dep. at 121:8-127:4. For nTrust, it costs $12-15 to get someone to just sign up for an account, but from $70-150 to get that user to actually conduct a money transaction. MacGregor Dep. at 57:25-58:13; 132:19-133:19. It similarly takes many steps for consumers to obtain any type of credit card, check card or payroll card from Intrust Bank. Cullinan Dep. at 129:11-136:14. This confirms that consumers do not make casual choices about their financial services and will not inadvertently begin using the wrong company's service. Thus, because consumers are highly sophisticated or discerning about financial services, this factor weighs heavily in favor of nTrust. *See In re Ed Tucker Distrib.*, 2000 TTAB LEXIS 11, *15 (TTAB Jan. 4, 2000) (no likelihood of confusion between BIKE IN A BOX for a "rolling chassis for a custom motorcycle sold in a kit of prepackaged parts" and BRAKE-IN-A-BOX for "brake structural and replacement parts" in large part due to the sophistication of purchasers).

E. There Are a Number of Similar Marks in Use

As discussed in Section V.B., supra, the evidence shows there are a number of marks and mark holders actually using – for financial services - marks with similarity to Intrust Bank's marks. Again, Intrust Bank must live with the consequences of choosing the concept of "trust" – because it commonly used by other financial services providers. Thus, this factor should weigh in favor of nTrust.

F. There Is No Actual Confusion By Any Consumers

Intrust Bank proffers and overstates evidence of a ***single*** incident of purported actual confusion. But that incident (if it even was actual confusion) involved Deborah Canfarelli, an employee at a vendor FIS, which creates card products for both parties and many other financial institutions. It did not involve the consuming public - *i.e.*, a customer or potential customer for Intrust Bank or nTrust – and is irrelevant.

The only relevant actual confusion is that caused in the ***reasonable and prudent consumer***.

Platinum Home Mortg. v. Platinum Fin. Group, Inc., 149 F.3d 722, 729, 47 U.S.P.Q.2d 1587 (7th Cir. 1998) ("[E]vidence of actual confusion must refer to the confusion of reasonable and prudent consumers, and not confusion among sophisticated members of the mortgage service industry."); *American B.D. Co. v. N.P. Beverages, Inc.*, 213 U.S.P.Q. 387 (TTAB 1981). Confusion among industry professionals is not probative. *Jordache Enter., Inc. v. Hogg Wyld, Ltd.*, 625 F. Supp. 48, 54, 227 U.S.P.Q. 794 (D.N.M. 1985) ("Even if it had constituted admissible evidence, it would not have constituted evidence of actual confusion by consumers in the marketplace, but rather confusion by industry professionals. Likelihood of confusion on the part of such industry professionals does not establish trademark infringement.").[16]

As a threshold matter, the evidence merely shows that FIS employees wanted to clarify which of its clients owned graphic artwork. An employee at FIS (presumably Geno Reed, though he could not even authenticate or verify sending the email in Exhibit 131) asked who an image file belonged to ("Design received art for the attached but we do not know to whom it belongs."). Deborah Canfarelli – the FIS account manager for Intrust Bank – forwarded that email and image file to her contact Intrust Bank. But far from being some "industry insider" (as Intrust Bank suggests) who was intimately familiar with FIS' client names, she had worked at FIS for only 4-5 months before date of the supposed confusion (April 2014), was not familiar with all of FIS' clients, and did not even know whether nTrust was a client. Canfarelli Dep. at 32:9-33:11. After receiving the "Art Looking for an Owner" email, she emailed her contact at Intrust Bank to check whether it sent the image file, but not necessarily because she thought Intrust Bank owned the graphic; she acknowledged it was possible another client of FIS owned it. *Id* .at 33:24-35:5. She did so because – not surprisingly – it is among her job duties to ensure that the correct

[16] Intrust Bank cites *Imagineering, Inc. v. Van Klassens, Inc.,* 53 F.3d 1260, 34 U.S.P.Q.2d 1526 (Fed. Cir. 1995) for the proposition that confusion among industry insiders is relevant and highly probative. Intrust misstates the relevance of industry insiders and this case is inapposite to the authority cited by nTrust directing the confusion analysis to focus on customers. The factual summary in *Imagineering* indicates that the dealers and experts in the furniture industry were ***in fact part of the relevant consuming public.*** To the extent that confusion by industry insiders can be argued to be probative, that still assumes that the industry insiders are more familiar (from their work in the industry) with the competing marks. Here, Ms. Canfarelli was only familiar with her client Intrust Bank; at both the time of the supposed confusion and even at her deposition, she did not know about nTrust or whether it is a client a FIS (Canfarelli Dep. at 33:8-14.) Thus, she was not more intimately familiar with both Intrust Bank and nTrust to justify concluding that any confusion she experienced to be more probative.

graphic sent by a client is applied to the client's card product. *Id.* at 16:3-12; 17:5-16. Indeed, the other FIS witness (Geno Reed) testified that "it does happen a lot" – "10, 20 to 5" times a month - that he comes across a piece of artwork for which he does not know the appropriate client. Reed Dep. at 36:9-25. It is fairly common to email other employees at FIS to find out what client artwork belongs to, and not because he necessarily confuses one company's artwork for another company. *Id.* at 37:1-11.[17]

Intrust Bank tries to offer Ms. Canfarelli's opinion that "nTrust Cloud Money Card" "reminds me of Intrust Bank." But she initially questioned whether there was even a possible affiliation, revealing she recognized a difference, otherwise she would have not bothered to inquire at all. *Accord* Restatement Third, Unfair Competition § 23, comment c (1995) ("Evidence of inquiries by customers as to whether the plaintiff and the defendant are associated, however, may not establish the existence of actual confusion if the nature of the inquiries indicates that consumers perceive a difference between the designations and are skeptical of the existence of a connection between the users."); *Nora Bevs., Inc. v. Perrier Grp. of Am., Inc.,* 269 F.3d 114, 124, 60 U.S.P.Q.2d 1038 (2d Cir. 2001) (such inquiries are "arguably premised upon a lack of confusion between the products such as to inspire the inquiry itself"). And to the extent the opinions of FIS employees is even relevant, Geno Reed testified the opposite: the nTrust and Intrust Bank logos "look totally different." Reed Dep. at 38:17-39:5.

Even if the evidence demonstrated confusion by Ms. Canfarelli, it has no (or limited) value because it does not show from how consumers would view the parties' marks in the actual marketplace. In *Signeo USA, LLC v. SOL Republic, Inc.*, the plaintiff sought to introduce evidence showing actual confusion caused by the defendant's trademark among retail associates selling both parties' products and among industry players seeking to find defendant's CEO at plaintiff's booth during a tradeshow. 2012 U.S. Dist. LEXIS 79356 (N.D. Cal. 2012). While acknowledging there was actual confusion experienced by the retail associates and industry players, the Court held that that such confusion was not relevant to

[17] Intrust Bank attempted to introduce and elicit testimony from Mr. Reed about Exhibits 130, 132 and 133. As explained in Appendix A, Mr. Reed could not remember or authenticate those exhibits and they (and testimony about them) should be stricken. He also could not authenticate Exhibit 131, and while Ms. Canfarelli testified about receiving the email, she could not recall the graphics attached to it.

whether the purchasing consumer would be confused, and did not "assign much, if any, weight to [plaintiff's] evidence of actual confusion." *Id.* at *31. ("[N]otwithstanding Signeo's evidence of repeated instances involving industry players and retail associates who have demonstrated confusion, Signeo presents little evidence regarding the purchasing consumer—the necessary focus of the confusion inquiry."). *Id.* at *33. Just as in *Signeo,* the FIS incident is not probative of how consumers would view NTRUST in the marketplace. It involved a new employee (Ms. Canfarelli, still unfamiliar with all FIS clients) "behind the scenes" of a vendor (which served both Intrust Bank and nTrust) in a unique situation which would never present itself to consumers – *i.e.,* , receiving a graphic image file in work email to confirm which client owned graphic artwork for creating payment cards. *See also Coverall N. Am., Inc. v. Cover-All, Inc.*, 2005 TTAB LEXIS 117, at *26 (TTAB Mar. 9, 2005) (finding that while testimony of employees and franchisees corroborating misdirected customer calls were admissible, they had limited probative value and the evidence was given minimal weight, because it was not "[c]onvincing evidence of significant actual confusion occurring under actual marketplace conditions.").

Moreover, Ms. Canfarelli has heightened sensitivity to Intrust Bank's name because it is her job. She admitted being more aware (than the average consumer) of her client names than other financial institutions because she sees client names every day, it's her job to know them. *Id.* at 40:1-41:17. Thus, her experience is not typical of how consumers would view the parties' marks and is not probative of whether consumers would be confused by seeing NTRUST in the marketplace. *See, e.g., KIND LLC v. Clif Bar & Co.*, 111 U.S.P.Q.2d 1795 (S.D.N.Y. June 12, 2014) (finding an instance of confusion was not probative of average consumer in marketplace conditions because of a heightened expectation to find one brand of snack bars in her home); *Paco Sport, Ltd. v. Paco Rabanne Parfums,* 86 F. Supp. 2d 305, 327, 54 U.S.P.Q.2d 1205 (S.D.N.Y. 2000), *aff'd sub nom*, *Paco Sport, Ltd. v Paco Rabanne Perfumes*, 234 F.3d 1262 (2d Cir. 2000) ("[T]he witnesses' reactions do not reflect the reactions of an average consumer, because the witnesses' association with Paco Rabanne heightens their sensitivity to the brand.").

To the extent this is even actual confusion, it was a single instance with *de minimis* effect. "Evidence of only a small number of instances of actual confusion can be dismissed as inconsequential or

de minimis." 4 McCarthy on Trademarks and Unfair Competition § 23:14; *Nat'l Rural Elec. Co-op. Ass'n v. Suzlon Wind Energy Corp.,* 78 U.S.P.Q.2d 1881, 1886, (TTAB 2006), *aff'd*, 214 Fed. Appx. 987 (Fed. Cir. 2007) (one instance of an email asking if defendant's mark might be an infringement was not sufficient evidence of likelihood of confusion. "We are not persuaded that this single instance of alleged actual confusion is significant."). This single instance of alleged confusion is especially inconsequential for a common, weak mark like INTRUST. *See Renaissance Greeting Cards, Inc. v. Dollar Tree Stores, Inc.*, 405 F. Supp. 2d 680, 699 (E.D. Va. 2005) ("four instances of confusion by wholesale customers and a sales representative" insufficient as evidence of actual confusion as the "few incidents do not warrant a conclusion that there was a likelihood of confusion" in part because the registrant's mark was "too weak to have created any likelihood of confusion among customers"). Indeed, this incident was so *de minimis,* it yielded no consequence. Ms. Canfarelli received no complaints from Intrust Bank in response to her email (Ex. 131), and said the issue "literally just went away. It was just nothing occurred - - until the phone call [from a lawyer seeking information.]" *Id.* at 37:10-24. FIS did not mistakenly make any cards for Intrust Bank using nTrust's graphic. *Id.* at 35:14-22; 37:1-9. *De minimis* confusion (if it was any) by a vendor is insufficient to show actual confusion by ***consumers*** under marketplace conditions, and does not support likelihood of confusion. The Board should find this factor in nTrust's favor, or is neutral.

G. The Services Described in nTrust's Application Will Not Be Offered Through Similar Channels of Trade as Those Described in Intrust Bank's Registrations

Intrust Bank's registrations are not restricted as to their channels of trade and are thus presumed to be in all "normal channels of trade." *In re Elbaum,* 211 U.S.P.Q. 639, 640 (TTAB Feb. 20, 1981). In contrast, nTrust's application limits its channels of trade to those "conducted via electronic communications networks." *See* Ex. 201. That is because nTrust will offer its services only through online and mobile means – with the option loading a reloadable card from funds in a user's cloud account.

The age demographic for the parties' customer base is thus relevant here. Intrust Bank has a "relatively old" base, with 58% of its customers age 55+. Elliott Dep. at 226:7-20; 227:15-20; Ex. 114. nTrust's customer demographic skews younger; the majority of its current users (in its current operating

countries) are age 20 to 34. MacGregor Dep. at 50:7-51:3; 53:2-54:9. That is because customers age 55+ are less likely to use mobile services – for which the target demographic is 18-34. Elliott Dep. at 227:25-228:11. While Intrust Bank does offer some online and mobile banking services, most of its customers are not likely to use those channels of trade and will concentrate more on accessing services through brick-and-mortar locations. Even to the extent Intrust Bank's customers use its website, more than 50% of the web traffic comes from only Wichita (Elliot Dep. at 255:15-18; Ex. 119). Because nTrust does not even plan to offer services in the three states where Intrust Bank has physical locations, the parties' respective customer bases – even for Internet usage – will differ. Thus, while there is some overlap in trade channels, it is not likely to create confusion, rendering this factor at most neutral.

H. The Remaining Factors Are Either Neutral or Irrelevant

Extent of Potential Confusion. Where the record is unclear as to the amount of meaningful opportunities for confusion to have occurred among purchasers, the evidence carries little weight in the analysis of likelihood of confusion. *See Threshold Enters. v. Renew Life Formulas, Inc.*, 2015 TTAB LEXIS 210, at *22 (TTAB June 19, 2015) (finding lack of evidence of actual confusion and extent of potential confusion made this factor neutral). As set forth above, there has been no evidence of actual consumer confusion to date. *See* Section V.F., supra. Further, Intrust Bank had not yet launched any online P2P payment services. *See* Elliott Dep. at 233:9-11. Moreover, nTrust does not plan to operate in the three states where Intrust Bank has physical locations, so there will be little chance of potential confusion. *See* MacGregor Dep. at 66:4-68:11. Because there are few meaningful opportunities for confusion to occur in the future, this factor should weigh in favor of nTrust, or is at most neutral.

Market Interface. There is no current market interface between nTrust and Intrust Bank. Despite having had many years to do so (and prior failed attempts), at the time of trial depositions, Intrust Bank still had not yet launched any online P2P money transfer services. *See* Elliott Dep. at 233:9-234:1; Morrison Dep. at 70:18-73:8; 76:17-23. Further, as explained above, the services actually described on the face of Intrust Bank's registrations do not overlap or interface with the services listed on nTrust's application. Intrust Bank certainly has no registration which actually covers P2P money transfer services,

or any of services conducted over electronic communications networks (let alone the specific services claimed in nTrust's application). Also, there is likely to be little if any geographic market interface between the companies. Thus, this factor either weighs in favor of nTrust or has little relevance.

Extent to Which nTrust Has a Right to Exclude Others From Use of Its Mark. Intrust Bank argues under the eleventh *DuPont* factor that nTrust has no right to exclude others form use of its mark. But this factor is insignificant where, as here, the applicant is not arguing priority. *See, e.g.*, *Jamison Bedding, Inc. v. Spring Air Co.*, 2005 TTAB LEXIS 399, at *19 (TTAB Sept. 15, 2005) ("we conclude that these factors are not significant in this case" discussing among other factors, the extent to which Applicant has a right to exclude others). Further, given nTrust has only filed an intent to use application and has not yet begun offering services in the U.S., nTrust does not assert that it currently has the right to exclude others from using its mark in the United States. However, it fully expects that, upon entry into the U.S., it can and will assert such rights. Thus, this factor is either inapplicable or neutral.

VI. CONCLUSION

Intrust Bank presents an over-expansive definition of "banking services," oversells the supposed strength of its weak marks, and over-states its right to exclude other financial service providers from using marks the convey "trust." Its registrations do not cover new forms of digital money transfer, and cannot preclude nTrust's application for electronic money transfer services which are commonly provided by non-banks. The Board should dismiss the opposition and permit NTRUST to be registered.

Dated: October 13, 2015

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Appendix A – Evidentiary Objections

nTrust submits these objections to certain evidence offered by Intrust Bank.

A. Objections to Exhibits 130, 131, 132 and 133 and Any Testimony Regarding Them

"To satisfy the requirement of authenticating or identifying an item of evidence, the proponent must produce evidence sufficient to support a finding that the item is what the proponent claims it is." Fed. R. Evid. 901(a); *Dr Pepper/Seven Up, Inc. v. Krush Global Ltd.*, 2010 TTAB LEXIS 391, at *8 (T.T.A.B. Sept. 13, 2010) (finding inadmissible exhibits that have not been properly authenticated by the declarants). nTrust objects to the admission of exhibits 130, 131, 132 and 133, and any testimony regarding them because those exhibits were not properly authenticated by Intrust Bank.

Intrust Bank relies on these exhibits to argue that actual confusion between the parties' marks has occurred. *See* Intrust Bank Brief at 24. Exhibits 130-133 appear to consist of screenshots of and printouts of email strings and attachments to emails purportedly involving Gene ("Geno") M. Reed, a graphic designer at Fidelity Information Services ("FIS"), and Deborah R. Canfarelli, a client services manager at FIS, a vendor that works with many financial service providers – including both Intrust Bank and nTrust to produce card products. Intrust Bank introduced exhibits 130, 131, 132 and 133 during the deposition of Mr. Reed, and exhibit 131 during the deposition of Ms. Canfarelli, both taken on October 16, 2014. But Mr. Reed did not remember any of the exhibits or have any personal knowledge of them. *See* Reed Dep. at 13:18-14:5 (Ex. 130); 24:3-23, 25:16-22 (Ex. 131); 14:7-16:4 (Ex. 132); 31:12-32:2 (Ex. 133). And, while Ms. Canfarelli remembered the cover e-mail for exhibit 131, she was otherwise unable to authenticate the attachments to that e-mail (*see* Canfarelli Dep. at 21:19-22:3, 23:13-17, 24:1-25:13).

Exhibit 130: Although Mr. Reed testified that the screen shot of the first page of Ex. 130 (O-05493) looked like one from his company's FTP site that is used to upload images (Reed Dep. at 17:1-8), he did not recall the e-mail at all (*id.* at 13:18-14:5), did not recall taking the screenshot or who could have taken the screenshot (*id.* at 39:20-25, 40:10-15), and did not have any knowledge of adding the red arrow that appears on the first page of Exhibit 130, which he testified does not normally appear on the screen on the FTP site (*id.* at 40:1-9, 39:11-13). Further, although Mr. Reed testified that he did recall

receiving the artwork attached to Exhibit 130 (*id.* at 22:1-3), he did not work with the artwork (21:17-21).

Exhibit 131: Mr. Reed similarly did not recall sending the e-mail that is at the bottom of the first page of Exhibit 131 (*id.* at 40:20-25) and testified that he in fact did not send that email, but that it was sent instead by his backup, Tammy from his email account (*id.* at 26:4-27:8). And while Deborah Canfarelli, a client services manager at FIS, did recall sending the email at the top of Exhibit 131 and receiving the e-mail at the bottom of the exhibit (*see* Canfarelli Dep. at 21:19-22:3, 23:13-17), she couldn't remember if the graphic attached to the e-mail is what she forwarded (*id.* at 24:1-25:13).

Exhibit 132: Mr. Reed could not recall preparing the e-mail at the bottom of the first page of Exhibit 132, either, and that it could have been sent by someone else. Reed Dep. at 15:11-16:1, 41:5-12.

Exhibit 133: Finally, regarding Exhibit 133, Mr. Reed again testified that he did recall sending or receiving any of the emails in that exhibit and that his administrative assistant could have sent any of Exhibits 131, 132 and 133 (*id.* at 32:1-19, 33:10-15, 41:13-42:1).

In sum, Mr. Reed could not remember or authenticate Exhibits 130-133, and although Ms. Canfarelli testified about Exhibit 131 she could not authenticate the underlying graphics attached to Exhibit 131. Thus, those Exhibits (and with respect to Exhibit 131, at least the graphics attached to them) and any testimony about them should be stricken. (At the trial depositions, nTrust's counsel asserted timely objections to these exhibits. (Reed Depo., at 42:2-7.))

B. Objection to Testimony of Kimberly Klocek and Exhibit 74

"A party may object to improper or inadequate pretrial disclosures and may move to strike the testimony of a witness for lack of proper pretrial disclosure." TMBP § 707.03(b)(3); *see* 37 CFR § 2.123(k). Intrust Bank relies on testimony of Kimberly Klocek and Exhibit 74 introduced at her deposition to show how many active accounts Intrust Bank had as of August 31, 2013 and from June 2010 through August 2013. *See* Intrust Bank Brief at 8 and 26. Ms. Klocek, however, was not disclosed in Intrust Bank's Pretrial Disclosures, only in interrogatory response. An objection to proceeding with Ms. Klocek was lodged at her deposition by counsel for nTrust. Klocek Dep. at 4:12-20.

Where a party fails to properly identify a witness in pretrial disclosures, the testimony of that

witness may be stricken. *See* TMBP § 707.03(b)(3); *Jules Jurgensen/Rhapsody Inc. v. Baumberger*, 91 U.S.P.Q.2d 1443, 1444 (T.T.A.B. 2009) (testimony stricken because identity of witness not disclosed prior to trial; failure to disclose witness in initial disclosures considered as a relevant circumstance in determining whether to strike testimony deposition).

Exhibit 74 was introduced at Ms. Klocek's deposition as a document she generated. *Id.* at 12:8-12. It was not a document previously disclosed, and because Ms. Klocek was the witness to authenticate it, it should be stricken absent sufficient testimony in the record to authenticate it. *See* Fed. R. Evid. 901(a); *Dr Pepper/Seven Up, Inc. v. Krush Global Ltd.*, 2010 TTAB LEXIS 391, at *8.

C. Objections to Exhibits 219-225 (Also Submitted As M-1-M7), and All Testimony Regarding Those Exhibits Because the Exhibits Were Produced After Intrust Bank's Discovery Period and Are Not Proper Rebuttal Materials

Evidentiary materials attached to a party's brief will be given no consideration unless they were properly made of record during the time for taking testimony. *See Syngenta Crop Protection, Inc. v. Bio-Chek, LLC*, 90 U.S.P.Q.2d 1112, 1116 (TTAB 2009); *Bass Pro Trademarks LLC v. Sportsman Warehouse, Inc.*, 89 U.S.P.Q.2d 1844, 1848 (TTAB 2008); *Life Zone Inc. v. Middleman Group Inc.*, 87 U.S.P.Q.2d 1953, 1955 (TTAB 2008). nTrust objects to Exhibits 219-225, which were also submitted as exhibits M-1-M-7, and all testimony elicited from Rob MacGregor, nTrust's CEO, regarding them.

Exhibits 219-225, which were also submitted as exhibits M-1-M-7, are web site and web publication printouts that Intrust Bank did not produce before or even during the testimony period (before offering them at the trial deposition of Robert MacGregor). Nor are they proper rebuttal or impeachment exhibits. As shown on the headers of each of the exhibits, Exhibits 219-224 (M-1-M-6) were each printed on March 11, 2015, while Exhibit 225 (M-7) was printed on March 12, 2015. Intrust Bank's trial testimony period closed on March 27, 2014. *See* Dkt. Nos. 11-12. Intrust Bank subsequently filed a motion to reopen discovery, which the Board granted, but only for the very limited purpose of taking testimony related to an instance of alleged actual confusion by an employee at vendor FIS. *See* Dkt. No. 23. The testimony period was re-opened for that limited purpose, and Intrust Bank's testimony period ultimately closed on November 5, 2014. *See* Dkt. Nos. 24-25. Thus, these exhibits, which were not even

printed until March 11 and 12, 2015, were clearly produced well after the discovery period – and even an extended trial testimony period for Intrust Bank - closed. nTrust's counsel timely objected to admission of these documents, and any testimony regarding them, at Mr. MacGregor's trial deposition. MacGregor Dep. at 85:25-86:2, 86:20-25, 89:20-22, 96:24-97:1, 104:1-3, 112:15-18, 114:21-24, 122:9-12.

Recognizing that it proffered documents not timely produced before Mr. MacGregor's trial deposition, Intrust Bank subsequently submitted these same exhibits as Exhibits M-1-M-7 in its Third Rebuttal Notice of Reliance on April 17, 2015. Dkt. No. 33. Intrust Bank' asserts these exhibits are offered for impeachment of Mr. MacGregor and in rebuttal of nTrust's exhibits. *Id.* at 1. But as shown from the record and the submissions themselves, these exhibits are clearly not proper rebuttal exhibits.

Exhibits M-1 through M-4 are printouts from nTrust's website. Intrust Bank asserts that these exhibits (which were introduced, subject to nTrust's objection, at Mr. MacGregor's deposition as Exhibits 219-222) are offered in rebuttal to nTrust's exhibits submitted under category F of its notice of reliance. *Id.* at 1. Intrust Bank asserts that these exhibits show that nTrust offers services that "consumers would expect a bank to provide." *Id.* Intrust Bank also asserts these documents are relevant to show the similarity in the appearance and services offered by Intrust Bank and nTrust and to rebut categories H and I of nTrust's notices of reliance. *Id.* at 1-2.

Exhibit M-5 is an article containing quotes or interviews from Mr. MacGregor, M-6 is a printout from the nTrust LinkedIn page and M-7 is another printout from the nTrust website. Intrust Bank asserts these exhibits (which were proffered, subject to nTrust's objection, at Mr. MacGregor's deposition as Exhibits 223-225) are to impeach Mr. MacGregor, and to rebut the exhibits in category F, asserting they are relevant to show that money transmitter or money transfer services are part of the banking world, and that the financial services provided by nTrust include services provided by banks. *Id.* at 2.

First, to the extent that Intrust Bank offers Exhibits M-1 to M-4 to show similarity in the services offered by the parties, they are clearly not rebuttal exhibits. It is Intrust Bank's burden to establish similarity, as it is with all of the DuPont factors. *See Bose Corp. v. QSC Audio Prods. Inc.*, 293 F.3d 1367, 63 U.S.P.Q.2d 1303, 1305 (Fed. Cir. 2002); *B&B Hardware, Inc. v. Hargis Indus.*, 135 S. Ct. 1293,

1309, 113 U.S.P.Q.2d (BNA) 2045 (2015) (citing 37 C.F.R. § 2.116(b)); TMBP § 702.04(a) ("In either an opposition or cancellation, the burden of proof remains with the plaintiff, who must establish its case by a preponderance of evidence."). Thus, any exhibits that Intrust Bank seeks to rely upon to establish similarity should have been produced during Intrust Bank's trial period and Intrust Bank cannot simply introduce them by way of cross-examination of Mr. MacGregor. *See, e.g.*, *Interstate Brands Corp. v. McKee Foods Corp.*, 53 U.S.P.Q.2d (BNA) 1910, 1911 n.4 (Jan. 28, 2000) (holding that opposer cannot, "simply by raising the question of fame on cross-examination, cure its failure to submit evidence which is clearly part of its case-in-chief" and excluding evidence as improper rebuttal consisting of articles allegedly showing mark was well known submitted as part of cross-examination of applicant's witness).

Second, Intrust Bank provides no explanation of how Exhibits M-5 through M-7 impeached Mr. MacGregor, nor could they because none of the statements in these exhibits contradict any prior statements by Mr. MacGregor. In fact, during his deposition, Mr. MacGregor acknowledged making the statements in the interview contained in Exhibit M-5, to the extent he could remember them, and none of the elicited testimony about any of these exhibits contradicted any statements made by Mr. MacGregor in other parts of his deposition. *See* MacGregor Dep. at 112:9-119:4; 122:2-125:4. In fact, Mr. MacGregor made clear that there was "no question" that he used one of the phrases counsel for Intrust Bank questioned him about. *See id*. at 116:4-12. Thus, these are not proper impeachment exhibits.

Finally, Exhibits M-1 through M-7 are not proper rebuttal exhibits to the categories of documents submitted by nTrust that Intrust Bank identifies. The Category F documents were submitted by nTrust with its First Notice of Reliance. Dkt. No. 30. They are printouts from U.S. federal agencies' websites and related documents that explain money transmitter or money transfer services. *Id.* at 1. nTrust offers them to demonstrate that government agencies recognize these services are offered by non-banks, and are thus not a "banking service." *Id.* The Category H and I documents were submitted with nTrust's Second Notice of Reliance. Dkt. No. 31. Category H consists of trademark registrations or application records of non-bank third parties for marks for the same types of financial or related services listed in nTrust's application for NTRUST. *Id.* at 1. They demonstrate that those services are not "banking services." *Id.*

Category I consist of records of or related to third-party registrations in the USPTO and in certain U.S. states of marks similar to the INTRUST family of marks asserted by Intrust Bank, submitted to show there are numerous registered marks that are similar to the INSTRUST mark. *See id.* at 6.

The printouts from nTrust's own website submitted as Exhibits M-1 through M-4 do nothing to rebut any of these cited categories. At most, these exhibits establish only what nTrust says its services are. Yet, they do nothing to rebut the categories of documents showing that non-banks offer these services (Categories F and H). Nor do they rebut the category of documents showing that there are numerous marks that are similar to the INTRUST mark (Category I).

Similarly, Intrust Bank questioned Mr. MacGregor regarding Exhibit M-5 and M-6 related to statements made in the Exhibit M-5 article, in an attempt to elicit testimony showing that nTrust offers services similar to a bank. *See* MacGregor Dep. at 116:4-118:4. But this line of questioning does nothing to rebut the showing in Categories F or H that non –banks offer the same services that nTrust offers, or in Category I that there are numerous marks similar to INTRUST. In fact, this line of questioning is clearly aimed at eliciting testimony to support Intrust Bank's affirmative burden to prove that nTrust's services are similar to "banking services" covered by Intrust Bank's registrations. As such, it is improper rebuttal evidence. *See*, *Interstate Brands Corp. v. McKee Foods Corp.*, 53 U.S.P.Q.2d at 1911 n.4.

Most troubling, Intrust Bank used Exhibit M-7 in Mr. MacGregor's deposition to question him as to whether nTrust assists terrorist financing by pointing to a link at the bottom of the webpage. *See* MacGregor Dep. at 122:5-125:6. As Mr. MacGregor categorically stated, nTrust does not market or assist in terror financing in any way and the link presumably would lead to nTrust's security page that talks about anti-money laundering and anti-terrorist financing. *Id.* at 123:13-124:5. More importantly for purposes of these objections, this article and the questioning about it clearly have nothing to do with whether non –banks offer the same services that nTrust offers, or whether there are numerous marks similar to the INTRUST mark. As such, this exhibit too constitutes an improper rebuttal document.

CERTIFICATE OF SERVICE

This certifies that a true and correct copy of this Applicant nTrust Corp.'s Brief on the Merits is being served by electronic mail and by depositing the same in the United States mail, first class, postage prepaid, and directed to Opposer's attorneys, William P. Matthews and Michael J. Norton of Foulston Siefkin LLP at 1551 N. Waterfront Parkway, Suite 100, Wichita Kansas 67206 on October 13, 2015.

Sean M. Sullivan

338 F.Supp.2d 181
United States District Court,
D. Massachusetts,
Central Division.

BAY STATE SAVINGS BANK, Plaintiff,
v.
BAYSTATE FINANCIAL SERVICES, LLC,
Defendant.

No. CIV.A.03–40273–NMG. | June 25, 2004.

Synopsis
Background: Bank sued financial services company, asserting claims for alleged violations of Lanham Act and state trademark and trade practices laws. Company asserted counterclaims for alleged violations of state and federal trademark laws, cyberpiracy, and fraudulent registration of marks. Bank moved for preliminary injunction.

Holdings: The District Court, Gorton, J., held that:

[1] bank failed to show that it had established sufficient secondary meaning in its geographically descriptive mark;

[2] bank failed to show that it could preclude company from using similar mark within financial services industry, even if bank had established secondary meaning in its marks among savings banks; and

[3] company would suffer harm if compelled to change its name.

Motion denied.

West Headnotes (17)

[1] **Trademarks**
Grounds and Subjects of Relief

382TTrademarks
382TIXActions and Proceedings
382TIX(F)Injunctions
382Tk1701Preliminary or Temporary Injunctions
382Tk1704Grounds and Subjects of Relief
382Tk1704(1)In General
(Formerly 382k620)

To obtain a preliminary injunction in a trademark case, a party must show that (1) there is a substantial likelihood of its success on the merits, (2) without the injunction, there exists a significant risk of irreparable harm, (3) the balance of hardships tilts in its favor, and (4) the granting of the injunction will not negatively affect the public interest.

1 Cases that cite this headnote

[2] **Trademarks**
Dilution

382TTrademarks
382TIXActions and Proceedings
382TIX(F)Injunctions
382Tk1701Preliminary or Temporary Injunctions
382Tk1704Grounds and Subjects of Relief
382Tk1704(6)Dilution
(Formerly 382k620)

To obtain preliminary injunction for trademark dilution under Massachusetts law, movant must prove (1) ownership of a mark that is registered or valid at common law, and (2) likelihood that the distinctive quality of the mark will be diluted. M.G.L.A. c. 110B, § 12.

Cases that cite this headnote

[3] **Trademarks**
Similarity; Likelihood of Confusion

382TTrademarks
382TIXActions and Proceedings
382TIX(F)Injunctions
382Tk1701Preliminary or Temporary Injunctions
382Tk1704Grounds and Subjects of Relief
382Tk1704(9)Similarity; Likelihood of Confusion
(Formerly 382k620)

To obtain preliminary injunction against activity that may lead to confusion of protected

trademarks, pursuant to Lanham Act, movant must prove (1) ownership of a protected mark, and (2) use by another in commerce that is likely to cause confusion as to the source of goods or services. Lanham Trade–Mark Act, § 43(a), as amended, 15 U.S.C.A. § 1125(a).

Cases that cite this headnote

[4] **Trademarks**
Levels or Categories of Distinctiveness in General; Strength of Marks in General

382TTrademarks
382TIIMarks Protected
382Tk1033Levels or Categories of Distinctiveness in General; Strength of Marks in General
(Formerly 382k25, 382k24, 382k23, 382k13)

Whether a mark is afforded trademark protection depends upon where the mark fits along a spectrum of categories that includes generic, descriptive, suggestive, arbitrary, and fanciful marks.

Cases that cite this headnote

[5] **Trademarks**
Generic Terms or Marks

382TTrademarks
382TIIMarks Protected
382Tk1034Generic Terms or Marks
(Formerly 382k23)

Generic term, which identifies a kind of product but does not distinguish its source, is not afforded trademark protection.

Cases that cite this headnote

[6] **Trademarks**
Acquired Distinctiveness; Secondary Meaning

382TTrademarks
382TIIMarks Protected
382Tk1035Descriptive Terms or Marks
382Tk1037Acquired Distinctiveness; Secondary Meaning
(Formerly 382k13)

"Descriptive mark," which portrays a characteristic of the product to which it refers, is entitled to trademark protection only if it has acquired secondary meaning, such that consumers associate the product with a particular source.

Cases that cite this headnote

[7] **Trademarks**
Suggestive Terms or Marks
Trademarks
Arbitrary or Fanciful Terms or Marks

382TTrademarks
382TIIMarks Protected
382Tk1038Suggestive Terms or Marks
(Formerly 382k25)
382TTrademarks
382TIIMarks Protected
382Tk1039Arbitrary or Fanciful Terms or Marks
(Formerly 382k24)

Suggestive, arbitrary, and fanciful marks identify the particular source of a product and are considered "inherently distinctive," and are protected from the time of initial use without proof of secondary meaning.

Cases that cite this headnote

[8] **Trademarks**
Weight and Sufficiency

382TTrademarks
382TIXActions and Proceedings
382TIX(F)Injunctions
382Tk1701Preliminary or Temporary Injunctions
382Tk1707Proceedings
382Tk1707(6)Weight and Sufficiency
(Formerly 382k626)

In seeking to show likelihood of success on the

merits of its trademark infringement and dilution claims, in support of requested preliminary injunctive relief against financial services company, state bank failed to show that it had established sufficient secondary meaning in its geographically descriptive "Bay State" marks to exclude all competitors bearing similar name and operating in similar field, even though bank had registered its marks, given surveys showing that relatively small portion of consuming public was familiar with bank's services, and less than half, even among bank's customers, recalled seeing bank's advertising, and given bank's implicit concession, before Patent and Trademark Office (PTO), that marks were not inherently distinctive. Lanham Trade–Mark Act, § 43(a), as amended, 15 U.S.C.A. § 1125(a); Fed.Rules Civ.Proc.Rule 65, 28 U.S.C.A.; M.G.L.A. c. 110B, § 12.

Cases that cite this headnote

[9] **Trademarks**
Acquired Distinctiveness; Secondary Meaning

382TTrademarks
382TIIMarks Protected
382Tk1045Geographical Terms or Names as Marks
382Tk1048Acquired Distinctiveness; Secondary Meaning
(Formerly 382k32.1)

Geographically descriptive mark is entitled to trademark protection only if the mark no longer causes the public to associate the goods with a particular place, but rather causes the public to associate the goods with a particular source.

Cases that cite this headnote

[10] **Trademarks**
Multiple Elements; Combinations

382TTrademarks
382TIIMarks Protected
382Tk1050Format or Components of Term or Mark
382Tk1058Multiple Elements; Combinations
(Formerly 382k32.1)

Combined use of a geographic term with a generic term such as "bank" does not render a trademark inherently descriptive.

Cases that cite this headnote

[11] **Trademarks**
Acquired Distinctiveness; Secondary Meaning

382TTrademarks
382TIIMarks Protected
382Tk1045Geographical Terms or Names as Marks
382Tk1048Acquired Distinctiveness; Secondary Meaning
(Formerly 382k478)

To establish secondary meaning for its geographically descriptive marks, bank had to show that the primary significance of the term in the mind of the consuming public was not the product, but the producer.

Cases that cite this headnote

[12] **Trademarks**
Nature or Type of Mark; Distinctiveness and Strength

382TTrademarks
382TVIIRegistration
382TVII(C)Effect of Federal Registration
382Tk1358Particular Effects; Rights Acquired
382Tk1363Nature or Type of Mark; Distinctiveness and Strength
(Formerly 382k255)

Although a registered mark is presumed valid and entitled to protection, such a presumption may be rebutted by proof that the mark is either generic or is merely descriptive and lacks secondary meaning.

Cases that cite this headnote

[13] **Trademarks**
Nature or Type of Mark; Distinctiveness and Strength

382TTrademarks
382TVIIRegistration
382TVII(C)Effect of Federal Registration
382Tk1358Particular Effects; Rights Acquired
382Tk1363Nature or Type of Mark; Distinctiveness and Strength
(Formerly 382k571.1)

Bank's submission to Patent and Trademark Office (PTO) of declarations that marks which bank sought to register had become distinctive of services offered by bank through bank's substantially exclusive and continuous use in commerce for at least five years prior to filing of statement could be construed as concession that marks were not inherently distinctive for purposes of determining protectability of marks in bank's trademark infringement action against financial services company. Lanham Trade–Mark Act, § 43(a), as amended, 15 U.S.C.A. § 1125(a); M.G.L.A. c. 110B, § 12.

Cases that cite this headnote

[14] **Trademarks**
Ownership; Marks Protected

382TTrademarks
382TIXActions and Proceedings
382TIX(F)Injunctions
382Tk1701Preliminary or Temporary Injunctions
382Tk1704Grounds and Subjects of Relief
382Tk1704(8)Ownership; Marks Protected
(Formerly 382k626)

Use of "Bay State" marks by financial services company predated bank's use of such marks in connection with insurance and investment-related products, and therefore bank failed to show that it could preclude company from using marks within financial services industry, even if bank had established secondary meaning in its marks among savings banks, in seeking to establish likelihood of success on the merits of its trademark infringement and dilution claims in support of requested preliminary injunctive relief. Lanham Trade–Mark Act, § 43(a), as amended, 15 U.S.C.A. § 1125(a); Fed.Rules Civ.Proc.Rule 65, 28 U.S.C.A.; M.G.L.A. c. 110B, § 12.

Cases that cite this headnote

[15] **Trademarks**
Presumptions and Burden of Proof

382TTrademarks
382TIXActions and Proceedings
382TIX(F)Injunctions
382Tk1701Preliminary or Temporary Injunctions
382Tk1707Proceedings
382Tk1707(4)Presumptions and Burden of Proof
(Formerly 382k620)

In the context of trademark law, irreparable harm supporting preliminary injunction is presumed if plaintiff demonstrates a likelihood of success on the merits.

1 Cases that cite this headnote

[16] **Trademarks**
Infringement in General
Trademarks
Dilution

382TTrademarks
382TIXActions and Proceedings
382TIX(F)Injunctions
382Tk1701Preliminary or Temporary Injunctions
382Tk1704Grounds and Subjects of Relief
382Tk1704(2)Infringement in General
(Formerly 382k620)
382TTrademarks
382TIXActions and Proceedings
382TIX(F)Injunctions
382Tk1701Preliminary or Temporary Injunctions
382Tk1704Grounds and Subjects of Relief
382Tk1704(6)Dilution
(Formerly 382k620)

In seeking preliminary injunction on its trademark infringement and dilution claims against financial services company, bank failed to establish that balance of harms tilted in its favor when company's offering of relevant

financial services predated bank's entry into investment services market by approximately 20 years, such that company would actually suffer harm if compelled to change its name. Lanham Trade–Mark Act, § 43(a), as amended, 15 U.S.C.A. § 1125(a); Fed.Rules Civ.Proc.Rule 65, 28 U.S.C.A.; M.G.L.A. c. 110B, § 12.

Cases that cite this headnote

[17] Trademarks
Alphabetical Listing

382TTrademarks
382TXITrademarks and Trade Names Adjudicated
382Tk1800Alphabetical Listing
(Formerly 382k736)

Bay State.

Cases that cite this headnote

Attorneys and Law Firms

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MEMORANDUM & ORDER

GORTON, District Judge.

In this civil action in which the Plaintiff, Bay State Savings Bank ("Savings Bank") alleges federal and state trademark infringement, Savings Bank seeks a preliminary injunction against the Defendant's use of its Baystate mark.

I. *Factual Background*

The following facts are stated as alleged in the Complaint (Docket No. 1), the Defendant's Answer and Counterclaim (Docket No. 3), the Reply to Counterclaim (Docket No. 4), the Memorandum in Support of the Motion for Preliminary Injunction filed by Savings Bank (Docket No. 6) and in the opposition thereto filed by the Defendant, Baystate Financial Services, LLC ("Financial") (Docket No. 13).

Savings Bank is a Massachusetts-chartered mutual savings bank with its principal place of business in Worcester, Massachusetts. It has operated in Central Massachusetts since 1895. Financial is a duly organized Massachusetts limited liability company with its principal place of business in Boston and additional locations in, among other places, Worcester, Wellesley, Lynnfield, Marlboro and Canton, Massachusetts.

A. The History of Savings Bank

Since its formation by special legislation in 1895, Savings Bank has used the name "Bay State Savings" for banking and financial services. Its services have expanded from savings and home mortgages to include life insurance, savings bonds, mortgage and disability insurance, IRA, SEP and Keough retirement and educational accounts, and various investment products including Investment Unit Accounts, Life Saver Annuities, stocks, bonds and mutual funds. From January, 1999 to February, 2002, the investment services were identified with Minuteman Investment Services mark but they were sponsored by Savings Bank, sold by personnel located in Savings Bank offices and marketed primarily to Savings Bank customers.

Savings Bank has invested in advertising and other means to raise its public profile. It has spent over $5.2 million since 1960 in advertising and each of its branches have consistent "cape" style architecture with modern trade dress. The "Bay State" mark is displayed at each location.

According to surveys in 1999 and 2001, approximately 75% of the general population recognizes the "Bay State" mark. Half of those surveyed reported that they had seen or heard Savings Bank advertisements. Moreover, those surveys indicated that Savings Bank customers (1) had a stronger appetite for mutual funds than the general population, (2) kept half their investment dollars at Savings Bank, and (3) believed that the Savings Bank products and services are improving. Finally, over 80% of customers would recommend Savings Bank to others and customers associate it with a wide range of financial services including insurance, mutual funds and bonds.

In 1999, Savings Bank asserted common law trademark rights to prevent another entity from using the names "Bay State" and "Bay State Bank." *See Bay State Savings Bank v. Bay State Bancorp,* 99–CV– ***185** 12383–NMG. Between 1999 and 2002, Savings Bank obtained state and federal service mark registration for the "Bay State", "Bay State Savings Bank" and "Bay State Investment Services" marks. In its applications for service mark registration, Savings Bank claimed that it used the marks for "banking and financial services to consumers and business" and, by amendment, for "financial investment in the field of real estate, stocks, bonds, commercial paper, and other securities financial management and planning, and financial guaranty and surety."

B. The History of Financial

Financial was founded as a general agency of the New England Life Insurance Company ("New England Life") and offers various business-related products and services, including deferred compensation, business income insurance, key employee insurance, profit sharing, simplified employee pensions, 401(k) plans, managed care medical benefits, dental insurance, group life insurance, short-term and long-term disability insurance and HMO's.

Financial also provides various products for individuals, including permanent life insurance, term insurance, long-term care insurance, mutual funds, annuities, IRA's, education funding, charitable giving and estate and retirement planning. Financial has not, however, provided traditional banking services.

Financial's origins date back to 1982, when the Desautels & Wilson Partnership, dba Desautels & Wilson Insurance Agency, a general agency of New England Life, began answering its telephones as "Baystate Financial Services". The agency selected that name in recognition of the wide variety of financial services it had come to provide to its clients and other advisors and stated in its annual report that "[i]t is a name that we can promote without it having to change." Financial promotes and sells services to its customers through what it calls its "Bank Affiliate Program."

The number of partners in the agency changed over the ensuing years, but the succeeding entities continued to do business as "Baystate Financial Services". In 1983, after the agency had expanded, it adopted the service marks "Baystate," "Baystate Financial" and "Baystate Financial Services" and has used the Baystate Financial Services trade name continuously since that time. On April 10, 1990, the agency obtained Massachusetts Service Mark Registration No. 44104 for the mark "Baystate Financial Services" ("the 1990 Registration"), which included a date of first use of January 1, 1983. Financial has not obtained federal registration of its marks.

From 1982 to 1996, the agency promoted its business, used letterhead and otherwise presented its business to the public as "Baystate Financial Services". In 1996, the successor-in-interest to the agency sold the 1990 Registration, the Baystate marks, the goodwill associated with those marks and the Baystate Financial Services trade name to New England Life.

New England Life immediately sold those rights and interests to David C. Porter ("Porter"), as a general agency of New England Life. From August, 1996 to January, 1997, Porter continuously used the Baystate marks in commerce and continued doing business as "Baystate Financial Services". On January 2, 1997, Porter organized Porter/Desautels LLC ("Porter/Desautels") and transferred to it the 1990 Registration, the Baystate marks, the goodwill associated with the Baystate Marks and the "Baystate Financial Services" trade name.

On May 19, 1997, Porter/Desautels changed its name to "Baystate Financial ***186** Services, LLC". From January 2, 1997 to the present, Financial has continuously used the Baystate marks in commerce and has continued to do business as "Baystate Financial Services" in connection with its financial services and products.

C. The Instant Dispute

On December 23, 2002, Savings Bank requested, in writing, that Financial discontinue its use of the Baystate mark. Financial did not comply with that request. On November 23, 2003, Financial announced its merger with the Patriot Group, a local franchise of New England Financial, a subsidiary of MetLife, Inc. That merger included the acquisition of a 38–employee financial planning business located across the Worcester City Common from Savings Bank's headquarters.

Although Financial does not advertise, its expansion from its headquarters in Boston to central Massachusetts has caused local newspapers to misidentify Financial as "Bay State." In the Boston Business Journal, Porter indicated that Financial will seek to increase its rate of growth and its exposure as it expands to Western Massachusetts and south toward Hartford. Financial has begun to promote itself on the Internet under the name "Baystate Financial Services" and created a website at the Internet address

"baystatefinancial.com". "Baystate Financial" is the domain name registrant of that website.

On December 4, 2003, Savings Bank filed a complaint with this Court in which it sought injunctive and monetary relief against Financial on its claims for (1) unfair competition under Section 43(a) of the Trademark Act of 1946, as amended, 15 U.S.C. § 1125(a)("the Lanham Act"), (2) dilution of a famous mark under Section 43(c) of the Lanham Act, (3) cyber-squatting under Section 43(d) of the Lanham Act, (4) unlawful use of a trade name under M.G.L. c. 110, § 4, (5) violation of the state trademark statutes, M.G.L. c. 110, §§ 4, 11, 12 and 13, and (6) unfair and deceptive trade practices in violation of M.G.L. c. 93A, § 11.

In its answer and counterclaim, Financial raises eight affirmative defenses and alleges that Savings Bank is liable for the identical violations of state and federal law of which it is accused. In addition, Financial alleges (1) cyberpiracy arising from Savings Bank's establishment of certain domain names and (2) fraudulent registration of Savings Bank's marks.

In its Motion for Preliminary Injunction (Docket No. 5), Savings Bank moves to prevent dilution of its service mark under M.G.L. c. 110B, § 12 and confusion under 15 U.S.C. § 1125(a) ("Lanham Act, § 43(a)"). Pursuant to Fed.R.Civ.P. 65, Savings Bank seeks to have this Court order Financial to refrain from using, authorizing or employing the name or mark "Bay State" or any colorable imitation of Savings Bank's names and the mark "Bay State" in the delivery of financial services, including without limitation the use of the name "Baystate Financial Services, LLC."

II. *Legal Analysis*

[1] To obtain a preliminary injunction in a trademark case, a party must show that (1) there is a substantial likelihood of its success on the merits, (2) without the injunction, there exists a significant risk of irreparable harm, (3) the balance of hardships tilts in its favor and (4) the granting of the injunction will not negatively affect the public interest. *See TEC Eng'g Corp. v. Budget Molders Supply, Inc.,* 82 F.3d 542, 544 (1st Cir.1996).

A. Likelihood of Success on the Merits

[2] Savings Bank claims that it is likely to succeed on the merits of its claims of ***187** dilution under Massachusetts law and confusion under the Lanham Act. With respect to the dilution claim, an injunction to that effect under Massachusetts law requires Savings Bank to prove (1) ownership of a mark that is registered or valid at common law and (2) likelihood that the distinctive quality of the mark will be diluted. *See Great Scott Food Market, Inc. v. Sunderland Wonder, Inc.,* 348 Mass. 320, 325, 203 N.E.2d 376 (1965), *quoting Yale Elec. Corp. v. Robertson,* 26 F.2d 972, 974 (2d Cir.1928)(Hand, J.).

[3] With respect to the claim of confusion, to enjoin activity that may lead to confusion of protected trademarks, pursuant to Section 43(a) of the Lanham Act, Savings Bank must prove (1) ownership of a protected mark and (2) use by another in commerce that is likely to cause confusion as to the source of goods or services. *See Calamari Fisheries, Inc. v. The Village Catch, Inc.,* 698 F.Supp. 994, 1006 (D.Mass.1988). Under both claims, however, Savings Bank must prove that its marks are entitled to protection.

1) The Protectability of the Savings Bank's Trademarks

[4] According to the decision of the U.S. Supreme Court in *Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. 763, 768–69, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992), whether a mark is afforded trademark protection depends upon where the mark fits along a spectrum of categories that includes generic, descriptive, suggestive, arbitrary and fanciful marks. *Id.* at 768, 112 S.Ct. 2753.

[5] [6] While a generic term, which identifies a kind of product but does not distinguish its source (such as "aspirin" or "cola") is not afforded trademark protection, *S.S. Kresge Co. v. United Factory Outlet, Inc.,* 598 F.2d 694, 696 (1st Cir.1979), a descriptive mark, which portrays a characteristic of the product to which it refers, is entitled to protection only if it has acquired "secondary meaning" such that consumers associate the product with a particular source. *See Calamari Fisheries v. The Village Catch, Inc.,* 698 F.Supp. 994, 1006–07 (D.Mass.1988).

[7] In contrast, suggestive, arbitrary and fanciful marks identify the particular source of a product and are considered "inherently distinctive." *See Two Pesos,* 505 U.S. at 768, 112 S.Ct. 2753. Inherently distinctive marks are protected from the time of initial use without proof of secondary meaning. *Id.*

Savings Bank contends that it developed common law trademark rights before its mark was registered and before Financial's use of the mark in 1997. Relying on *Calamari Fisheries,* 698 F.Supp. at 1008, Savings Bank claims that its long and exclusive use of the "Baystate" mark and its size and prominence as a banking institution provide the bank with common law trademark protection because

those factors establish the descriptive mark's secondary meaning.

Savings Bank further relies upon its extensive advertising expenditures and promotional endeavors which, the bank claims, have resulted in positive media coverage and favorable recognition. *See President and Trustees of Colby College v. Colby College–New Hampshire,* 508 F.2d 804, 808 (1st Cir.1975); *Calamari Fisheries,* 698 F.Supp. at 1009. The 1999 and 2001 surveys provide direct evidence, according to Savings Bank, of the marks' secondary meaning by establishing that a significant percentage of consumers associate the Savings Bank marks with the Plaintiff. *See Boston Beer Co. Ltd. Partnership v. Slesar Bros. Brewing Co., Inc.,* 9 F.3d 175, 182 (1st Cir.1993). Thus, Savings Bank claims that it has established the secondary ***188** meaning of its mark in the area of banking and finance that is necessary to entitle a descriptive mark to protection.

Savings Bank has failed, however, to prove that it has established sufficient secondary meaning in its mark to prevent Financial from competing in what amounts to a different industry. Although Savings Bank is not categorically precluded from succeeding on the merits of a claim of trademark infringement if, for example, another savings bank were to adopt the term "Bay State" (or a similar iteration), the bank is unlikely to attain the same success here.

[8] [9] Savings Bank is a geographically descriptive mark and therefore is entitled to protection only if the mark "no longer causes the public to associate the goods with a particular place, but to associate the goods with a particular source." *Boston Beer Co. v. Slesar Bros. Brewing Co.,* 9 F.3d 175, 181 (1st Cir.1993). *See also First Keystone Fed. Sav. Bank v. First Keystone Mortgage, Inc.,* 923 F.Supp. 693, 704–05 (E.D.Pa.1996) (geographically descriptive term is a weak mark).

Savings Bank's 1999 and 2001 surveys demonstrate that a relatively small portion of the consuming public was familiar with the bank's services. Survey evidence showed that, among residents of towns where Savings Bank is active in banking and advertises extensively, approximately 10% to 20% of residents identified Savings Bank as a bank they could recall offhand. Moreover, even among Savings Bank's own customers, less than half recalled seeing any of its advertising.

[10] [11] Moreover, the combined use of a geographic term with a generic term such as "bank" fails to render a trademark inherently descriptive. In a closely analogous case, the United States Court of Appeals for the Fifth Circuit held that the combination of "bank" with "Texas" was descriptive of the kind of services offered and the place from which such services originated. *Bank of Texas v. Commerce Southwest, Inc.,* 741 F.2d 785, 787 (5th Cir.1984). To establish secondary meaning for its marks, Savings Bank "must show that the primary significance of the term in the mind of the consuming public is not the product but the producer." *Id., citing Kellogg Co. v. Nat'l Biscuit Co.,* 305 U.S. 111, 118, 59 S.Ct. 109, 83 L.Ed. 73 (1938).

Given the location of both parties in Massachusetts and their operations in Massachusetts and in bordering states, Savings Bank simply cannot sustain its claim that the use of the "Bay State" marks allows it to exclude all competitors that bear a similar name and operate in a similar field. *See Boston Beer Co.,* 9 F.3d at 181–82. *See also Burke–Parsons–Bowlby Corp. v. Appalachian Log Homes, Inc.,* 871 F.2d 590, 595 (6th Cir.1989)(holding that "[a] trademark that is primarily geographically descriptive must have acquired secondary meaning to invoke the protection of the Lanham Act.").

[12] Savings Bank's registration of its marks does not necessarily change the outcome of the foregoing analysis. Although a registered mark is presumed valid and entitled to protection, such a presumption may be rebutted by proof that the mark is either generic or is merely descriptive and lacks secondary meaning. *See Calamari Fisheries, Inc. v. The Village Catch, Inc.,* 698 F.Supp. 994, 1007 (D.Mass.1988), *citing Liquid Controls Corp. v. Liquid Control Corp.,* 802 F.2d 934, 936 (7th Cir.1986).

[13] In the instant case, Savings Bank obtained state and federal trademark registration. The United States Patent and Trademark Office ("the PTO") recognized, however, that the terms "Bay State," "Bay ***189** State Savings Bank" and "Bay State Investment Services" were geographically descriptive. As a result, the PTO agreed to register the marks only after the bank submitted declarations stating that the marks had become distinctive of the services offered by Savings Bank through the bank's substantially exclusive and continuous use in commerce for at least five years prior to the filing of the statement. This Court is free to construe Savings Bank's submission of such evidence as a concession that its marks are not inherently distinctive. *See Aromatique, Inc. v. Gold Seal, Inc.,* 28 F.3d 863, 869 (8th Cir.1994), *citing Yamaha Int'l Corp. v. Hoshino Gakki Co.,* 840 F.2d 1572, 1577 (Fed.Cir.1988).

2) Financial's Different Business

[14] Even if the Court were to assume that Savings Bank has established secondary meaning in its marks among savings banks, that conclusion is insufficient to preclude Financial altogether from using a similar mark within the financial services industry.

In the wake of the stock market crash of 1929 and the Great Depression that followed, Congress passed the Banking Act of 1933, Pub.L. No. 73–66, 48 Stat. 162 (as codified in various provisions of Title 12 of the United States Code, "the Glass–Steagall Act") which separated the business of commercial and investment banking. That separation remained in effect, subject to certain exceptions, until the passage of the Gramm–Leach–Bliley Act of 1999, Pub.L. No. 106–102, title I, § 101(a), 113 Stat. 1341. Although the Glass–Steagall Act enforced, from 1933 to 1999, a strict ban on securities underwriting by banks that collected deposits and made loans, commercial banks were not entirely foreclosed from providing some investment services to their customers.

For example, as Savings Bank aptly notes, in 1983, the Federal Deposit Insurance Company ("FDIC") issued a legal opinion in which the FDIC's general counsel held that a bank that was not a member of the Federal Reserve System was permitted to "purchase and sell securities for the account of a customer if it is without recourse and solely upon the order of the customer." General Counsel's Opinion No. 6—The Legality of Discount Brokerage Services When Offered By Insured Nonmember Banks, 48 Fed.Reg. 22989, 22990 (May 23, 1983). In other words, insured, nonmember banks were legally permitted to offer discount brokerage services to its customers. *Id.* at 22989.

That conclusion by the FDIC permitted Savings Bank to offer limited securities brokerage services to its clients. Savings Bank did not, however, offer those services under its name. Pursuant to federal regulations, Savings Bank offered its investment products through an entity known as FISCO and later through Minuteman Investment Services. Savings Bank's primary business remained that of a savings bank. It realized *de minimus* profits from its investment business and to the extent consumers recognized the "Bay State" name, they recognized it as a savings bank.

With respect to its insurance business, customers could not have readily identified the "Bay State" marks with the insurance industry because, prior to 1998, banks and their affiliates were prohibited by law from obtaining licenses as insurance agents or brokers or from engaging in the insurance agency business. *See* Kenneth F. Ehrlich, *Gramm–Leach–Bliley: Federal Preemption of Massachusetts Bank Insurance Sales Rules?,* 20 Ann. Rev. Banking L. 121, 128 (2001). The Savings Bank Life Insurance ("SBLI") policies sold by Savings Bank since 1962 were originally conceived ***190** of by Louis Brandeis when he was in private practice in Boston as a way to sell life insurance policies to primarily working class customers directly through their savings banks rather than through aggressive and often unscrupulous insurance salesmen. *See* Raymond A. Guenter, *Bank Insurance Powers—Yesterday, Today and Tomorrow,* 17 Ann. Rev. Banking L. 351, 373–74 (1998).

That concept has evolved from an internal department of the savings banks with separate assets and liabilities to one in which the policies are directly underwritten by a life insurance company owned by the savings banks. *See id.* at 374; M.G.L. c. 178A (1997). Nevertheless, the motivation behind any savings bank's expansion into the insurance business was to provide an imprimatur of a local, and presumably trustworthy, savings bank to the life insurance industry. The "Bay State" marks of Savings Bank therefore remained connotative of a savings bank rather than an insurance agency because that connotation was the intended result of the SBLI structure.

Within the area of financial services, insurance and investments, Financial pre-dates Savings Bank. Financial has used the "Bay State" marks since at least 1983 which is long before Savings Bank began to use its "Bay State" Investment Services mark in connection with insurance and investment-related products. Thus, Savings Bank has failed to demonstrate a likelihood of success on the merits of its trademark infringement claims.

B. Irreparable Harm to Savings Bank

[15] In the context of trademark law, irreparable harm is presumed if a plaintiff demonstrates a likelihood of success on the merits. *See Camel Hair & Cashmere Inst. v. Assoc. Dry Goods Corp.,* 799 F.2d 6, 14–15 (1st Cir.1986)(holding that where there is a high probability of consumer confusion, "injury irreparable in the sense that it may not be fully compensable in damages almost inevitably follows."); *see also Hypertherm, Inc. v. Precision Prods., Inc.,* 832 F.2d 697, 699–700 (1st Cir.1987)(noting that "few harms are more corrosive in the marketplace than the inability of a trademark holder to control the quality of bogus articles thought (erroneously) to derive from it."). Savings Bank is not at risk of continuing and irreparable harm because it has failed to establish a substantial likelihood of success on the merits.

C. The Balance of Harms

[16] Savings Bank contends that in cases of dilution and confusion, the harm falls mainly on the senior user while the risk of harm to the junior user, in this case Financial, is minimal. In support, Savings Bank explains that Financial has not established the requisite secondary meaning associated with its mark in order to obtain trademark protection. Moreover, Financial has not paid for advertising and the signage at its newly acquired Worcester office is temporary. The only cost incurred by Financial, according to Savings Bank, will be that associated with changing its sign and letterhead. That risk was assumed by Financial when it continued to use its name following Savings Bank's objection. *See McDonald's Corp. v. McBagel's, Inc.,* 649 F.Supp. 1268, 1279 (S.D.N.Y.1986).

Savings Bank's argument significantly discounts the fact that the offering of relevant financial services by Financial actually predates Savings Bank's entry into investment services by approximately 20 years. As such, Financial would actually suffer harm if it were compelled to change its name. Thus, Savings Bank has failed ***191** to prove that the balance of harms tilts in its favor.

D. The Public Interest

Finally, Savings Bank has failed to prove that the public interest will be furthered by granting its preliminary injunction.

ORDER

After considering the pleadings and the oral arguments of counsel, and based upon the foregoing memorandum, the Motion for Preliminary Injunction (Docket No. 5) is hereby **DENIED.**

So ordered.

All Citations

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As of: October 12, 2015 7:03 PM EDT

Citigroup Inc. v. City Holding Co.

United States District Court for the Southern District of New York

February 7, 2003, Decided ; February 10, 2003, Filed

99 Civ. 10115 (RWS)

Reporter

2003 U.S. Dist. LEXIS 1845; 2003 WL 282202

CITIGROUP INC. and CITICORP., Plaintiffs, -against- CITY HOLDING COMPANY and CITY NATIONAL BANK OF WEST VIRGINIA, Defendants.

Disposition: **[*1]** Plaintiff's motion for judgment granted in part and denied in part.

LexisNexis® Headnotes

Civil Procedure > ... > Justiciability > Standing > General Overview

Trademark Law > Trademark Cancellation & Establishment > General Overview

Trademark Law > ... > Registration > Federal Registration > Power of Courts

Trademark Law > US Trademark Trial & Appeal Board Proceedings > Cancellations > General Overview

HN1 The Lanham Act expressly provides that federal courts may cancel the registration of any federally registered trademark. *15 U.S.C.S. § 1119*. In any action involving a registered mark, the court may determine the right to registration, order the cancellation of registrations, in whole or in part and otherwise rectify the register with respect to the registrations of any party to the action. *15 U.S.C.S. § 1119*. To prevail in a claim for cancellation, a plaintiff must show that (1) it has standing to bring a cancellation claim, and (2) there are valid grounds for why the registration should not continue to be registered.

Civil Procedure > ... > Justiciability > Standing > General Overview

Trademark Law > ... > Federal Unfair Competition Law > Lanham Act > Standing

Trademark Law > ... > Similarity of Marks > Appearance, Meaning & Sound > General Overview

Trademark Law > US Trademark Trial & Appeal Board Proceedings > Cancellations > General Overview

Trademark Law > US Trademark Trial & Appeal Board Proceedings > Cancellations > Standing

HN2 A plaintiff has standing to seek cancellation of a federally registered trademark if it has a real commercial interest in its own marks and a reasonable basis for its belief that it would be damaged in the absence of cancellation. This standard is met where, inter alia, (1) the trademark for which cancellation is sought has been cited against the applications of plaintiff's own trademarks, or (2) plaintiff is using the same or a similar mark for the same or similar goods.

Trademark Law > Likelihood of Confusion > General Overview

Business & Corporate Compliance > ... > Registration > Federal Registration > Principal Register

Trademark Law > US Trademark Trial & Appeal Board Proceedings > Cancellations > General Overview

HN3 A plaintiff may bring a cancellation claim on two grounds: (1) the trademark is barred from

registration under § 2 (15 U.S.C.S. § 1052) of the Lanham Act, or (2) the trademark comes within any of the specifically listed grounds in § 14 (15 U.S.C.S. § 1064) of the Lanham Act under which a registration may be cancelled.

Trademark Law > ... > Remedies > Equitable Relief > General Overview

Trademark Law > Likelihood of Confusion > General Overview

Trademark Law > Trademark Cancellation & Establishment > General Overview

Trademark Law > US Trademark Trial & Appeal Board Proceedings > Cancellations > General Overview

HN4 Procedurally, the court cannot order the cancellation of marks that have not yet been registered. The Lanham Act does, however, invest a court with the power to grant injunctions according to the principles of equity to prevent the violation of any right of the registrant of a registered mark. 15 U.S.C.S. § 1116(a). Thus, courts can enjoin defendants from continuing to pursue federal registrations for marks that would, inter alia, result in likelihood of confusion.

Trademark Law > Abandonment > General Overview

Trademark Law > US Trademark Trial & Appeal Board Proceedings > Cancellations > General Overview

HN5 A registration may be cancelled at any time if it has been abandoned. 15 U.S.C.S. § 1064. The determination of abandonment is governed by § 1127 of the Lanham Act, which states, in pertinent part, that a mark shall be deemed abandoned when its use has been discontinued with intent not to resume such use, which intent may be inferred from circumstances. 15 U.S.C.S. § 1127. Use of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark. 15 U.S.C.S. § 1127.

Trademark Law > Trademark Cancellation & Establishment > General Overview

Trademark Law > Abandonment > General Overview

Business & Corporate Compliance > ... > Abandonment > Intentional Abandonment > Intentional Nonuse

Trademark Law > Trademark Cancellation & Establishment > Registration > General Overview

Trademark Law > US Trademark Trial & Appeal Board Proceedings > Cancellations > General Overview

HN6 The Lanham Act provides that non-use of a mark for three consecutive years constitutes prima facie abandonment, 15 U.S.C.S. § 1127, which, in the Second Circuit, creates a rebuttable presumption that the trademark owner has abandoned the trademark. The trademark owner then bears the burden of demonstrating reasonable grounds for the suspension and plans to resume use in the reasonably foreseeable future when the conditions requiring suspension abate. Absent such a showing of non-abandonment, the registration should be cancelled. However, the burden of persuasion remains with the petitioner to prove abandonment.

Civil Procedure > ... > Pretrial Judgments > Nonsuits > Voluntary Nonsuits

Trademark Law > Abandonment > General Overview

HN7 A bare assertion of possible future use is not enough to prove an intent to resume use. In addition, token or sporadic use is insufficient to overcome a showing of abandonment.

Evidence > ... > Procedural Matters > Objections & Offers of Proof > Timeliness

Trademark Law > Abandonment > General Overview

Trademark Law > US Trademark Trial & Appeal Board Proceedings > Cancellations > General Overview

HN8 Without the benefit of prima facie evidence of abandonment, a party seeking cancellation must show that the trademark owner is not using the mark and that it has no intention to use the mark in the reasonably foreseeable future. Self-serving statements of an intent to resume use of the mark at some indefinite future time will not prevail over objective evidence of abandonment.

Trademark Law > Abandonment > General Overview

HN9 Because it constitutes a forfeiture of a property right, abandonment of a mark must be proven by clear and convincing evidence, and statutory aid to such proof must be narrowly construed.

Trademark Law > Abandonment > General Overview

Business & Corporate Compliance > ... > Trademark Law > Abandonment > Intentional Abandonment

HN10 In the context of trademark abandonment, intent not to resume use is intent not to resume use in the foreseeable future, rather than never to resume use at all.

Trademark Law > ... > Remedies > Equitable Relief > General Overview

Trademark Law > Likelihood of Confusion > General Overview

Trademark Law > ... > Similarity of Marks > Appearance, Meaning & Sound > General Overview

Business & Corporate Compliance > ... > Registration > Federal Registration > Principal Register

HN11 A finding that likelihood of confusion or dilution exists under § 2 (*15 U.S.C.S. § 1052*) of the Lanham Act may result in the injunction of a pending application of a mark.

Trademark Law > ... > Federal Unfair Competition Law > False Designation of Origin > General Overview

Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview

Trademark Law > Special Marks > Family of Trademarks

Trademark Law > ... > Particular Subject Matter > Names > Personal Names

HN12 To be effective, the ″family of marks″ argument must rest in the ultimate analysis on proof that the designation constituting the ″surname″ of the family is in fact recognized by the public as a trademark in and of itself. Usually this requires some proof that the ″family surname″ has been so extensively advertised that buyers would be likely to think that the infringer's product originates with the owner of the family being infringed. This is a matter of fact, not supposition. The mere fact of registration of many marks with a common syllable does not in itself prove that a family of marks exists in fact.

Trademark Law > Likelihood of Confusion > General Overview

Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview

Business & Corporate Compliance > ... > Registration > Federal Registration > Principal Register

Trademark Law > US Trademark Trial & Appeal Board Proceedings > Cancellations > General Overview

HN13 Pursuant to § 2(d) (*15 U.S.C.S. § 1052(d)*) of the Lanham Act, cancellation of a registration for a trademark is appropriate if there is a likelihood of confusion between that trademark and one or more of plaintiffs' trademarks. *15 U.S.C.S. § 1052(d)*.

Trademark Law > Likelihood of Confusion > General Overview

Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview

Trademark Law > ... > Consumer Confusion > Circuit Court Factors > General Overview

Trademark Law > ... > Consumer Confusion > Circuit Court Factors > 2nd Circuit Court

Trademark Law > ... > Similarity of Marks > Appearance, Meaning & Sound > General Overview

HN14 In the Second Circuit, courts consider the Polaroid factors as a framework for evaluating whether there is a likelihood of confusion. The factors to be considered are the strength of the marks, the degree of similarity between the marks, the proximity of services, the likelihood that plaintiff will ″bridge the gap,″ evidence of actual confusion, defendants' bad faith, the sophistication of customers and the quality of services. These eight factors are not exhaustive, nor is any single factor dispositive. Each factor must be balanced with the others to determine the likelihood of confusion. The evaluation of the Polaroid factors is not a mechanical process where the party with the greatest number of factors weighing in its favor wins. Rather, a court should focus on the ultimate question of whether customers are likely to be confused.

Business & Corporate Compliance > ... > Causes of Action Involving Trademarks > Infringement Actions > Determinations

Trademark Law > Likelihood of Confusion > General Overview

Trademark Law > ... > Consumer Confusion > Circuit Court Factors > 2nd Circuit Court

HN15 In the absence of bad faith, with purchasers who can be presumed to be more sophisticated than less as to services similar in quality but differentiated as to scope, the balance of Polaroid factors requires the conclusion that the Lanham Act has not been violated.

Trademark Law > Likelihood of Confusion > General Overview

HN16 Where a mark consists of two or more words, some of which are disclaimed, the word not disclaimed is generally regarded as the dominant or critical term for purposes of the confusion analysis.

Trademark Law > Causes of Action Involving Trademarks > Dilution of Famous Marks > General Overview

Business & Corporate Compliance > ... > Registration > Federal Registration > Principal Register

Trademark Law > US Trademark Trial & Appeal Board Proceedings > Cancellations > General Overview

HN17 Cancellation of a registration for a trademark is appropriate is a registered trademark is likely to dilute a famous and distinctive mark. *15 U.S.C.S. § 1052(f)*.

Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview

Trademark Law > ... > Similarity of Marks > Appearance, Meaning & Sound > General Overview

HN18 The family of marks doctrine holds that likelihood of confusion can exist even though a defendant's mark may not be significantly close to any one member of a plaintiff's family of marks.

Trademark Law > ... > Federal Unfair Competition Law > False Designation of Origin > General Overview

Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview

Trademark Law > Special Marks > Family of Trademarks

Trademark Law > ... > Similarity of Marks > Appearance, Meaning & Sound > General Overview

Trademark Law > ... > Particular Subject Matter > Names > Personal Names

HN19 The family of marks doctrine is described as follows: A trademark owner may use a plurality of marks with a common prefix, suffix, or syllable. It has the opportunity to establish that it has a ″family″ of marks, all of which have a common ″surname.″ It relies on this to argue that defendant's mark, which incorporates the ″family surname,″ is confusingly similar to the total ″family group.″ In effect, the family ″surname″ or distinguishing element is recognized by consumers as an identifying trademark in and of itself when it appears in a composite. Even though a junior user's mark may not be that close to any one member of the family, it may have used the distinguishing family ″surname″ or characteristic so as to be likely to cause confusion. Whether an ordinary buyer is likely to think that a junior user's mark is a member of the senior user's family of marks is a matter of fact inherent in the determination of likelihood of confusion.

Trademark Law > ... > Factors for Determining Confusion > Intent of Defendant to Confuse > General Overview

HN20 Intent to capitalize on success and reputation may be considered in the likelihood of confusion analysis.

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Judges: ROBERT W. SWEET, U.S.D.J.

Opinion by: ROBERT W. SWEET

Opinion

Sweet, D.J.,

Plaintiffs Citigroup Inc. and Citicorp (collectively ″Citigroup″) initiated this action against defendants City Holding Company and City National Bank of West Virginia (collectively ″City Holding″), alleging that City Holding's ″CITY″ marks and blue trade dress infringe upon Citigroup's family of ″CITI″ marks and ″Blue Wave″ trade dress. Citigroup seeks cancellation of, and an injunction against the prosecution of, several CITY marks as well as money damages. After a trial before the Court and upon all the prior proceedings and the findings and conclusions set forth below, judgment will be granted in favor of Citigroup, in part, as set forth below.

The Issue

This action presents the contest between the aurally identical marks employed by one of the primary financial institutions **[*2]** in the nation and by a West Virginia bank that has had regional and national inspirations. Competing causes of action for trademark infringement, dilution and unfair competition have been whittled down into the remaining claims by Citigroup for infringement, unfair competition and cancellation.

Both parties prognosticate fearful results if the Court finds for the other side: City Holding augurs a world where no (small) business with CITY in its title will be safe from Citigroup's crack team of trademark lawyers, while Citigroup fears that in the absence of relief, the West Virginia-based defendant bank will create a ″family″ of CITY-marks that will track exactly all of its CITI-marks and create unimaginable mayhem in the minds of consumers. While both sides likely exaggerate, there is an important subtext to City Holding's argument. Businesses have been touting CITY in their titles and trademarks easily since the creation in the

nineteenth century of the entity that has become Citigroup. Indeed, Citigroup, which began its existence as the City Bank of New York in 1812, quite intentionally differentiated itself from the pack with the distinctive second ″I.″ As a result, Citigroup's **[*3]** primary claims of infringement must fail, as discussed below.

Prior Proceedings

This action was commenced on September 29, 1999, alleging claims including trademark infringement, dilution, unfair competition and false designation of origin under the Lanham Act, *15 U.S.C. §§ 1114(1)*, *1125(a)* and *(c)*, to which New York State and common law claims are appended.

On November 5, 1999, five weeks after this lawsuit was filed and before City Holding responded to it, City Holding filed a parallel lawsuit against Citigroup and Citicorp in the federal district court for the Southern District of West Virginia. Ten days later, City Holding moved before this Court to dismiss Citigroup's complaint for lack of personal jurisdiction or, in the alternative, to transfer the case to the Southern District of West Virginia pursuant to *28 U.S.C. § 1404(a)*.

On January 25, 2000, Citigroup moved before this Court to enjoin prosecution of the later-filed, duplicative West Virginia action. City Holding cross-moved to stay proceedings in this Court pending decision on the motion to dismiss or transfer.

This case was originally assigned to the Honorable **[*4]** Charles S. Haight, but was reassigned to this Court on March 28, 2000, after Judge Haight recused himself.

On May 31, 2000, this Court denied City Holding's motion to dismiss for lack of jurisdiction and its motion to transfer the action to the West Virginia District Court and enjoined City Holding from prosecuting its action there. *Citigroup, Inc. v. City Holding Co., 97 F. Supp.2d 549 (S.D.N.Y. 2000)*.

Upon the conclusion of discovery, on April 17, 2001, Citigroup moved for summary judgment pursuant to Rule 56 of the Federal Rules of Civil Procedure on their affirmative claims of trademark infringement, dilution and unfair competition and to dismiss City Holding's counterclaims. In an opinion dated October 30, 2001, the Citigroup motion for judgment on its claims was denied, its federal and New York dilution claims were dismissed, and its motion to dismiss City Holding's counterclaims was granted. *Citigroup, Inc. v. City Holding Co., 171 F. Supp.2d 333 (S.D.N.Y. 2001)*.

A non-jury trial was held on June 17 and 18, 2002, to address the several specific issues that remained following the October 30, 2001 summary judgment opinion. Citigroup called **[*5]** three witnesses (Anne MacDonald, the head of Citigroup's global consumer marketing group; Anne Moses, Citigroup's chief trademark counsel; and John Alderman, City Holding's general counsel) and City Holding called one witness (Craig Stilwell, City Holding's executive vice president and director of marketing and human resources). Oral argument was held on December 11, 2002, and post-trial submissions were finalized on February 5, 2003.

Findings of Fact

I. ***The Parties***

A. ***Plaintiffs Citigroup and Citicorp***

Citigroup Inc. is a Delaware corporation with its principal executive office located at 399 Park Avenue, New York, New York.

Citicorp, a Delaware corporation with its principal offices located at 399 Park Avenue, New York, New York, is a wholly-owned subsidiary of Citigroup Inc.

Citigroup Inc. was formed on October 8, 1998, following the business combination of Travelers Group Inc. (″Travelers″) and Citicorp. Citicorp is the parent of Citibank, N.A. (″Citibank″).

For many decades or more, Citibank has been one of the most prominent banking institutions in the United States and the world. Through its subsidiaries, Citigroup provides a broad range of financial **[*6]** services to consumers and corporate customers, including banking services such as checking accounts, savings accounts, loans, credit and debit cards, insurance, travelers checks, mortgages, bill payment services, brokerage services and investment advisory services.

Many of the products and services offered by Citigroup's businesses are described on, or available through, its websites, located at <www.citigroup.com>, <www.citibank.com>, <www.citi.com> and others. Citigroup considers e-commerce to be an important aspect of Citigroup's continued growth and leadership in the financial services area.

B. ***Defendants City Holding and City National Bank***

City Holding Company is a West Virginia corporation headquartered in Cross Lanes, West Virginia. City Holding Company is a bank holding company whose shares are traded on the NASDAQ Exchange.

City National Bank of West Virginia, a wholly-owned subsidiary of City Holding Company, is headquartered in Charleston, West Virginia. City National offers a broad range of banking and financial services. Its services are offered primarily to residents of West Virginia and two adjacent counties in Ohio.

II. ***The CITI Marks***

A. ***The*** **[*7]** ***History of Citibank***

Citibank was originally chartered on June 16, 1812 under the banking laws of New York State as the ″City Bank of New York.″ Citibank is one of the few private banking institutions in this country that has been in continuous operation since 1812.

In July 1865, Citibank converted its state charter to a national charter and changed its name to The National City Bank of New York.

In the 1890's, Citibank became the largest government depository bank and held more deposits from other national banks than any other U.S. bank.

By 1912, Citibank was the largest commercial lender to New York City businesses, and more than 400 foreign banks maintained their accounts with Citibank. By 1913, Citibank had also secured a leading position in investment banking.

Following passage of the Federal Reserve Act in 1913, Citibank began developing a system of foreign branches to provide corporate customers with banking services around the world. By 1917, no American bank came close to matching Citibank's system of 35 foreign branches. By the end of 1967, Citibank had become the largest U.S. banking presence in the world, having 208 foreign branches in 61 countries.

During the **[*8]** 1920's, Citibank became a pioneer in providing banking services, including checking accounts, savings vehicles and personal loans, to the general public. Also during the 1920's, Citibank, through a corporate affiliate, conducted what would be the first of its many national advertising campaigns. This campaign included advertisements in such prominent national publications as *Harpers* and *Atlantic Monthly.*

During the post-World War II business expansion, Citibank took a leading position in responding to the rising demand for credit among small businesses and the general public, more than doubling its commercial and industrial loans and tripling its personal loans to consumers from June

1945-1948. During the 1950's, Citibank's industrial and commercial loans increased more than four times.

In the mid-1960's, Citibank's management adopted the strategic goal of diversifying Citibank's domestic business to offer a more comprehensive array of financial products and services. As a first step, Citibank's shareholders formed a one-bank holding company named First National City Corporation. The holding company was officially renamed Citicorp in March 1974.

The new holding company provided **[*9]** a vehicle through which to expand in the rapidly growing market for financial services by building upon Citibank's well-established business. For example, in 1969, plaintiffs opened the Citicorp Venture Capital business, and in the 1970's, they established the Citicorp Leasing business, a commercial leasing service. These businesses operated across the country.

In 1979, Citicorp founded Citicorp Mortgage, headquartered in St. Louis, Missouri. Throughout the 1980's, Citicorp Mortgage expanded its business in mortgage origination and mortgage servicing. In the late 1980's, Citicorp Mortgage was the country's number one issuer of new first mortgages.

During the 1970's, Citicorp acquired Nationwide Financial Services, a consumer finance corporation based in St. Louis, Missouri with offices in approximately 14 states. This division was named Citicorp Person-to-Person Consumer Financial Services. By 1982, there were approximately 150 Person-to-Person Centers across the country.

In 1979, Citicorp Industrial Credit Corp. was formed with offices in 29 cities to provide asset-based financing worldwide.

By 1982, Citicorp Capital Investors, Ltd. provided long-term debt and equity financing **[*10]** worldwide, and Citicorp Investment Management Inc. provided portfolio investment advice. Citicorp Business Credit, Inc. had 11 domestic offices that offered financing and other services to middle market companies.

During the 1970's and 1980's, consumers throughout the country had exposure to Citicorp and Citibank through their travelers check and credit card businesses. For example, in the mid-1980's, more than 60 million travelers checks bearing the CITICORP mark were sold each year in all fifty states by more than 20,000 agents.

In the 1970's and 1980's, plaintiffs issued millions of MasterCard and Visa credit cards prominently bearing the CITIBANK or CITICORP marks. Millions more Americans received credit card solicitations in the mail each year as part of direct mail campaigns soliciting new credit card customers.

During the 1970's, Citicorp became the largest United States banking corporation in terms of loans and the largest non-governmental bank worldwide with 850 offices in close to 900 countries. By 1972, Citicorp's assets exceeded $ 30 billion.

By 1983, Citibank's consumer loan portfolio was valued at $ 29 billion and 90 percent of its consumer earnings were generated **[*11]** outside New York.

In 1984, Citibank and Citicorp had customers in every one of the fifty states, and relationships with approximately one out of every seven households in the country. As of 1990, Citicorp had business relationships with more than 17 million domestic households. That number grew to 22 million by 1997, the year before the Travelers/ Citicorp merger.

B. *The CITI Marks*

On January 19, 1960, Citibank registered the mark CITIBANK with the United States Patent

and Trademark Office (″PTO″). Prior to that time, by the 1950's, Citibank had identified itself, and had been referred to in the banking/ financial industry, as well as by the public, as ″City Bank″ or ″Citibank.″ Indeed, as early as 1897, ″CITIBANK″ was used as the bank's cable address.

Citicorp began no later than the mid-1970's to build and expand upon a CITI-based family of marks. CITI was chosen as the foundation of the family because the general public and financial community already referred to Citibank by the coined term ″Citi″ and the name had naturally evolved into the company's trademark.

In February 1978, an enormously successful advertising campaign was launched for the new Citicard Banking **[*12]** Centers. Its slogan was ″THE CITI NEVER SLEEPS.″ These centers spurred a technological revolution in consumer banking, and Citibank's role in introducing this technology reaffirmed its leadership in innovation in the financial services area. Citicorp federally registered THE CITI NEVER SLEEPS shortly after the 1978 campaign was launched. Since then, Citigroup has used a number of other slogans featuring the CITI mark, including ″The CITI of Tomorrow″ (1981), ″The CITI at Your Front Door (1981), ″It's your CITI″ (1984), and ″The CITI of Your Dreams″ (1995).

For at least two or three decades plaintiffs have been referred to and known as ″CITI″ or ″The CITI.″ On March 19, 1979, Citicorp filed a federal trademark application for CITI. The mark CITI was federally registered by Citicorp in 1981.

As of December 30, 1980, Citicorp owned 27 federally registered marks, including: (1) CITIBANK; (2) CITICARD; (3) CITICORP; (4) CITIDATA; (5) CITIPHONE; (6) CITIPLAN; (7) CITIQUOTE; (8) CITISHARE; and (9) THE CITI NEVER SLEEPS. Five years later, that number had grown to approximately 60 federally-registered CITI-prefixed marks, including (1) CITI; (2) CITI TREASURY MANAGER; (3) CITISHOPPER; (4) **[*13]** CITIDOLLARS; (5) CITIFILE; (6) CITIFLEX; (7) CITILEASE; (8) CITISAVINGS; and (9) CITITREND. By December 31, 1990, CITI's family of approximately 60 federally registered marks also included: (1) CITIBANK PREFERRED; (2) CITICORP TRAVELLERS CHECKS; (3) CITIEXPRESS; (4) CITISPAN; and (5) CITISTAR.

By year-end 2001, there were approximately 140 marks, either registered or covered in pending federal trademark application, in the CITI family of marks.

Plaintiff's in-house Chief Trademark Counsel, Anne Moses (″Moses″), was responsible for clearance for each of the various CITI-names that were adopted by the plaintiffs over the years in which Moses was Chief Trademark Counsel. Moses is unaware of any United States CITI-prefixed marks that have not been cleared by plaintiffs' trademark attorneys.

The CITI mark is also used in vanity phone numbers, including 1-800-321-CITI, 1-800-441-CITI, 1-800-336-CITI and 1-800-CITIGOLD. The number 1-800-CITI-ATM was used in the 1980's.

The CITI mark is also incorporated into plaintiffs' domain names. The website <www.citibank.com> was established in 1995.

Despite the abundance of CITI marks, it was not until the merger with Travelers in 1998 that Citigroup **[*14]** developed a ″master brand strategy,″ whereby the CITI mark, or ″primary brand″ is ″used to name all of [the] divisions and flagship products″. (MacDonald Dep. at 65.) Prior to the merger, ″Citibank, rather than Citi [was] the first level of … branding emphasis.″ (*Id.* at 68.) The post-merger branding strategy was based upon consumer research and the fact that the company was larger.

C. *Certain CITI Policing Efforts*

During the 1970's and 1980's, plaintiffs enforced their trademark rights with a series of lawsuits and opposition proceedings before the PTO. These policing efforts included such third party marks as CITIBANK, CITY BANK, CITYCARD, ITS YOUR CITY, and CITYLINK. According to the deposition testimony of Christopher York, Citibank's attorney who was charged with protecting the bank's trademarks, as a matter of practice Citigroup did not take action against entities titled ″City National Bank,″ and he could not recall such a name ever causing consumer confusion.

Between 1972 and 1980, Citigroup's predecessors initiated twenty-four instances of policing that did not lead to litigation and eleven lawsuits. Each of these examples involved either the CITIBANK **[*15]** mark or a phonetic twin, such as CITY BANK. There was also a 1980 matter involving Citi Savings and Loan Association of North Carolina.

One policing effort that was resolved by settlement involved First City Bancorporation of Texas (″First City″). Plaintiffs and First City entered into an agreement that required, among other things, that First City ″refrain from any and all use of 'City Bank' (or the phonetically similar word 'Citi Bank') solely by themselves ….″ The agreement further provided that First City was entitled to use the word ″Bank″ in combination with the prefix ″First City,″ and that ″City National Bank″ and ″First City National Bank″ were acceptable, non-infringing uses ″throughout the world … in connection with all business, goods and services.″ In the agreement, First City represented that it intended and desired that the public view its name and mark as ″First City.″

In another agreement, entered in 1977 between plaintiffs and City Federal Savings (″City Federal″), City Federal agreed to cease all use of its marks ″Citycard″ or ″CITYcard″. In the 1980's, Citibank entered into another agreement requiring a business publication MCP Inc. (″MCP″) to change its name **[*16]** from CITIBUSINESS to City*Business. Paragraph 9 of that agreement states that the ″agreement shall continue in effect only so long as MCP is neither a financial institution nor affiliated with a financial institution and for so long as City*Business is used solely in connection with a general business publication ….″

In 1987, Citibank sent a cease and desist letter to a Citi Mortgage Co. in Georgia. The company wrote back in response that it had changed its name to City Mortgage Co.

In 1990, Citibank negotiated with Citi Mortgage Associates of Pennsylvania to change its name to CITY MORTGAGE ASSOCIATES. The Pennsylvania company complied, and simultaneously adopted a logo reflecting that fact, which it mailed to Citibank to verify its compliance with the settlement.

In the mid-1990's, Citibank negotiated with Citimortgage Co. of Washington State, which agreed to change its name to City Mortgage Corp.

In early 1998, Citibank's in-house Trademark Counsel, Eileen Kennedy, sent a cease-and-desist letter to the owner of an intent-to-use trademark application for CITISAFE, covering safes, stating:

> Safes … are intimately involved in the banking, finance and financial security **[*17]** industries. This fact, coupled with the fact that you have chosen a mark comprised of CITI, a famous designation in the banking and financial industries indicating products and services originating solely with Citicorp and its affiliates, concerns us. One could conclude that ″CITI″ was chosen as a result of the reputation and good will associated with that mark as a result of our long and extensive use of it …. Regardless of your intention, however,

> it is clear that consumers will mistakenly believe that your product originates with, is sponsored by, or is in some other way associated with, Citicorp or its affiliates, giving rise to a likelihood of confusion. We therefore must request that you either withdraw your present application or amend it to a mark that does not include our famous CITI prefix.

Plaintiffs' policing efforts have also included petitions and proceedings before the PTO. For instance, plaintiffs engaged in an opposition proceeding against federal trademark registration application for the service mark IT'S YOUR CITY. That opposition was resolved by the applicant withdrawing its application. In 1985, Citicorp filed with the PTO a Petition for the Cancellation **[*18]** of the mark CITYLINK for point-to-point telecommunications services. The parties entered into an agreement that provided that the registrant would, *inter alia,* (1) ″always split or leave a space between the words CITY and LINK, equal to the type size of the letters used for those words, whenever and in whatever manner said mark is used, displayed or presented (e.g. CITY LINK) and further agrees to amend its United States Service Mark registration accordingly″; (2) ″limit all use of the mark CITY LINK solely to point-to-point telecommunications services in conformity with its current usage of that mark″; (3) limit the geographic scope of its use of the mark; and (4) ″use its CITY LINK mark only in close conjunction with the words REPUBLIC, REPUBLIC TELECOM, MID AMERICAN and/ or MID AMERICAN LONG DISTANCE whenever and in whatever manner the mark is used, displayed or presented.″

Citicorp was successful in opposition proceedings in 1996 against registration of the marks CITYBROKER and CITYDEALER.

In 1997, Citicorp brought a PTO opposition proceeding involving the mark CITI HABITATS, INC.

In 1998, Citicorp commenced successful PTO opposition proceedings against the marks CITYHOME **[*19]** and Design and CITY CARD.

On May 25, 2000, Roseville PCS, Inc. abandoned its federal trademark application to register the mark CITYPHONE for wireless telecommunications and personal communications services, after counsel for Citicorp sent a letter to Roseville in February 2000 objecting to its registration of the CITYPHONE mark.

D. *References to City Holding's Marks in Plaintiffs' Files*

In September 1997, Citicorp obtained a search report for clearance purposes for the mark CITIFUND, to be used on mutual funds. The report revealed a number of marks, including City Holding's CITY FINANCIAL CENTER and CITY FINANCIAL CORP applications.

In April or May 1998, Citibank personnel obtained a copy of City Holding's solicitation for home equity loans. The CITY NATIONAL BANK logo was used, and the bank was identified as being from Charleston, West Virginia. The fax transmission on the copy of that solicitation indicates that Helen Danyo of Citibank, who had worked in the Trademark Counsel's office, passed the document on at that time to Joe Aglione, who is an investigator with the Stonegate Agency in New York, employed by Citibank from time to time to investigate companies and **[*20]** trademark usages.

In May 1998, Eileen Kennedy, plaintiff's Senior Trademark Counsel, received a copy of an advertisement for defendants' City Mortgage Services company from a Citicorp Mortgage attorney. This advertisement indicated that the company was located in Charleston, West Virginia.

Moses met with outside counsel in May 1999 to discuss City Holding's marks.

On July 6, 1999, a background memorandum prepared by outside counsel summarized the

results of a comprehensive investigation which had been completed regarding City Holding's ″infringing conduct.″

On September 28, 1999, City Holding's outside counsel wrote to Moses, enclosing a copy of City Holding's CITY FINANCIAL CORP service mark registration and stated that actual confusion had been occurring as between CITY FINANCIAL CORP and CITIFINANCIAL. The letter concludes by stating that Moses was requested to contact outside counsel for City Holding ″at your earliest convenience to discuss this matter in greater detail. We would like to work with you in formulating a joint resolution to this problem that enables us to co-exist as well as protect our respective customers from continued confusion.″

Citigroup commenced this **[*21]** lawsuit on September 29, 1999.

In February, March and April of 1999, a series of requests to extend time to oppose City Holding's federal trademark applications to register CITY MORTGAGE SERVICES and CITY MORTGAGE CORP were filed in the PTO by Citigroup's Trademark Counsel and outside counsel Citigroup's behalf.

E. ***Adoption of Citifinancial and CitiMortgage Names and Marks***

In November and December 1998, focus group testing was done for Citigroup in Ohio, Texas and South Carolina in order to assess the public's reaction to proposed names to replace the Commercial Credit Corporation, a consumer finance subsidiary that had been a Travelers Group company. The names tested were CITIFAMILY, CITIACCESS, CITILOAN, CITICREDIT, CITISOURCE, CITIFINANCE, and CITIFINANCIAL. The survey company concluded that ″of the six names tested, CITIFINANCE and CITIFINANCIAL held the greatest potential.″

A search report was ordered on December 22, 1998 with respect to CITIFINANCE and CITIFINANCIAL. Both were cleared. The report revealed 18 pages of listings of ″City Finance″ companies, including City Holding's CITY FINANCIAL CORP and CITY FINANCIAL CENTER.

On January 15, 1999, Citicorp filed **[*22]** an application to register the CITIFINANCIAL mark, attesting that there were no other parties with the right to use that mark.

On January 27, 1999, a memo went out among Commercial Credit's executives regarding the CITIFINANCIAL name in the focus group testing. The memo stated that ″all groups associated the citi-prefix with Citibank″; that the Legal department and other will be ″significantly affected by this [name change] project″; and that the executives should ″develop contingency plans for markets subject to delay or rejection in obtaining rights to business use of the name.″

On January 22, 1999, the General Counsel for Aristar Company, headquartered in Tampa, Florida, wrote to the General Counsel of Citigoup's Commercial Credit subsidiary, attaching a news article he had seen that reported that Citigroup was considering changing Commercial Credit's name to CitiFinance. Aristar wrote that Aristar's ″City Finance subsidiary currently uses the mark CITY FINANCE at approximately 100 locations … and reserves the right to expand the use of its mark in the United States. The CITY FINANCE mark has been in use in commerce continuously since 1945 at retail locations throughout the **[*23]** southern United States.″ The Aristar attorney enclosed materials from the company that bore the City Finance logo.

In reply, Citigroup's counsel wrote: ″As I am sure you know, business names comprised of combinations of 'City' and 'Finance' or 'Financial' are common in the financial industry …. We do not believe that our use of 'CitiFinance' or a similar name … will violate any rights that may exist in your City Finance Co. name.″

Aristar's counsel wrote back that he was ″greatly troubled by your company's ongoing attempts to use the name City Finance [sic] before resolving the issue.″ Negotiations continued, with Citigroup arguing in March 1999 that, *inter alia,* ″like City Finance Company, we have lived for years with corporate names composed of common and much used words in our industry such as 'commercial', 'credit', 'city', and 'loan' just as you have with 'city' and 'finance'. Both our businesses are thriving despite similarities between our names and those of numerous other companies, and that is likely to continue.″

Citigroup's counsel wrote to Aristar later in September:

> As you know, business names comprised of variations of ″City″ and ″Finance″, ″Financial″, **[*24]** ″Loan″, ″Credit″ and similar phrases are common in the financial industry. For example, Commercial Credit's Ohio subsidiary operates over 100 offices in Ohio under the name ″City Loan Financial″ and has used the ″City″ name since 1912 …. [CitiFinancial] is a single word, as opposed to two words, and thus creates a very difference [sic] commercial impression than does ″City Finance.″ Further, the emphasis is on the famous ″Citi″ portion of the mark, which assures that it will be understood by the public as a member of the famous ″Citi″ family and not with your company.

Citigroup and Aristar reached a commercial settlement.

On October 29, 1999, Citigroup's outside counsel wrote to the Ohio Secretary of State, seeking permission to reserve the CitiMortgage, Inc. corporate name in that state, and arguing that no conflict existed with an existing reservation for ″City Mortgage Company″: ″The public will understand that Citimortgage, Inc. is associated with and part of the Citigroup family. Additionally, because 'City' is a commonly used prefix for financial services corporations, Citigroup and its many subdivisions that bear the famous CITI prefix have coexisted with many **[*25]** 'City' entities for years in virtually every jurisdiction.″

In October 1999, after this suit had been filed, Citigroup's outside counsel wrote letters to Mr. John Alderman at a post office box in Cross Lanes, West Virginia. The purpose of the letters, and of phone calls that accompanied them, was to obtain the consent of City Mortgage Corporation to plaintiffs' reservation of the name Citimortgage, Inc. with the West Virginia Secretary of State. The following representations were made to Alderman: ″'City' is a commonly used prefix for financial services corporations …. Citigroup and its many CITI companies have coexisted for many years with many 'City' entities.″ Outside counsel was unaware at that time that there was a connection between City Mortgage Corp and City Holding, or that CITY MORTGAGE CORP was in any way related to other City Holding marks.

Kennedy, Citigroup's Senior Trademark Counsel, ″generally tries to stay on top of other uses of CITY and CITI prefixed marks in the financial services area.″ Although she does not know how many are out there, she guessed that the number would be closer to 100 than 2.

III. *City Holding's CITY Marks*

A. *The History of City* **[*26]** *Holding*

City National Bank of Charleston was chartered in West Virginia in 1957. As of 1982, City National had one location, which was in Charleston, West Virginia.

City Holding was formed in March 1983 as a holding company to take advantage of certain changes in banking law. On March 7, 1984, City National became a wholly owned subsidiary of City Holding.

Commencing in 1984, City Holding began to expand by acquiring community banks ″within

the triangular area formed by the cities of Charleston, Huntington and Parkersburg," West Virginia. City Holding operated these subsidiary banks as separate entities, using their historical bank names. As of 1990, City Holding operated five community bank groups in West Virginia, with two bank locations operating under the City National name.

B. *City Holding's Adoption of a New Logo*

In 1990 or 1991, City Holding retained a public relations firm to recommend a new logo for City Holding. The new logo enlarged the word "CITY" compared to the words "HOLDING COMPANY." This new logo format was also implemented for City National, which placed the word "City" directly above "National Bank" in a larger typeface. Signs at existing City **[*27]** National banks were changed to include the new format with the enlarged CITY. At this time, there were three bank locations, all in West Virginia, operating under the City National name.

From 1990 to 1997, City Holding continued to acquire community banks in West Virginia, operating most of them under pre-acquisition names, while advertising them all together. In 1998, following the acquisition of a West Virginia-based community bank that increased the size of City National, City Holding changed the name of "City National Bank of Charleston" to "City National Bank of West Virginia," and consolidated all of its community banks into the City National subsidiary under the City National Bank name and logo.

The testimony of Anne MacDonald, the head of Citigroup's global consumer marketing group, sought to establish that City Holding is moving away from a brand of "City National" to a brand focused on the word "CITY." However, there was no evidence from City Holding indicating that this was in fact the case. The mere fact that the word "CITY" is larger than the accompanying "generic" words does not mean that the mark at issue is "CITY." Further, as discussed in the summary judgment opinion, **[*28]** the fact that City Holding is referred to in shorthand as "City" also does not reflect a move on the part of City Holding. *Citigroup, 171 F. Supp.2d at 348*. Finally, the vanity phone numbers and "CITY"-named services are insufficient to suggest that City Holding intends to be known as "City." As a result, it is concluded as a matter of fact that City Holding has not deliberately engaged in a branding effort to be known as "CITY."

C. *City Financial Corporation*

In October 1993, City Holding formed City Financial Corporation to market securities brokerage and investment advisory services.

As of September 2000, City Financial Corp. had eight employees, including six registered representatives, and approximately 1,400 customers, 90 percent of whom resided in West Virginia and 80-85 percent of whom were also customers of City National. At that time, it had revenues of approximately $ 525,000 and profits of $ 29,000. City Financial Corp. operated out of office space allocated to that business, with signage identifying the company, in three to four City National bank locations in West Virginia.

On November 7, 2001, City Holding issued a press release announcing **[*29]** an agreement with Ferris Baker Watts ("FBW"), pursuant to which FBW acquired all of the broker dealer accounts of City Financial Corp. According to City Holding's CEO, Jerry Francis, the agreement reflected City Holding's "strategic initiatives to remove the Company from non-core business and fully focus on our core community banking operations." The transfer was commenced on November 26, 2001.

D. *City Mortgage Corporation and City Mortgage Services*

In 1993, City Holding established City Mortgage Corporation as a full service mortgage company

located in a suburb of Pittsburgh, Pennsylvania. Several years later, this office was closed.

In the mid-1990's, City Holding began to develop a nationwide mortgage service and origination business. In July 1996, they created a ″City Mortgage Services″ division to facilitate the growth of defendants' mortgage servicing portfolio. City Mortgage Services was located in California, because City Holding considered California to be the ″hotbed of mortgage banking.″

In December 1996, City Holding acquired certain assets and liabilities of Prime Financial Corporation, a mortgage loan servicing company located in Costa Mesa, California. **[*30]** Prime Financial's assets were then integrated into City Mortgage Services.

In October 1997, City Holding acquired First Allegiance Financial Corporation, a mortgage company headquartered in Irvine, California. Also in 1997, it established an office of City Mortgage Services in Dallas, Texas. The business was conducted under the name of City Home Lending.

In 1998, City Holding increased its capacity to solicit new mortgages by acquiring a federally chartered savings bank, Del Amo Savings Bank, located in Torrance, California, and Frontier State Bank, headquartered in Redondo Beach, California.

During the years 1998-2000, City Holding sent out over 20 million direct mail solicitations to households throughout the United States for a ″125″ mortgage product (*i.e.,* a second mortgage that had a loan value of up to 125 percent of the value of the mortgaged property). Among other marks, defendants utilized marks that utilized the word ″City″ in larger, bold type than the words it modified, such as ″NATIONAL BANK,″ ″Mortgage Services,″ and ″Lending Services.″

After experiencing financial problems with their nationwide mortgage origination and solicitation business, City Holding in March **[*31]** 2000 announced that it would exit the ″Specialty Finance″ (or ″high loan to value″) business and scale back its mortgage origination business.

On January 31, 2001, City Holding announced its withdrawal from the mortgage origination business, the sale of the West Coast banks, a cancellation of a quarterly dividend, and fourth quarter write-downs of more than $ 40 million.

E. *City Holding's Trademark Applications and Registrations*

City Holding owns federal service mark registrations and applications, all of which incorporate a first word of CITY. These marks do not comprise a legal family that would be protected by the family of marks doctrine.

In April 1997, City Holding hired its first in-house lawyer. Shortly after his arrival, the new general counsel recommended the filing of federal trademark applications for various of the CITY marks that City Holding was using or considering using at that time. Beginning in July 1997, City Holding filed federal trademark applications for nine CITY marks. The following chart identifies the marks and registration status:

Mark	Date Filed	Reg. No.
CITY CREDIT SERVICES	07/15/97	2,226,376
CITY FINANCIAL CORP.	07/15/97	2,277,087
CITY HOLDING COMPANY	07/15/97	2,277,088
CITY MORTGAGE CORP.	07/15/97	2,268,160
CITY MORTGAGE SERVICES	07/15/97	2,244,249
CITY NATIONAL BANK	07/15/97	pending
CITY CAPITAL RESOURCES	11/14/97	pending
CITY FINANCIAL CENTER	07/15/97	pending
CITY INSURANCE	03/12/01	pending

[*32] The marks above primarily involved the provision of financial services. In each of the trademark applications, City Holding disclaimed all rights with respect to the non-CITY component of the mark, *i.e.,* the descriptive words such as FINANCIAL OR MORTGAGE.

City Holding has never used two of the marks and has abandoned their applications for federal registration thereof: CITY CAPITAL RESOURCES and CITY FINANCIAL CENTER. Further, Citigroup no longer seeks to cancel CITY HOLDING COMPANY, nor do they seek to enjoin the prosecution of the CITY NATIONAL BANK trademark application.

According to testimony from John Alderman, City National's general counsel, City Holding has not used the CITY CREDIT SERVICES and CITY MORTGAGE CORP. marks since 1997 or 1998. Alderman's testimony further revealed that City Holding had not made any concrete plans to resume use of those marks.

The trial testimony also established that City Holding has recently ceased using the CITY FINANCIAL CORP. mark as a result of retrenchment and had no concrete plans to use that mark again. On November 26, 2001, City Holding announced the agreement, referred to above, by which FBW would acquire all the broker dealer **[*33]** accounts of CITY FINANCIAL CORP. and would provide investment services to City National's customers through a revenue-sharing agreement.

It also established that CITY MORTGAGE SERVICES continued to be used, even after City Holding decided to exit the business, albeit in a scaled-back manner. In 2001, City Holding publicly announced an exit from the City Mortgage Services business, which had been based in California. Alderman testified, however, that City Holdings continues to do business under the CITY MORTGAGE SERVICES mark, but only a ″tiny little mouse″'s worth.

IV. *Ownership and Strength of the CITI Marks*

Citigroup's ownership of the service marks on which it relies for its trademark infringement claims is established by numerous federal registrations.

The CITI marks are famous for banking and financial services. That fame is established by a number of factors. First, plaintiffs have expended billions of dollars in advertising and marketing in support of the sale of services under the CITI marks. In 2000 alone, Citigroup spent $ 603 million.

Second, Citigroup has derived enormous revenues and income from services provided under the CITI marks. For instance, Citicorp's **[*34]** net income in 1997 was $ 3.6 billion, with a revenue of $ 21.6 billion.

Third, Citigroup has deeply penetrated the domestic market, with a growth from 4.3 million customers in 1980 (3.6 million of whom had a Citigroup credit card) to 22.8 million customers in 1997 (20.1 million of whom had a Citigroup credit card). A 1996 study revealed that 89 percent of U.S. consumers have heard of Citibank, and 51 percent of the public is familiar with the services provided by Citibank.

Fourth, Citigroup and its marks have received unsolicited media attention for decades, including hundreds of articles appearing in mass circulation newspapers, magazines and electronic media, including such publications as *The New York Times, The Wall Street Journal* and *Forbes.* Since at least the 1980's, some news stories have referred to Citigroup and/ or its predecessors simply as ″CITI.″

Finally, the CITI family of marks enjoys great strength in West Virginia. Citibank has offered financial services in West Virginia since at lest 1980. As of 1980, approximately 6,800 households in West Virginia had a Citibank credit card. That

number climbed to 116,000 by 2000. Citicorp Travelers Checks are sold in **[*35]** West Virginia as well as nationwide. Citicorp has offered mortgages to West Virginia households since at least 1980. In 2000, CitiMortgage originated 195 loans in West Virginia totaling $ 16 million, and as of December 31, 2000, CitiMortgage was servicing 1,800 loans in West Virginia totaling $ 127 million. As of 2001, approximately 21 branches of CitiFinancial were located in West Virginia.

V. ***Other City and City National Bank Entities***

At least 37 third parties utilize marks that include the word CITY. For instance, there are at least two CITYBANKs -- one in Hawaii and one in Washington. One Valley Bancorp of West Virginia has registered a mark, CITY NATIONAL BANK OF FAIRMONT (Reg. No. 2,023,268). A regional corporation, the National City Corporation, has registered a number of marks utilizing the word CITY, including NATCITY (No. 2,058,052); NATIONAL CITY (No. 1,904,621); NATIONAL CITY COMPLETE LOAN (No. 2,136,298); NATIONAL CITY CORPORATION (No. 1,913,729); NATIONAL CITY CORPORATE SELECT (No. 2,184,859), NATIONAL CITY INVESTMENT MANAGEMENT COMPANY (No. 2,317,245), NATIONAL CITY LEASING CORPORATION (No. 1,761,676), and NATIONAL CITY MONEY CARD (No. 1,960,920).

It should **[*36]** be noted that there are at least 18 other banks that use the mark ″City National Bank.″ The oldest is the City National Bank and Trust Company, located in New York, which first used the mark City National Bank in 1887. The largest is the City National Bank, located in California, which has total assets of $ 10,096,337.

Conclusions of Law

I. ***Jurisdiction***

This Court has jurisdiction pursuant to *28 U.S.C. §§ 1331* and *1338*.

II. ***Citigroup Is Entitled to Cancellation of Some, But Not All, the CITY Marks***

Citigroup seeks the cancellation of four of City Holding's five federally registered marks: CITY MORTGAGE CORP, CITY CREDIT SERVICES, CITY FINANCIAL CORP and CITY MORTGAGE SERVICES. In addition, Citigroup seeks to enjoin the prosecution of City Holding's federal applications with regard to three of its four marks that are in the process of being registered: CITY CAPITAL RESOURCES, CITY FINANCIAL CENTER and CITY INSURANCE. City Holding has stated that it has abandoned its applications for the marks CITY CAPITAL RESOURCES and CITY FINANCIAL CENTER, and therefore it is unnecessary to address those marks.

A. ***Standards for Cancellation***

[*37] ***HN1*** The Lanham Act expressly provides that federal courts may cancel the registration of any federally registered trademark. *15 U.S.C. § 1119* (″In any action involving a registered mark, the court may determine the right to registration, order the cancellation of registrations, in whole or in part … and otherwise rectify the register with respect to the registrations of any party to the action.″). To prevail in a claim for cancellation, a plaintiff must show that (1) it has standing to bring a cancellation claim, and (2) there are valid grounds for why the registration should not continue to be registered.

B. ***Standing***

HN2 A plaintiff has standing to seek cancellation of a federally registered trademark if it has a real commercial interest in its own marks and a reasonable basis for its belief that it would be damaged in the absence of cancellation. *Aero-group Int'l Inc. v. Marlboro Footworks, Ltd., 977 F. Supp. 264, 266-67 (S.D.N.Y. 1997)*. This standard is met where, *inter alia,* (1) the trademark for which cancellation is sought has been cited

against the applications of plaintiff's own trademarks. *E.g.*, *Cerveceria Modelo, S.A. de C.V. v. R.B. Marco & Sons, Inc., 55 U.S.P.Q.2d 1298, 1299-1300 (T.T.A.B. 2000)*, **[*38]** or (2) plaintiff is using the same or a similar mark for the same or similar goods, *e.g.*, *Selva & Sons, Inc. v. Nina Footwear, Inc., 705 F.2d 1316, 1326 (Fed. Cir. 1983)* (cancellation petitioner demonstrated "real interest" by alleging NINA trademark was confusingly similar to petitioner's NINO trademark).

Since the commencement of this lawsuit, at least four of Citigroup's federal registrations have been impeded as a result of City Holding's marks:

CITI Registration Impeded	**CITY Marks Cited by PTO**
CITIFINANCIAL [1] **[*39]**	CITY FINANCIAL CORP and CITY FINANCIAL CENTER
CITIMORTGAGE [2]	CITY MORTGAGE CORP and CITY MORTGAGE SERVICES
CITICAPITAL [3]	CITY CAPITAL RESOURCES
CITICREDIT [4]	CITY CREDIT SERVICES

Citigroup has suspended the applications of each of the four marks pending the outcome of this lawsuit.

While the **[*40]** denials of those four applications would seem to grant standing to Citigroup with regard to those marks that impeded its applications, City Holding argues that it is willing to consent to such registrations and acknowledge that their respective marks can co-exist in the marketplace. Such acknowledgements could lead to Citigroup's being able to register the above marks successfully. *E.g.*, *In re E.I. Du Pont de Nemours & Co., 476 F.2d 1357, 1363, 177 U.S.P.Q. 563, 568 (C.C.P.A. 1973)* ("When those most familiar with use in the marketplace and most interested in precluding confusion enter agreements designed to avoid it, the scales of evidence are clearly tilted. It is at least difficult to maintain a subjective view that confusion will occur when those directly concerned say it won't."). However, City Holding and Citigroup have not entered into any such agreements. Citigroup's registrations remain suspended. As a result, it cannot be said that Citigroup lacks standing on the above marks because City Holding was willing to make a deal that Citigroup apparently has not, and perhaps would not, accept.

In any case, even if City Holding's offer to consent to the registration **[*41]** of the CITI marks vitiates Citigroup's standing as conveyed through

[1] By letter dated July 16, 1999, the PTO informed Citigroup that it was not entitled to register CITIFINANCIAL because City Holding and already applied to register CITY FINANCIAL CENTER and CITY FINANCIAL CORP, and there may be a likelihood of confusion between the two marks pursuant to Section 2(d) of the Lanham Act, 15 U.S.C. § 1052(d).

[2] By letter dated December 22, 1999, the PTO informed Citigroup that it was not entitled to register CITIMORTGAGE because it too closely resembled the marks in U.S. Registration Nos. 2,244,249 (CITY MORTGAGE SERVICES) and 2,268,160 (CITY MORTGAGE CORP), and there may be a likelihood of confusion between the two marks pursuant to Section 2(d) of the Lanham Act, 15 U.S.C. § 1052(d).

[3] By letter dated March 9, 2001, the PTO informed Citigroup that it was not entitled to register CITICAPITAL because City Holding had already applied to register CITY CAPITAL RESOURCES, and there may be a likelihood of confusion between the two marks pursuant to Section 2(d) of the Lanham Act, 15 U.S.C. § 1052(d).

[4] By letter dated December 6, 1999, the PTO informed Citigroup that it was not entitled to register CITICREDIT because City Holding had already applied to register CITY CREDIT SERVICES, and there may be a likelihood of confusion between the two marks pursuant to Section 2(d) of the Lanham Act, 15 U.S.C. § 1052(d).

actual impediments to its registration, Citigroup can still establish a reasonable basis for its belief that it would be injured in the absence of cancellation because of the purported similarity between the marks and the fact that they are in the same financial services industry. *E.g.,* Selva & Sons, 705 F.2d at 1326. Citigroup argues that any CITY-prefixed mark in the financial services sector is ″confusingly similar″ to its CITI-prefixed marks. Therefore, although that argument is later rejected, Citigroup's reasonable belief that it has been damaged by the existence of CITY-prefixed marks is sufficient to confer standing.

C. *Grounds for Cancellation*

HN3 A plaintiff may bring a cancellation claim on two grounds: (1) the trademark is barred from registration under section 2 of the Lanham Act, or (2) the trademark comes within any of the specifically listed grounds in Section 14 of the Lanham Act under which a registration may be cancelled.

Citigroup argues that pursuant to Section 2 of the Lanham Act, City Holding's federally registered marks should be cancelled and its federal applications **[*42]** at issue enjoined [5] because (a) pursuant to section 2(d), the City Holding marks create a likelihood of confusion, 15 U.S.C. § 1052(d); and (b) pursuant to section 2(f), the City Holding marks are likely to cause dilution of the CITI marks. 15 U.S.C. § 1052(f). It also argues that pursuant to section 14 of the Lanham Act, the registered CITY marks should be cancelled because they have been abandoned, and two of the pending applications should be enjoined due to purported fraudulent misrepresentations in the applications. 15 U.S.C. § 1064. The specific allegations regarding fraud and abandonment will be addressed first, to be followed by the more general allegations of likelihood of confusion and abandonment.

[*43] 1. *The Arguments Regarding Fraudulent Applications Are Denied as Moot*

Citigroup argues that prosecution of the applications for CITY CAPITAL RESOURCES and CITY FINANCIAL CENTER [6] should be enjoined due to purported misrepresentations to the PTO. [7] Because City Holding has represented to the Court that it has withdrawn these applications, the argument is moot and need not be addressed. City Holding is hereby ordered to file an express abandonment of the marks with the PTO within ten (10) days of the issuance of this opinion. If City Holding fails to comply, Citigroup may raise the argument again and an injunction

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[5] ***HN4*** Procedurally, the Court cannot order the cancellation of marks that have not yet been registered. *See* GMA Accessories, Inc. v. Idea Nuova, Inc., 157 F. Supp.2d 234, 241 (S.D.N.Y. 2000) (″By its terms, § 37 [of the Lanham Act] contemplates an action involving a registered trademark.″). The Lanham Act does, however, invest a court with the power to grant injunctions according to the principles of equity ″to prevent the violation of any right of the registrant″ of a registered mark. 15 U.S.C. § 1116(a). Thus, courts have enjoined defendants from continuing to pursue federal registrations for marks that would, *inter alia,* result in likelihood of confusion. *E.g.,* Grotrian, Helfferich, Schulz Th. Steinweg Nachf v. Steinway & Sons, 523 F.2d 1331, 1343-44 (2d Cir. 1975) (affirming injunction preventing appellant from prosecuting any application for trademark registration in the United States involving disputed mark). Such logic makes sense and, were the Court to conclude that any CITY mark in the process of being registered would result in likelihood of confusion or dilution, an injunction would likely be appropriate. Because it does not, no injunction will issue.

[6] In its opening memorandum, Citigroup argued that the CITY INSURANCE application should be enjoined. (Pls.' Mem. at 2.) Presumably, such request for injunction is based on the alternative grounds of likelihood of confusion and dilution, as Citigroup did not discuss the CITY INSURANCE application in the section of its brief addressing the fraudulent applications. (*Id.* at 26-30.)

[7] It appears that City Holding erroneously represented to the PTO in five Requests for Extension of Time to file Statements of Use that they were engaged in ″ongoing efforts″ to make use of the marks CITY CAPITAL RESOURCES and CITY FINANCIAL CENTER even though that was not the case. At trial, Alderman testified that there had not been any such ongoing efforts and that they ″did not do any formalized marketing efforts.″ (Tr. at 165.) The only analysis on either mark was an ″analysis on the name″ CITY FINANCIAL CENTer sometime in 1997. (Tr. at 172.)

may issue against the two applications if deemed appropriate at that time.

[*44] 2. *All Four Registered Marks are Cancelled Due to Abandonment*

Citigroup has argued that four of the five registered marks have been abandoned: CITY MORTGAGE CORP, CITY CREDIT SERVICES, CITY FINANCIAL CORP and CITY MORTGAGE SERVICES.

HN5 A registration may be cancelled at any time if it has been abandoned. *15 U.S.C. § 1064*. The determination of abandonment is governed by *Section 1127* of the Lanham Act, which states, in pertinent part, that a mark shall be deemed abandoned ″when its use has been discontinued with intent not to resume such use,″ which intent ″may be inferred from circumstances.″ *15 U.S.C. § 1127*. Use of a mark means ″the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark.″ *Id.*

HN6 The Lanham Act further provides that non-use of a mark for three consecutive years constitutes ″prima facie abandonment,″ *id.,* which, in the Second Circuit, creates a rebuttable presumption that the trademark owner has abandoned the trademark. *Silverman v. CBS*, 870 F.2d 40, 47 (2d Cir. 1989). The trademark owner then bears the burden of demonstrating ″reasonable **[*45]** grounds for the suspension and plans to resume use in the reasonably foreseeable future when the conditions requiring suspension abate.″ *Id.; see also Rivard v. Linville, 133 F.3d 1446, 1449 (Fed. Cir. 1998)* (″To prove excusable nonuse, the registrant must produce evidence showing that, under his particular circumstances, his activities are those that a reasonable businessman, who had a bona fide intent to use the mark in United States commerce, would have undertaken.″). [8] Absent such a showing of non-abandonment, the registration should be cancelled. *Id. at 310*. However, the burden of persuasion remains with the petitioner to prove abandonment. *Rivard, 133 F.3d at 1449*.

[*46] ***HN8*** Without the benefit of such prima facie evidence, a party seeking cancellation must show that the trademark owner is not using the mark and that it has no intention to use the mark in the reasonably foreseeable future. *Rivard, 133 F.3d at 1449*; *Stetson v. Howard D. Wolf & Assocs., 955 F.2d 847, 850 (2d Cir. 1992)*; *Hughes v. Design Look Inc., 693 F. Supp. 1500, 1506 (S.D.N.Y. 1988)* (limited use is insufficient to establish trademark rights, and thus does not suffice to overcome showing of abandonment). ″Self-serving statements of an intent to resume [use of the mark] at some indefinite future time will not prevail over objective evidence of abandonment. *Hughes, 693 F. Supp. at 1506* (citation omitted).

HN9 Because it constitutes a forfeiture of a property right, abandonment of a mark must be proven by clear and convincing evidence, and statutory aid to such proof must be narrowly construed. *Saratoga Vichy Spring Co. v. Lehman, 625 F.2d 1037, 1044 (2d Cir. 1980)*; *see also General Cigar Co. v. G.D.M., Inc., 988 F. Supp. 647, 658 (S.D.N.Y. 1997)*.

a. *CITY CREDIT SERVICES*

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[8] ***HN7*** ″A bare assertion of possible future use is not enough″ to prove an intent to resume use. *Silverman*, 870 F.2d at 47; *see also Imperial Tobacco Ltd. v. Phillip Morris, Inc.*, 899 F.2d 1575, 1581 (Fed. Cir. 1990) (″In every contested abandonment case, the respondent denies an intention to abandon its mark …. One must, however, proffer more than conclusory testimony or affidavits.″); *Rivard*, 133 F.3d at 1449 (″A registrant's proclamations of his intent to resume or commence use in United States commerce during the period of nonuse are awarded little, if any weight.″).

In addition, token or sporadic use is insufficient to overcome a showing of abandonment. *Pilates, Inc. v. Current Concepts, Inc.*, 120 F. Supp.2d 286, 307-10 (S.D.N.Y. 2000) (finding that two to three sales, a single brochure and limited advertising over a three-year period were insufficient to overcome prima facie evidence of abandonment).

City **[*47]** Holding does not dispute that CITY CREDIT SERVICES has not been used since 1998. As a result, the presumption of abandonment applies, and it is City Holding's burden to rebut this presumption with evidence of a reasonable business explanation for the cessation and evidence of an intent to resume use. Depressed market conditions and the economic hardships faced by City National present a reasonable business explanation for ceasing use of a mark. *E.g.,* *Star-Kist Foods, Inc. v. P.J. Rhodes & Co., 769 F.2d 1393, 1396 (9th Cir. 1985)* (no abandonment where temporary cessation of use caused by changing or depressed market conditions). However, City Holding has nonetheless failed to present any "concrete plans to resume use," *Silverman*, 870 F.2d at 46, when the economic conditions abate. In fact, deposition testimony reveals that City Holding has no current plans to use CITY CREDIT SERVICES. As a result, the CITY CREDIT SERVICES mark is deemed abandoned, and the mark is cancelled.

b. *CITY MORTGAGE CORP*

The testimony with regard to CITY MORTGAGE CORP leads to a similar conclusion. City Holding does not dispute that CITY MORTGAGE CORP has not been **[*48]** used since 1998. Therefore, the statutory presumption of abandonment applies. As above, while providing a reasonable business explanation for the withdrawal of the mark, City Holding has failed to rebut that presumption with any evidence of concrete plans to resume use of the mark.

As a result, the mark CITY MORTGAGE CORP is also cancelled as abandoned.

c. *CITY FINANCIAL CORP*

The three-year presumption of abandonment does not apply to this mark because City Holding has, at most, not used the mark since the end of 2001. Therefore, the burden is on Citigroup to establish abandonment by clear and convincing evidence by showing that City Holding is no longer using the mark and has no intent to resume use of it.

This evidence presented at trial is sufficient to show that City Holding no longer uses the CITY FINANCIAL CORP mark and does not have an intent to resume use of it. As set forth above, City Holding divested itself of its brokerage business through a November 26, 2001 transfer of its assets in City Financial Corp to Ferris, Baker Watts. As a result, City Financial Corp. has no employees or customer accounts and its signage at City National Bank branches has been replaced **[*49]** with that of FBW. Starting in November 2001, City Holding's press releases stopped listing City Financial Corp. as a subsidiary, and by the Spring of 2002, the City Financial Corp. website was no longer operational. In addition, City Holding has not come forward with any evidence of concrete plans to resume use of the mark in the reasonably foreseeable future. City Holding did conclusorily state that it had not "formed an intent to abandon the mark." (Defs.' Mem. at 43.) The mere fact that City Holding did not intend to abandon the mark is insufficient as a matter of law. *Silverman*, 870 F.2d at 46 ***HN10*** (intent not to resume use is intent not to resume use in foreseeable future, rather than never to resume use at all); *Stetson, 955 F.2d at 850* ("The 'intent to abandon' language [used by the district court] directly contradicts Silverman's specific rejection" of that standard). To hold otherwise would be to sanction impermissible warehousing of marks. *E.g.,* *Imperial Tobacco Ltd. v. Philip Morris, Inc., 899 F.2d 1575, 1581 (Fed. Cir. 1990)* ("The Lanham Act was not intended to provide a warehouse for unused marks.").

Therefore, CITY FINANCIAL **[*50]** CORP is cancelled as it has been abandoned.

d. *CITY MORTGAGE SERVICES*

The three-year presumption of abandonment also does not apply to CITY MORTGAGE SERVICES. Therefore, it is also Citigroup's burden to prove

abandonment by clear and convincing evidence by showing that City Holding no longer uses the mark and that it has no plans to resume use of the mark in the reasonably foreseeable future.

To meet this burden, Citigroup relies upon a public announcement that City Holding has ceased the mortgage servicing business under the CITY MORTGAGE SERVICES mark and that City Holding's press releases no longer list City Mortgage Services as a division of City National Bank. While acknowledging that the mark is still in use, Citigroup urges the Court to nonetheless deem that it is effectively not in use because of its ″sporadic″ use. City Holding's General Counsel testified at trial that defendants continue to service merely a ″little tiny mouse″'s worth (Tr. at 147) of accounts under the CITY MORTGAGE SERVICES mark.

In response, City Holding points out that trial testimony revealed that City Holding still had a ″moderate strip of mortgages that we still service on a daily basis **[*51]** that I work on probably on a weekly basis″ under the name City Mortgage Services. (Tr. at 140.) Despite the amount of work claimed to be performed under the City Mortgage Services mark, City Holding's General Counsel admitted that the amount of work had dropped precipitously. Further, there was no evidence that City Holding intended to ″grow″ the business under the CITY MORTGAGE SERVICES marks back to its former glory. Indeed, the fact that City Holding had retrenched and decided to focus on its banking business leads to the conclusion that there was no intent to resume use of the CITY MORTGAGE SERVICES mark.

As a result, the CITY MORTGAGE SERVICES mark is therefore cancelled as abandoned.

3. *The CITY INSURANCE Application Will Not Be Enjoined Pursuant to Section 2 of the Lanham Act*

Because of the findings above, the analysis below focuses only on the pending application for the CITY INSURANCE mark. As discussed above, ***HN11*** a finding that likelihood of confusion or dilution exists under Section 2 of the Lanham Act may result in the injunction of a pending application of a mark.

It should be noted that the CITY INSURANCE application, dated March 12, 2001, was registered after **[*52]** the January 25, 2001 application of the CITIINSURANCE mark. [9] Given the PTO's rejection of Citigroup's CITIFINANCIAL, CITIMORTGAGE, CITICAPITAL and CITICREDIT marks in light of similar CITY marks that were already registered or in the process of being registered, as discussed in Part II.B, it is likely that the PTO will similarly reject the CITY INSURANCE mark in light of the earlier CITIINSURANCE application. In any case, the arguments below are addressed.

a. *City Holding Does Not Have a CITY Family of Marks*

Citigroup's arguments to support a showing of likelihood of confusion and dilution rely on its assumption that its family of CITI marks is being challenged by another legal family of CITY marks (including, presumably, in addition to CITY INSURANCE the four that were found to be abandoned, the two applications **[*53]** that have been abandoned by City Holdings and the two marks that it does not contest) that is entitled to greater protection under trademark law. City Holdings, however, does not have a CITY family of marks. Indeed, after the above discussion, City Holdings owns just one federally registered mark and is in the process of registering two others.

It is true that in the summary judgment opinion, the CITY marks were referred to as a ″family.″ However, the opinion did not engage in any legal

[9] According to the PTO's Trademark Electronic Search System, the CITY INSURANCE mark was in fact registered one week after the CITIINSURANCE mark was published for opposition on March 5, 2001.

analysis to determine whether City Holding would be entitled to the protections afforded by the family of marks doctrine. Instead, the use of ″family″ was more shorthand for the fact that City Holding had a number of marks sharing the same surname. Therefore, before addressing Citigroup's arguments, it is necessary to engage in that legal analysis.

It is now held that City Holding does not have a family such as would provide protection under trademark law under the family of marks doctrine because of the lack of distinctiveness of the CITY ″surname″ and the lack of any association between the common CITY surname and City Holding. [10] According to the leading commentator:

> ***HN12*** To be effective, the **[*54]** ″family of marks″ argument must rest in the ultimate analysis on proof … that the designation constituting the ″surname″ of the family is in fact recognized by the public as a trademark in and of itself. Usually this requires some proof that the ″family surname″ has been so extensively advertised that buyers would be likely to think that [the infringer's] product originates with [the owner of the family being infringed]. This is a matter of fact, not supposition. The mere fact of registration of many marks with a common syllable does not in itself prove that a family of marks exists in fact.

3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition,* § 23:61, p. 23-170 (hereinafter ″McCarthy″). There is no question that City Holdings has registered, or attempted to register, nine marks with a common surname of ″CITY.″ There is no evidence, however, that consumers recognize CITY as a trademark in and of itself that belongs to City Holding. Indeed, it appears that counsel for Citigroup did not realize the association between City Mortgage Corp and other City Holding Company marks, as they wrote to City Mortgage Corp in October 1999, after the filing of this **[*55]** complaint. As Moses testified at trial, outside counsel ″thought that they were writing to a local company using the name City Mortgage and so they would have no way of knowing that there was actually a larger issue in connection with that but just one of the many City Mortgage companies that they were writing to elsewhere in the United States dealing with the corporate name reservation issue.″ (Tr. 102-03.)

In the absence of any indication that **[*56]** consumers recognize that the nine marks are somehow related, however, City Holdings is not entitled to the added protections afforded by the family of marks doctrine.

b. *Likelihood of Confusion*

HN13 Pursuant to section 2(d) of the Lanham Act, cancellation of a registration for a trademark is appropriate if there is a likelihood of confusion between that trademark and one or more of plaintiffs' trademarks. *15 U.S.C. § 1052(d)*.

HN14 In the Second Circuit, courts consider the *Polaroid* factors as a framework for evaluating whether there is a likelihood of confusion. *Polaroid Corp. v. Polarad Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961)* (Friendly, J.). The factors to be considered here are the strength of the family of CITI marks, the degree of similarity between the CITI and CITY marks, the proximity of services, the likelihood that Citigroup will ″bridge the gap,″ evidence of actual confusion, defendants' bad faith, the sophistication of customers and the quality of services. These eight factors are not exhaustive, nor is any single factor dispositive.

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[10] By contrast, Citigroup owns a family of CITI marks. This is because, to use the examples discussed at oral argument, Citigroup's CITI surname is a rare spelling of a common surname, such as Smyth is a rare spelling of the common surname Smith. Further, the largesse of advertising has associated that distinctive spelling of CITI with Citigroup. City Holding, on the other hand, relies on the common spelling of ″city,″ and is one Smith among many in the absence of any sort of effort to associate the plain spelling of CITY only with City Holding and its subsidiaries.

Nikon Inc. v. Ikon Corp., 987 F.2d 91, 94 (2d Cir. 1993) (″Each factor **[*57]** must be balanced with the others to determine the likelihood of confusion.″). ″The evaluation of the Polaroid factors is not a mechanical process where the party with the greatest number of factors weighing in its favor wins. Rather, a court should focus on the ultimate question of whether customers are likely to be confused.″ Paddington Corp. v. Attiki Importers & Distribs., Inc., 996 F.2d 577, 584 (2d Cir. 1993) (internal citations omitted).

The analysis in the summary judgment opinion considered whether the group of CITY marks, as a whole, were likely to be considered part of the CITI family and thus confusing to the consuming public. The analysis is equally applicable to the question presented here -- whether a single CITY mark is likely to be considered part of the CITI family -- and Citigroup has not presented any evidence to overturn that conclusion. As noted then and now, in determining whether there is a likelihood of confusion, ″the I/ Y distinction is critical, though the marks are aurally identical.″ Citigroup, 171 F. Supp.2d at 344-45. Indeed, Citicorp has argued similarly when the tables were turned. [11]

[*58] To summarize, it was held in the summary judgment opinion that the CITI family of marks is strong and distinctive. Id. at 345-47 (″In addition to inherent distinctiveness, the CITI family of marks has, through extensive advertising and promotion over the decades, garnered extraordinary acquired distinctiveness.″). Further, even though the prefixes of the marks sound the same, in appearance the marks are significantly different, and, in the absence of a finding that City Holding is attempting to change its brand to CITY as opposed to CITY-prefixed brands, the marks are not similar. Id. at 347-48. In terms of proximity of services and ″bridging the gap,″ it was held that although both parties offer financial services and that Citigroup, as senior user is likely to and has already entered the West Virginia market where City Holding is based, these factors were offset by economic and geographic realities. Id. at 348 (″It is concluded that the markets in which the parties are operating are ships passing in the night, one for customers seeking national and international banking services and one for financial accommodations in West Virginia. **[*59]** ″). With regard to evidence of actual confusion, the differences discussed above with regard to appearance and services led the Court to the conclusion that confusion would not be assumed in the absence of any evidence thereto and that Citigroup had failed to present any such evidence. Id. at 349. It was also noted that no evidence had been presented with regard to the sophistication of the consumers. *Id.* In the end, the analysis focused on two *Polaroid* factors that ″predominated″: the strength and suggestiveness of the CITI marks and the absence of any evidence of actual confusion. ″The marks are dissimilar in appearance, and though the services are proximate, the national/ regional gap has not been bridged. ***HN15*** In the absence of bad faith, with purchasers who can be presumed to be more sophisticated than less as to services similar in quality but differentiated as to scope, the balance of *Polaroid*

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[11] When Aristar wrote to Citigroup to protect its City Finance mark, Citigroup wrote back stating that CitiFinancial was a different mark and would not be confused:

> [CitiFinancial] is a single word, as opposed to two words, and thus creates a very difference [sic] commercial impression than does ″City Finance.″ Further, the emphasis is on the famous ″Citi″ portion of the mark, which assures that it will be understood by the public as a member of the famous ″Citi″ family and not with your company.

Similarly, when seeking to reserve the CitiMortgage mark in Ohio, Citigroup differentiated it from an existing mark for City Mortgage Company: ″The public will understand that Citimortgage, Inc. is associated with and part of the Citigroup family. Additionally, because ’City’ is a commonly used prefix for financial services corporations, Citigroup and its many subdivisions that bear the famous CITI prefix have coexisted with many ’City’ entities for years in virtually every jurisdiction.″

factors requires the conclusion that the Lanham Act has not been violated." 171 F. Supp. 2d at 350.

City Holding's case is stronger now, because it has only one mark at issue, instead of a group of marks involving the same or similar services. Further, the **[*60]** business of insurance draws a more sophisticated consumer, and one less likely to be confused by the I/ Y distinction. It has also been determined after hearing the evidence that City Holding has not attempted to "brand" itself and its products as "CITY" rather than as CITY-prefixed marks. [12] Therefore, although the summary judgment opinion relied on drawing inferences to that effect, the same conclusion now may be drawn based on the finding of fact above.

Citigroup has attempted to alter the Court's earlier analysis based on evidence presented **[*61]** at trial in several ways. First, it points out that for the purposes of cancellation due to likelihood of confusion, actual geographic use of the mark is irrelevant. This is because the registration itself is national even if the usage is not. Jim Beam Brands Co. v. Beamish & Crawford Ltd., 937 F.2d 729, 734 (2d Cir. 1991) (ignoring differences in visual appearance because "confusion is determined only as to the registerability of the applicant's mark exactly as shown in the application and only as to the goods listed, regardless of actual usage.") (*quoting* 2 McCarthy, *supra,* at § 32:31, at 737-38); *see also* Coach House Rest. v. Coach and Six Rests., 934 F.2d 1551, 1562 (11th Cir. 1991) (concluding that geographical remoteness is irrelevant to likelihood of confusion inquiry); Peopleware Sys., Inc. v. Peopleware, Inc., 226 U.S.P.Q. 320, 321 (T.T.A.B. 1985) ("[The] geographical separation of the parties' principal places of business cannot be considered to be of significance in determining registerability of applicant's mark since it seeks a geographically unrestricted application."). Thus, Citigroup appears to argue that **[*62]** the analysis of factors such as proximity of services in the summary judgment opinion, relying on the geographical disparity of the marks, is undone. Citigroup, 171 F. Supp.2d at 348-49. As discussed above, however, no single *Polaroid* factor is dispositive, and the ultimate emphasis lies on whether consumers are likely to be confused. *E.g.,* Paddington Corp., 996 F.2d at 584. Moreover, the earlier analysis focused on two predominate *Polaroid* factors: "the strength and suggestiveness of the CITI marks and the absence of any evidence of confusion." Citigroup, 171 F. Supp.2d at 350. Citigroup has failed to present any evidence of actual customer confusion that the CITY INSURANCE mark is linked to the CITI family. Thus even if the Court must consider as nationwide scope a single CITY mark that is not yet federally registered and that is not yet in use therefore is insufficient to swing the balance of the *Polaroid* factors to Citigroup's favor.

Citigroup also argues that the Court should disregard the "insurance" portion of CITY INSURANCE because City Holding disclaimed rights to all aspects of their marks except for the CITY **[*63]** portion (*i.e.,* the descriptive/ generic terms such as FINANCIAL CORP, INSURANCE and NATIONAL BANK). ***HN16*** Where a mark consists of two or more words, some of which are disclaimed, the word not disclaimed is generally regarded as the dominant or critical term for purposes of the confusion analysis. *E.g.,* Quantum Fitness Corp. v. Quantum Lifestyle Ctrs., L.L.C., 83 F. Supp. 2d 810, 824 (S.D. Tex. 1999) (finding that disclaimer of FITNESS from QUANTUM FITNESS mark required focus on QUANTUM word for the purpose of analyzing the likelihood of confusion and ruling as a result that prospective purchasers are likely to believe that the two uses

[12] The only evidence on the record at trial in support of this argument is the conclusion of the head of Citigroup's global consumer marketing group based on certain marketing strategies. After looking at those particular advertising strategies and use of font, etc., as well as City Holding's testimony that City Holding does not and does not intend to use CITY alone as a trademark (Tr. at 203), it is concluded that City Holding is not attempting to "rebrand" itself as CITY.

are associated); *Am. Throwing Co. v. Famous Bathrobe Co., 45 C.C.P.A. 737, 250 F.2d 377, 381-82, 1958 Dec. Comm'r Pat. 117 (C.C.P.A. 1957)* (finding disclaimer of WIPER and KNIT from WIPER-KINS and KNIT-KINS marks respectively required relegation of disclaimed words to ″minor importance″ for confusion analysis).

Even assuming that the focus of the analysis should be on CITY and CITI, a consumer is not likely to assume that the CITY marks are associated with the CITI family of marks. As discussed in the earlier opinion, Citigroup has focused its **[*64]** advertising and policing efforts on marks with the distinctive second ″I″ (instead of ″Y″) or on another characteristic typical of their family of marks, such as the word CITI or CITY immediately prior to ″Bank,″ or CITI or CITY made into a prefix in a compound single word mark denoting a financial service, such as CITYBROKER. *Citigroup, 171 F. Supp.2d at 347*. These efforts have established a national and international presence of the word CITI, Citi/ City Bank, and the prefix CITI or CITY immediately prior to a word (instead of as a separate word before the other word). Consumers have lived with CITY marks for the entire existence of Citibank. As a result, because of the strong branding of CITI, this argument also does not suffice to show likelihood of consumer confusion. [13]

[*65] Citigroup also suggests that in the absence of relief, City Holding would be free to adopt multiple CITY marks tracking exactly all of the CITI marks. As discussed above, the CITY INSURANCE application was filed after the CITIINSURANCE application. The delay likely means that the PTO will reject the application, just as it rejected Citigroup's CITIFINANCIAL and CITIMORTGAGE marks due to City Holding's earlier registrations of similar CITY marks. The same is also true for potential CITY marks such as CITY CARD, CITY FUNDS, CITY GOLD or CITY PHONE, because of the existence of CITICARD, CITIFUNDS, CITIGOLD and CITIPHONE.

Citigroup's last argument echoes the one above. It asserts that what is at issue are two competing family of marks -- CITY and CITI marks -- and that the likelihood of confusion is greater because a consumer may be faced not just with one CITY mark, but with a whole family of them. As discussed above, the CITY marks are not a legal ″family of marks.″ In any case, the only mark at issue is CITY INSURANCE. This case hardly involves a situation where a large multinational financial services firm changes its name and services from, say, Chase, to City. A family of at most **[*66]** three CITY marks belonging to a West Virginia bank and holding company does not so greatly increase the risk of consumer confusion that cancellation is in order. It may, however, be presumed that Citigroup could protect its established family in the event of infringement or dilution by another family that would create a likelihood of confusion. That is not this case.

As a result, the application for CITY INSURANCE will not be enjoined on the grounds of likelihood of confusion.

c. *Dilution*

HN17 Cancellation of a registration for a trademark is also appropriate is a registered trademark is likely to dilute a famous and distinctive mark. *15 U.S.C. § 1052(f)*; *Toro Co. v. ToroHead, Inc., 61 U.S.P.Q.2d 1164, 1172 (T.T.A.B. 2001)*. In discussing Citigroup's dilution claims in the summary judgment opinion, it was held that the CITI mark had not been diluted by third party use of ″various 'CITY'-related marks.″

[13] It would be different had Citigroup continuously policed the CITY usage. For instance, McDonald's Corporation -- although it uses primarily the MC prefix -- has policed usages of the MAC prefix. *E.g., McDonald's Corp. v. McKinley,* 1989 TTAB LEXIS 55, 13 U.S.P.Q.2d 1895 (T.T.A.B. 1990) (discussing MC and MAC family of marks).

Citigroup, 171 F. Supp.2d at 352. Further, Citigroup's argument that a "family" of CITY marks would dilute the family of CITI marks was rejected because "that family activity was abandoned by City Holding in 2000," and **[*67]** that dilution could not occur "absent a national effort to advance a 'CITY' mark." *Id.*

Citigroup now argues that this finding does not prejudice its claim because the analysis of whether a mark should be cancelled due to dilution is different from whether a mark is improperly being diluted. In the cancellation context, "the registered mark must be judged against challenging marks as if the registered mark was being used everywhere in the nation." Coach House, 934 F.2d at 1562 (concluding that relevant market is the entire United States). This argument is unsuccessful, however, because Citigroup again relies on the idea of two competing family of marks -- a factual scenario that simply is not present here, for the reasons discussed above. Nationwide usage of CITY INSURANCE (and the additional use of two CITY marks) does not equate to a nationwide promotion of a "family" of CITY marks. As a result, the law of the case with regard to dilution of the CITI marks means that this argument must be rejected.

III. *CITIGROUP'S INFRINGEMENT CLAIMS BASED ON CITY MARKS*

In order to succeed on their trademark infringement claims, Citigroup must show that (1) the CITI **[*68]** family is comprised of valid marks entitled to protection under the Lanham Act; (2) City Holding's use of their CITY marks was subsequent to the creation of Citigroup's CITI family of marks; and (3) City Holding's use of their CITY family of marks is likely to cause confusion with Citigroup's CITI family of marks. Morningside Group, Ltd. v. Morningside Capital Group, L.L.C., 182 F.3d 133, 137-38 (2d Cir. 1999); 15 U.S.C. §§ 1114(1); 1125(a)(1)(A). As discussed above, courts consider the *Polaroid* factors in determining whether there is a likelihood of confusion. Polaroid, 287 F.2d at 495.

In order to show infringement, Citigroup relies on the family of marks doctrine. [14] This is necessary because the marks at issue share an aurally identical prefix -- CITI and CITY -- but are not significantly similar to senior CITI marks. ***HN18*** The family of marks doctrine holds that likelihood of confusion can exist even though a defendant's mark may not be significantly close to any one member of a plaintiff's family of marks. For instance, McDonald's Corporation has successfully blocked registration and/ or enjoined the use of McPRETZEL, McDENTAL **[*69]** and MC CLAIM, even though McDonald's was not using the marks. *E.g.*, J&J Snack Foods Corp. v. McDonald's Corp., 932 F.2d 1460, 1462 (Fed. Cir. 1991) (McPRETZEL); McDonald's Corp. v. Druck and Gerner, DDS., 814 F. Supp. 1127, 1139 (N.D.N.Y. 1993) (McDENTAL); McDonald's Corp. v. McClain, 1995 TTAB LEXIS 11, 37 U.S.P.Q.2d 1274, 1275 (T.T.A.B. 1995) (MC CLAIM). ***HN19*** McCarthy describes the doctrine as follows:

> A trademark owner may use a plurality of marks with a common prefix, suffix, or syllable. It has the opportunity to establish that it has a "family" of marks, all of which have a common "surname." It relies on this to argue that defendant's mark, which incorporates the "family surname," is confusingly similar to the total "family group." In effect, the family "surname" or distinguishing element is recognized by consumers as an identifying trademark in and of itself when it appears in a composite. Even though a junior user's mark may not be that close to any one member of the family, it may have used the distinguishing family "surname"

[14] It is the law of the case that Citigroup has a family of marks employing the CITI prefix. Citigroup, 171 F. Supp.2d at 350 ("Citicorp has appropriately claimed a family of marks employing CITI.").

or characteristic so as to be likely to cause confusion.

McCarthy, *supra,* at § 23: **[*70]** 61 at 23-183-84. Whether an ordinary buyer is likely to think that a junior user's mark is a member of the senior user's family of marks is a matter of fact inherent in the determination of likelihood of confusion. *Id. at 23-184*.

In analyzing the eight *Polaroid* factors at the summary judgment stage, it was held that the CITI family of marks were strong and distinctive, and that the nature of services for which the parties' CITI and CITY marks are used is proximate. *Citigroup, 171 F. Supp.2d at 349-50*. The evidence presented at trial further supports this conclusion. It was concluded, however, as discussed above, that drawing all inferences in City Holding's favor, summary judgment was precluded for three interlocking reasons: (1) City Holding's retreat from the **[*71]** national to the West Virginia market; (2) the I/ Y distinction in the parties' marks; and (3) the inability to conclude as a matter of law that defendants used CITY as a dominant mark. *Id. at 350*.

Citigroup argues that evidence at the trial has shown that (1) the primary attribute of City Holding's marks is the CITY name, and that City Holding intends to use CITY as a brand; (2) the CITY marks are dissimilar from other CITY marks with which Citigroup coexists; (3) there is actual confusion between the parties in West Virginia with regard to the CITIFINANCIAL/ CITY FINANCIAL and CITIMORTGAGE/ CITY MORTGAGE marks; (4) City Holding has engaged in bad faith; (5) the I/ Y distinction does not sufficiently dispel confusion; and (6) resulting harm to Citigroup.

The first argument has already been dealt with above. Because the Court has concluded that City Holding is not attempting to ″rebrand″ itself as the CITY, that argument fails. To the extent that CITI argues that what is at issue is a ″family feud,″ that argument is rejected because, as discussed above, it cannot be said that consumers associate City Holding's marks with each other nor that consumers associate those **[*72]** marks with Citigroup. Citigroup also relies on the ″family″ nature of the CITY marks to differentiate the CITY marks at issue from other CITY marks which it has chosen not to police, or from which it has differentiated its junior marks by arguing that the distinctive CITI mark eliminates any possibility of confusion. This argument also fails because of the finding that the CITY marks are not a family and are not recognized as such by consumers. The other arguments will be addressed below.

A. *Actual Confusion*

Citigroup points to deposition and trial testimony by City Holding employees as evidence of actual confusion. They do not, however, present any consumer surveys, *e.g., Merriam-Webster, Inc. v. Random House, 35 F.3d 65, 72 (2d Cir. 1994)* (″The lack of survey evidence counts against finding actual confusion.″); *E.S. Originals Inc. v. Stride Rite Corp., 656 F. Supp. 484, 490 (S.D.N.Y. 1987)* (″that [plaintiff] did not undertake a consumer survey … strongly suggests that a likelihood of confusion cannot be shown″ where there was ample opportunity to take such survey), or offer any evidence other than the sworn statements of City Holding **[*73]** representatives that were made at a time when City Holding was asserting counterclaims against Citigroup for infringement of its CITY marks.

Alderman, City Holding's counsel, was asked in his deposition about City Holding's counterclaims alleging infringement and actual confusion. Alderman specified that those claims were based on the entry of CitiFinancial and CitiMortgage into the West Virginia market. Alderman Dep. at 56-57. He stated that ″calls started coming in … right after [Citigroup] opened″ its CitiFinancial offices in West Virginia, and that consumers ″think we are you and they think you are us.″ *Id.*

at 57. More calls were made regarding CitiFinancial than CitiMortgage. *Id.* at 59. In terms of specific confusion, Alderman referred to one specific customer's confusion, a coworker's confusion and his own confusion when hearing a CitiFinancial radio advertisement. *Id. at 58-60*. City Holding also made logs of phone calls received. [15] *Id.* At trial, Anderson confirmed that he felt there was confusion prior to the Court's summary judgment opinion, which dismissed the counterclaims on legal grounds, but noted that some of the confusion was just an initial reaction **[*74]** to the new opening of the CitiFinancial offices in West Virginia. (Tr. at 186-87.)

Michael T. Barickman, president of City Financial Corp., testified at his deposition that after he received an announcement about the opening of CitiFinancial in West Virginia, he ″felt that there could be a great deal of confusion created″ with regard to City Financial and CitiFinancial's names. Barickman Dep. at 25. He also testified that he had **[*75]** received about twenty phone calls intended to be made to CitiFinancial, *id.* at 36, and approximately ten to fifteen letters or documents intended for CitiFinancial were mailed to City Financial by mistake. *Id. at 29*. However, he concluded by stating that he was unaware of any confusion between City National and CitiFinancial. *Id.* at 26-27.

Finally, David Vida, president of City Mortgage Services, testified in his deposition that the City Mortgage call center had received some calls regarding confusion with CitiMortgage, but that he was not sure how many such calls had been received. (Vida Dep. at 49.)

Citigroup has proved too little. *CIT Group, Inc. v. Citicorp, 20 F. Supp.2d 775, 790 (D.N.J. 1998)* (finding no evidence of actual confusion between Citigroup and CIT Group based upon a misdirected e-mail, a dissatisfied customer's televised complaints about Citigroup instead of CIT Group, a number of telephone calls, a misdirected gas bill, financial analyst's reports directed to Citigroup.com instead of CIT Group's website, and the transfer of an employee's 401K plan to ″Citibank Trust for Citigroup″ instead of to ″Citibank as trustee for the CIT Group **[*76]** where all the mistakes were promptly rectified and none were made in the context of sales or solicitations of financial services). This evidence in any case consists of self-serving statements made by City Holding employees when their employer had a counterclaim based on trademark infringement. [16] Certainly if those counterclaims had not been dismissed, Citigroup would not be content to rely on City Holding's proffer of belief that there was confusion. The above evidence in any case boils down to a handful of phone calls and misdirected mail, as well as a small regional company -- which banked on its reputation as a locally-operated business -- fearing that it would be associated negatively with the behemoth international CITI family.

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[15] Plaintiffs did not submit copies of those logs as part of their trial exhibits, so the Court was unable to gauge whether they recorded numerous or few calls. Alfred M. King, chairman of the board of Valuation Research Corporation, which performed a valuation study for City Holding in connection with this lawsuit, testified at his deposition that he was told that City Holding had received ″a significant number of phone calls and mail,″ and that the frequency was ″accelerating.″ (King Dep. at 25.) His testimony also failed to quantify the number and frequency of such calls, however.

[16] Even if the evidence above were accepted as proof that there was actual confusion, the confusion would exist only as to the specific marks City Financial and CitiFinancial and City Mortgage and CitiMortgage. There is absolutely no indication of any other actual confusion between City Holding's CITY marks and Citigroup's family of CITI marks. In any case, if City Holding were to be bound by statements made prior to the dismissal of counterclaims, it seems only fair that Citigroup also should be bound by its assertions that there was no actual confusion between its two marks and City Holding's marks. Plaintiffs' Reply to Defendants' Counterclaims, PP 11, 12; Plaintiffs' Memorandum of Law in Support of Their Motion for Summary Judgment, at page 22 (″Citigroup is unaware of instance of actual confusion between the CITI and CITY marks.″).

[*77] In the absence of more substantial evidence, such as consumer surveys, [17] Citigroup has failed to demonstrate actual confusion of the CITY and CITI marks. Therefore, this argument does not alter the earlier determination.

B. *Bad faith*

Citigroup argues that City Holding intentionally adopted the CITY marks in order to capitalize on Citigroup's success and reputation. ***HN20*** Such intent may be considered in the likelihood of confusion analysis. *E.g.,* *Stern's Miracle-Gro Prods., Inc. v. Shark Prods., Inc., 823 F. Supp. 1077, 1087 (S.D.N.Y. 1993)* (considering "whether **[*78]** the defendant adopted its mark with the intention of capitalizing on plaintiff's reputation and goodwill and on any confusion between his and the senior mark's product").

This argument ignores that City National Bank had used the CITY mark in its title since its inception in 1957. There is no evidence that City Holding's use of the CITY mark, with which it had been identified for almost half a century, was in order to identify with Citigroup and its products. Indeed, Alderman testified that he feared when CitiFinancial entered the West Virginia market that consumers would be confused and, thinking there was a connection between City Financial and CitiFinancial, be turned off. Alderman Dep. at 64-65 ("We have always prided ourselves in being a local West Virginia franchise in the community with banking, with brick-and-mortar banking, and with kind of brokerage operations. And now our customers are confusing us with one of the largest companies in the world, and that's not the franchise we have given to these people and built upon.").

Indeed, all the evidence shows that when potential customers confused City Financial with CitiFinancial, the City Financial employees clarified the mistake **[*79]** and directed them to CitiFinancial. Certainly if City Financial had intended with bad faith to build upon the CITI reputation, they would have parlayed the customer's mistakes into further business for City Holding.

The only evidence of bad intent is that City Holding attempted to register a "family" of CITY marks beginning in 1997. [18] As explained in the undisputed facts submitted prior to trial, the decision to register was based on a plan of nationwide expansion and the hiring of an in-house counsel for the first time, who suggested the move. It was not until 1998, in any case, that Citigroup (after the merger with Travelers) decided to focus on a brand strategy whereby all of its divisions would be redubbed with CITI titles. In 1997, City Holding could not have known that Citigroup intended or was likely to create a CitiFinancial or a CitiMortgage. Indeed, Citigroup's history of policing prior to the Travelers merger would support City Holding's good faith attempt to register CITY marks. Because, for instance, Citigroup had permitted other "City Mortgages" to exist, there was no reason for City Holding to assume that its City Mortgage registrations would cause such a maelstrom. **[*80]** [19]

Indeed, Citigroup attorneys had knowledge of various CITY marks in 1997 and early 1998 and

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[17] At trial, Citigroup's MacDonald noted that Citigroup had considered and discussed with counsel commissioning such a survey, but "concluded that it would be very difficult to design such a survey to show what we need to show … and have it stand up to scrutiny." (Tr. at 124.) It is also worth noting that Citigroup's marketing department has not sought any similar surveys concerning "CITI" and "CITY" confusion. (*Id.* at 51.)

[18] All the applications at issue were initiated in 1997, except for City Insurance, which application was commenced in 2001. City Holding began using the mark in October 2000, however, and thus began using it prior to Citibank's CITIINSURANCE application in January 2001.

[19] As found above, in 1990, Citibank negotiated with Citi Mortgage Associates of Pennsylvania to change its name to CITY MORTGAGE ASSOCIATES. The Pennsylvania company complied, and simultaneously adopted a logo reflecting that fact, which it

did not flag them as problematic until the end of 1998, after the Travelers merger. In addition, when applying to register the CitiFinancial marks on January 15, 1999, Citigroup stated under oath **[*81]** that there were no other parties with the right to use that mark, notwithstanding the fact that it had obtained a report revealing City Holding's CITY FINANCIAL CORP and CITY FINANCIAL CENTER marks, along with 18 pages of other ″City Finance″ companies.

The mere fact that the CITY marks are on a blue background similar to that that Citigroup uses is insufficient as well to suggest bad faith. The background has been used for more than a decade, well before the registrations and uses at issue.

C. *Harm to Citigroup*

In the absence of any real showing of consumer confusion, Citigroup's arguments with regard to harm to Citigroup fail.

As a result, Citigroup has failed to highlight any evidence presented at trial that was not considered at the summary judgment phase that would alter the opinion of the Court that infringement had not occurred. The I/ Y difference is significant enough so that, in the absence of any real evidence of customer confusion as a result of the CITY marks, the claim for infringement must be denied. [20]

[*82] IV. *CITIGROUP'S INFRINGEMENT CLAIMS BASED ON THE ″BLUE WAVE″*

Two of the registered trademarks that form the bases of Citigroup's complaint are Reg. Nos. 1,957,180 and 2,005,506. These are set forth as embodying the ″Blue Wave″ trade dress, which ″features graduated shades of blue fading from dark blue to light blue.″

Citigroup focuses its attack on the CITI marks and essentially ignores its Blue Wave claims, except to urge the court to enjoin usage of City Holding's purportedly similar trade dress. (Pls.' Reply at 17.) Citigroup has failed to establish that any consumer confusion results from City Holding's use of a blue background (even in conjunction with the extremely large ″CITY″ on the blue background). Indeed, Citigroup's MacDonald testified that the ″Blue Wave″ that formed the basis of Citigroup's complaints is no longer the trade dress used by Citigroup. Instead, since the complaint was filed, ″the blue wave has changed in a number of ways. The biggest is that we have liberated the blue wave out of the little stripe on the building … to make sure that we use it in a more disciplined fashion …. The other piece is that the blue wave, with the old Citibank logo **[*83]** … went from dark to light …. When we added the secondary color of red, the little red arc, we had to flip the blue wave so that is went from light to dark, allowing the red to pop out of that blue wave on the retail store.″ (Tr. 54-55.)

City Holding has been using its blue background for about ten years. An examination of that background (Pls.' Exhibit 134) reveals that it goes from dark to light and does not include any red elements. Indeed, as City Holding points out, the new Citigroup Blue Wave now looks more similar to one of Citigroup's main competitors in New York, Chase, which uses a dark blue background with a red stripe.

In any case, Citigroup cannot, with more proof of consumer confusion, attempt to corner the market on the use of blue in advertising. While the Blue Wave (in its present or past incarnation) may be distinctive and may be associated strongly with Citigroup, that does not necessarily prove that a

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mailed to Citibank to verify its compliance with the settlement. Similarly, in the mid-1990's, Citibank negotiated with Citimortgage Co. of Washington State, which agreed to change its name to City Mortgage Corp.

[20] Citigroup's claims for unfair competition pursuant to Section 43(a) of the Lanham Act are denied for the same reasons stated above. *E.g.,* *Cartier, Inc. v. Deziner Wholesale, L.L.C.,* 2000 U.S. Dist. LEXIS 4157, No. 98 Civ. 4947 (RLC), 2000 WL 347171, at *2 (S.D.N.Y. April 3, 2000) (unfair competition and trademark infringement brought under ***§§ 1114*** and ***1125(a)*** claims rely on same facts and can be analyzed together).

consumer looking at City Holding's blue background would assume that it was associated with Citigroup.

As a result, Citigroup's action for trade infringement based on the Blue Wave is rejected.

Conclusion

Based upon the findings of fact and conclusions **[*84]** of law set forth above, Citigroup is not entitled to judgment on its unfair competition and trademark infringement claims, nor on its claim for an injunction against the CITY INSURANCE federal application. It is entitled to judgment on its cancellation claims against City Holding with regard to the following marks: CITY CREDIT SERVICES, CITY FINANCIAL CORP., CITY MORTGAGE CORP and CITY MORTGAGE SERVICES. The issue of whether an injunction should apply as against the pending applications for CITY CAPITAL RESOURCES and CITY FINANCIAL CENTER was not addressed due to City Holding's representation that such applications had been abandoned.

Settle judgment in accordance with this opinion as of March 1, 2003, upon ten (10) days notice.

It is so ordered.

New York, NY

February 7, 2003

ROBERT W. SWEET

U.S.D.J.

34 S.Ct. 31
Supreme Court of the United States

CLEMENT NATIONAL BANK, Plff. in Err.,
v.
STATE OF VERMONT.

No. 29. | Argued April 28, 29, 1913. | Decided November 10, 1913.

IN ERROR to the Supreme Court of the State of Vermont to review a judgment which, reversing in part a judgment of the Rutland County Court, rendered judgment in favor of the state upon an agreement by a national bank to pay the taxes assessed upon interest-bearing deposits. Affirmed.

See same case below, 84 Vt. 167, 78 Atl. 944, Ann. Cas. 1912 D, 22.

The facts are stated in the opinion.

West Headnotes (7)

[1] **Taxation**
United States entities, property, and securities

371Taxation
371IIIProperty Taxes
371III(A)In General
371k2062Power of State
371k2064United States entities, property, and securities
(Formerly 371k10)

The semiannual tax imposed under P.S.Vt. §§ 804-820, on interest-bearing deposits in national banks does not unfairly discriminate against national banks.

2 Cases that cite this headnote

[2] **Taxation**
Statutory provisions

371Taxation
371IIIProperty Taxes
371III(C)Liability of Private Persons and Property in General
371k2167Statutory provisions
(Formerly 371k58)

Tax imposed under P.S.Vt. §§ 804-820 on interest-bearing deposits which the bank may pay, and charge to the depositors, held valid.

Cases that cite this headnote

[3] **Banks and Banking**
Contracts and Dealings in General

52Banks and Banking
52IVNational Banks
52k260Contracts and Dealings in General
52k260(1)In general

An agreement between a national bank and the state to pay on the basis of average deposits, the tax imposed under P.S.Vt. §§ 804-820, on interest-bearing deposits, and relieve its depositors from making returns, is not ultra vires of the bank.

Cases that cite this headnote

[4] **Constitutional Law**
Existence and extent of impairment
Constitutional Law
Business relationships in general

92Constitutional Law
92XXIIObligation of Contract
92XXII(C)Contracts with Non-Governmental Entities
92XXII(C)1In General
92k2736Existence and extent of impairment
(Formerly 92k154(2))
92Constitutional Law
92XXIIObligation of Contract
92XXII(C)Contracts with Non-Governmental Entities
92XXII(C)2Particular Issues and Applications
92k2757Business relationships in general
(Formerly 92k154(2))

The obligation of existing contracts between a

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national bank and its depositors was not unconstitutionally impaired by the tax imposed under P.S. Vt. §§ 804-820, on interest-bearing deposits which the bank may pay, and charge to the depositors.

4 Cases that cite this headnote

[5] **Constitutional Law**
Property Taxes
Taxation
Classification of Subjects, and Uniformity as to Subjects of Same Class

92Constitutional Law
92XXVIEqual Protection
92XXVI(E)Particular Issues and Applications
92XXVI(E)6Taxation
92k3561Property Taxes
92k3562In general
(Formerly 92k229(1))
371Taxation
371IIIProperty Taxes
371III(B)Laws and Regulation
371III(B)4Constitutional Regulation and Restrictions Concerning Equality and Uniformity
371k2134Classification of Subjects, and Uniformity as to Subjects of Same Class
371k2135In general
(Formerly 92k229(1))

Depositors in national banks are not denied the equal protection of the laws by the tax imposed under P.S.Vt. §§ 804-820, on interest-bearing deposits because depositors in state banks are exempted from taxation on their deposits up to $2,000 on which the depositors are locally taxable.

6 Cases that cite this headnote

[6] **Constitutional Law**
Assessment and Collection
Constitutional Law
Notice and hearing

92Constitutional Law
92XXVIIDue Process
92XXVII(G)Particular Issues and Applications
92XXVII(G)6Taxation
92k4136Property Taxes
92k4138Assessment and Collection
92k4138(1)In general
(Formerly 92k284(2))
92Constitutional Law
92XXVIIDue Process
92XXVII(G)Particular Issues and Applications
92XXVII(G)6Taxation
92k4136Property Taxes
92k4138Assessment and Collection
92k4138(2)Notice and hearing
(Formerly 92k284(2))

Lack of any assessment other than that made by the statute, or of any notice to the depositor, does not invalidate the semi-annual tax laid by P.S.Vt. §§ 804-820, upon interest-bearing deposits in national banks, as denying due process of law.

12 Cases that cite this headnote

[7] **Federal Courts**
Questions of fact, verdicts, and findings

170BFederal Courts
170BXVISupreme Court
170BXVI(E)Proceedings
170Bk3203Scope and Extent of Review
170Bk3209Review of State Courts
170Bk3209(2)Questions of fact, verdicts, and findings
(Formerly 170Bk512, 106k399(1))

The ruling of the highest court of the state that a tax imposed under P.S.Vt. §§ 804-820, on interest-bearing deposits in national bank which the bank may pay and charge to the depositor, is laid on the depositor, is conclusive on the federal Supreme Court when testing the validity of that statute under the federal Constitution.

6 Cases that cite this headnote

Attorneys and Law Firms

****31 *121** Messrs. **Marvelle C. Webber** and **Maxwell Evarts** for plaintiff in error.

***126** Messrs. **Hale K. Darling** and **Clarke C. Fitts** for defendant in error.

Opinion

Mr. Justice **Hughes** delivered the opinion of the court:

The judgment under review awarded a recovery in favor of the state of Vermont against the plaintiff in error, the Clement National Bank, upon an agreement which the bank had made pursuant to § 815 of chapter 37 of the Public Statutes of Vermont, entitled, 'Taxation of National Bank Deposits,' originally enacted as No. 41 of the Acts of 1906. The chapter is set forth ****32** in the margin.[†] The Federal questions relate to the validity of the ***127** bank's stipulation in view of the scheme of taxation which induced the making of it.

The plaintiff in error was organized under the Federal ***128** statutes, and does business at Rutland, Vermont. For several years it has maintained a 'savings department,' allowing depositors therein interest at a rate exceeding ***129** 2 per cent per annum, payable on the first days of January and July in each year on deposits remaining in bank on those days. Certain other depositors have received certificates of deposit with interest at the rate of 3 per cent per annum for each calendar month that the deposit continued. Prior to the year 1906, depositors in national banks in Vermont, whether or not their deposits bore interest, were taxable at the local tax rate, in the districts in which they resided, in common with other owners of credits (or debts due from solvent debtors) under the general plan of local taxation. Pub. Stat. (Vt.) 1894 ed. §§ 374, 398, 399. Depositors in savings banks and trust companies, organized under the laws of the state, had long been exempt from all taxation upon their deposits to a specified extent (at first $1,500, and later $2,000 in any one institution), these organizations being subject to a state tax of 7/10 of 1 per ***130** cent per annum, computed upon the average amount of deposits; in this computation, deposits in excess of the abovestated limit were deducted, and upon these the depositors were taxable locally. Pub. Stat. (Vt.) 1894 ed. §§ 582–584; Acts of 1902, No. 20, § 41; Acts of 1906, No. 28, § 1; Pub. Stat. 1906 ed. §§ 744–746.

This system being continued as to the ****33** state institutions and the depositors therein, the general assembly passed the statute in question which provides for a state tax on interest-bearing deposits in national banks (where the interest exceeds 2 per cent per annum) of 7/20 of 1 per cent semiannually. Persons having deposits of this sort, unless specially excepted (§ 819), are required to report them at specified periods (§§ 804–806), and to pay the tax without deduction on account of any exemption (§ 809). No other tax is to 'be assessed on such deposits in national banks, nor against the depositors on account thereof' (§ 810).

It is further provided that, if a national bank so elects, it may pay to the state all the prescribed taxes, and deduct them from the interest or deposits of the persons from whom they became due (§ 814). On such election, the bank is, semiannually, to file with the state commissioner a stipulation to that effect; no depositor is required to make returns for the period covered by the stipulation (§ 815); the state commissioner is to issue to the bank a certificate showing that it has been filed (§ 816); and the statute provides that upon such filing the bank shall 'become liable to the state for the amount of such tax of 7/20 of 1 per cent of the average amount of such deposits' held by the bank during the six months to which the stipulation refers (§ 817).

This suit was brought by the state upon the following stipulation, which was filed by the plaintiff in error, on October 1, 1908, the returns and payment therein specified not having been made:
***131** State of Vermont:

The Clement National Bank, whose banking ****34** house is located at Rutland, in the state of Vermont, for the consideration hereinafter named, hereby stipulates and agrees with the state of Vermont that on or before the 30th day of April, 1909, it will make sworn returns to the state treasurer and commissioner of state taxes, showing the average amount of all deposits held by it during the six months beginning with the 1st day of October, 1908, whereon the rate of interest paid or allowed by said bank to the depositors thereof exceeds 2 per cent per annum; and that on or before the 30th day of April, 1909, it will pay to the state treasurer a tax of 7/20 of 1 per cent of the average amount of all such deposits so held by it.

This stipulation is made and is to be filed with said commissioner in consideration and for the purpose of carrying out the provisions of the statutes of Vermont which provide that upon the making and filing hereof, as aforesaid, no depositor having an interest-bearing deposit or deposits in said bank, whereon the rate of interest paid or allowed by said bank exceeds 2 per cent per annum, shall be required, on or before the 20th day of October, 1908, to make returns to the state treasurer and commissioner of state taxes, showing the amount of such deposit or deposits in said bank on the 1st day of October, 1908; and that no such depositor shall be required to pay to the state treasurer, ***132** on or before the 30th day of November, 1908, a tax of 7/20 of 1 per cent of the amount

of such interest-bearing deposit or deposits so held by said bank on the 1st day of October, 1908.

This stipulation is also made and is to be filed as aforesaid for the purpose of obtaining from said commissioner, as the law provides, a certificate in duplicate, setting forth that the same has been filed, and of showing that said bank has elected to pay and will pay to the state treasurer on or before the 30th day of April, 1909, a tax of 7/20 of 1 per cent of the average amount of all such deposits held by said bank during the six months beginning with the 1st day of October, 1908, on account of which the depositors thereof shall be by said bank paid or allowed interest exceeding the rate of 2 per cent per annum.

In witness whereof said bank has, on this 30th day of September, 1908, at Rutland, in the state of Vermont, caused its corporate name to be hereunto affixed by its cashier, duly empowered so to do by vote of said bank.

Clement National Bank,

Rutland, Vermont,

by C. H. Harrison, Cashier.

Indorsed: Received October 1, 1908, J. E. Cushman, Commissioner of State Taxes.

The case was tried upon an agreed statement of facts. It appeared that the state commissioner issued to the bank his certificate, which was conspicuously posted in its banking room, that the stipulation had been filed, and that therefore depositors having deposits upon which the rate of interest exceeded 2 per cent per annum would not be required to make returns. In consequence, none of the depositors' reports was made, and there was no valuation of the individual deposits by any official during the period covered by the stipulation.

It was also set forth that, under the bank's method of allowing interest on deposits, it was impossible for it to determine, at the time it was required to make its semiannual returns under the stipulation, upon what deposits interest exceeding 2 per cent per annum would actually be allowed. Thus, deposits might be withdrawn prior to January 1st or July 1st, the dates on which interest was credited on amounts then in bank. In practice, in former periods for which the plaintiff in error had made payments under similar stipulations, it had included all ***133** deposits belonging to the class upon which interest was allowable in excess of 2 per cent per annum, in arriving at the average amount of deposits, whether or not interest was in fact paid. The monthly averages were ascertained by averaging the aggregate deposits held at the close of each day, and the average for the six months was taken by averaging the monthly averages. Thus computed, the average amount of deposits of the class above described (including those of nonresidents) for the six months beginning October 1, 1908, was $594,357.74. The average deposits exempted for the period in question, under § 819, were $15,688.15, and the net average for the six months was $578,669.19, upon which the state sought to recover $2,025.33.

The state also declared upon a similar stipulation filed by the bank on April 1, 1909, covering the ensuing six months. The court of first instance rendered judgment in favor of the state for the full amount demanded. This was reversed by the supreme court of the state, which held that the statute did not apply to nonresidents, and that the amount of recovery should be determined by a computation based on the credits of resident depositors. Final judgment was then entered against the bank, covering the two periods, in the sum of $3,989.85. 84 Vt. 167, 78 Atl. 944, Ann. Cas. 1912 D, 22.

1. It is contended that the statute imposed a tax upon the franchises of national banks, and hence exceeded the state power. Owensboro Nat. Bank v. Owensboro, 173 U. S. 664, 667, 668, 43 L. ed. 850, 852, 19 Sup. Ct. Rep. 537, and cases there cited.

****35** But it is apparent that, whatever other objections may lie, the tax complained of is not laid upon the national bank itself, its property or franchises. It is imposed upon the depositors; they alone are required to pay it. If they fail to make returns, as provided by the statute, they are subject to penalty; and both tax and penalty are recoverable by suit against them in the name of the state. If ***134** they escape the tax, it is because of the bank's stipulation. If the bank becomes liable, it is by virtue of its agreement, and not otherwise. The statute was so interpreted by the supreme court of the state, which said: 'The transaction which makes the money the property of the bank gives the depositor a credit of equal amount, and the term 'deposit' may be used to indicate the money deposited or the credit which the depositor receives for it. The last must be taken to be the meaning here, for the statute lays the tax upon the depositor in so many words.' 84 Vt. 167, 181, 78 Atl. 944, Ann. Cas. 1912 D, 22. There is no difficulty in the interpretation of the statute as to the prescribed incidence of the tax, and, aside from that, the decision of the state court is controlling as to the persons upon whom the statute fixed responsibility. It was the province of that court to determine what the terms of the statute authorized, commanded, or forbade and it is for this court to say whether, in view of its operation, thus delimited, it

conflicts with the Federal law. New York v. Weaver, 100 U. S. 539, 541, 542, 25 L. ed. 705, 706; First Nat. Bank v. Ayers, 160 U. S. 660, 664, 40 L. ed. 573, 574, 16 Sup. Ct. Rep. 412; First Nat. Bank v. Chehalis County, 166 U. S. 440, 444, 41 L. ed. 1069, 1072, 17 Sup. Ct. Rep. 629; Commercial Nat. Bank v. Chambers, 182 U. S. 556, 560, 46 L. ed. 1227, 1229, 21 Sup. Ct. Rep. 863.

2. It is not urged that the legislation of Congress relating to national banks, either expressly or by implication, withdraws from the reach of the taxing power of the state the credits belonging to depositors, whether or not interest-bearing. 'No one contends,' says the plaintiff in error, that a state 'has not the right to include in its taxation of a person's property the amount which he may have on deposit in the savings department of a national bank.' It must also be recognized that in exercising its authority to tax property within its jurisdiction, the state is not limited to one method. It has a broad range of discretion in classifying subjects of taxation and in employing different methods for different sorts of property. ***135** Bell's Gap R. Co. v. Pennsylvania, 134 U. S. 232, 237, 33 L. ed. 892, 895, 10 Sup. Ct. Rep. 533; Home Ins. Co. v. New York, 134 U. S. 594, 606, 33 L. ed. 1025, 1031, 10 Sup. Ct. Rep. 593; Citizens' Teleph. Co. v. Fuller, 229 U. S. 322, 329–331, 57 L. ed. 1206, 1213, 33 Sup. Ct. Rep. 833. The objection made by the bank to the state's plan must rest not upon the mere fact that the depositors in national banks are taxed upon their credits, or that they are taken out of the system of local taxation, but upon the ground that the measure adopted is essentially inimical to national banks, frustrating the purpose of the national legislation, or impairing their efficiency as Federal agencies. Davis v. Elmira Sav. Bank, 161 U. S. 275, 283, 40 L. ed. 700, 701, 16 Sup. Ct. Rep. 502; McClellan v. Chipman, 164 U. S. 347, 357, 41 L. ed. 461, 465, 17 Sup. Ct. Rep. 85. And that, in substance, is the position taken.

To be open to such an objection, it must appear that the scheme of taxation constitutes an injurious discrimination. Even in the case of shares of the capital stock of national banks, which cannot be taxed save with the consent of Congress (New York v. Weaver, 100 U. S. 539, 543, 25 L. ed. 705, 706), taxation by the state is expressly permitted if it is not at a greater rate than is assessed upon other moneyed capital in the hands of individual citizens. Rev. Stat. § 5219, U. S. Comp. Stat. 1901, p. 3502. The object is to prevent hostile discrimination, and for this purpose a standard is fixed. Mercantile Nat. Bank v. New York, 121 U. S. 138, 154, 155, 30 L. ed. 895, 901, 902, 7 Sup. Ct. Rep. 826. With respect to the taxation of depositors' credits, the Federal statute does not prescribe a rule; and, the property being normally subject to the state's taxing power, there is no warrant for implying a restriction which would extend beyond the requirements of protection from the prejudicial effect of such exactions as would be unjustly discriminatory.

It follows that the comparison must have regard to business and property which may be deemed to have, generally speaking, a similar character; and, in the present case, there is no basis for the contention that the statute unfairly discriminates against national banks unless it may be found in the method of dealing with deposits in ***136** banking institutions organized under the state law. The institutions thus brought to our attention are savings banks and trust companies. Formerly there were also state banks of circulation, discount, and deposit; but these, shortly after the passage of the national banking act, ceased to exist and were succeeded by trust companies or 'savings banks and trust companies.' The latter were organized under special charters and had, except as to the issuance of notes of circulation, very nearly the same powers as those possessed by the earlier state banks. ****36** State v. Franklin County Sav. Bank & T. Co. 74 Vt. 246, 257, 258, 52 Atl. 1069.

These state organizations, as it has already been observed, for many years had been subject to a special state tax upon the average amount of deposits, after certain deductions. This has been held to be a franchise tax (State v. Bradford Sav. Bank & T. Co. 71 Vt. 234, 44 Atl. 349; State v. Franklin County Sav. Bank & T. Co. supra). Having laid this tax, the state exempted the depositors in these savings banks and trust companies from taxation upon their respective credits not exceeding $2,000 in any one institution. Individual deposits over this amount, as we have seen, were to be deducted in computing the tax to be paid by the state banks and trust companies, and were to be listed by the depositors for local taxation at their places of residence. The situation then was, with respect to the state institutions, that they paid the tax of 7/10 of 1 per cent per annum upon average deposits, and the deposits were exempted from taxation upon those deposits which entered into the calculation of this average. National banks did not pay, and could not be compelled to pay, a franchise tax, or other tax upon their deposits, and their depositors having credits bearing interest at a rate exceeding 2 per cent per annum were required by the statute in question to pay upon such credits a tax of 7/20 of 1 per cent semiannually. ***137** Or, if any national bank desired to do so, it could agree to pay an amount computed at the same rate upon the average amount of deposits of the described class, and thus save its depositors both from the tax and the inconvenience of making returns.

With respect to those interest-bearing deposits of the described class which did not exceed severally the sum of

$2,000, it is evident that there was no hostile discrimination against the national banks by reason of the rate of the tax imposed upon their depositors. True, in the one case the depositor was exempted to the specified amount, and in the other the depositor was taxed. But the depositor in the state bank was relievd because the bank paid. The amount received by the state was substantially the same in each case, that is, at the rate of 7/10 of 1 per cent a year. The state banks transacted their business under this charge. As to national banks, the state could not follow the course taken with the state institutions, and lay a tax upon the bank, computed upon the amount of its deposits, with a corresponding exemption to the depositors. Nor was the state bound to extend its exemption to cases where the reason for it did not exist. But the national bank, not being subject to the tax which the state banks had to pay, had the opportunity to give its depositors, if it chose, an equivalent benefit in interest rates. So far as the amount of the tax upon these deposits was concerned, the national bank was not put at a disadvantage as compared with the state banks.

Then, as to deposits in excess of $2,000, for which depositors in the state institutions were taxable locally, it does not appear that the difference in method was to the prejudice of national banks. The depositors in the latter, with respect to the interest-bearing deposits in question, had a low, flat rate, and were free from what the state court properly called 'the greater burden and uncertain demands of local taxation.' The agreed statement of ***138** facts sets forth that the average local rate throughout the state for the year beginning April 1, 1908, was $16.70 per $1,000 of taxable property set in the grand list; the minimum being $7.50 per $1,000, and the maximum being $39.80 per $1,000. While deduction for debts was allowed in the ascertainment of the amount of personal estate subject to the local tax, and this was laid only once a year, the allowance of a much lower rate on deposits to any amount in a national bank might well be regarded as a compensatory, if not a greater, advantage in its general operation. It is said that no such publicity was required of the other taxpayers regarding their personal property as was demanded of depositors in national banks. This argument refers to the requirement that the latter should report the amount of their deposits and the names of the banks in which they were kept. But, in the case of local taxes, a 'full statement of all taxable property' was required from each taxpayer, who was obliged to make oath that his inventory was 'a full, true, and correct list and description.' Pub. Stat. (Vt.) §§ 536–540. What difference there may be in the form of the two statements is plainly not important. The requirements in the case of the depositors in national banks went no further than to secure the payment of the tax, and the returns were subject to official inspection only. Pub. Stat. (Vt.) § 808, supra.

It was in these circumstances that the legislature adopted the provision that, if the national bank agreed to pay an amount which might fairly be regarded as equivalent to the sum demanded of the depositors, the latter should be free from the necessity of making any returns. In no proper sense could this be deemed to palce the bank under duress. It may well be that the state desired, by substituting the flat exclusive rate in place of local taxation, to facilitate the appearance in larger amount of a class of property which easily escapes ***139** taxation. ****37** 84 Vt. 167, 195, 78 Atl. 944, Ann. Cas. 1912 D, 22. But the exaction it imposed upon the depositors was not relatively unfair, and in providing that the bank might, if it saw fit, make the returns and payment stipulated, the state left no possible ground for objection on the score of inconvenience in practical administration. That the plaintiff in error, in the conduct of its savings department, did not fail to perceive the business advantages of the state's plan, is apparent from the excerpts from the advertisements it published during the period covered by the stipulation in suit and prior thereto. The following are illustrative:

'We pay 4 per cent on savings accounts, in any amount from 1 dollar upwards. All taxes are paid by the bank, and you do not need to report deposits in this bank to the listers.'

'Be sure and take advantage of the law governing taxes on deposits in national banks. Our depositors do not make any report of their deposits to the listers.'

'Under the law governing saving deposits in national banks, we pay all taxes on any amount. There is no $2,000 limit. You can carry any amount tax free, and no report of your deposit is made by the bank to the listers.'

We find no basis for the charge of injurious discrimination.

3. With this view of the scheme of the statute, we come to the question of the validity of the stipulation in suit. The bank contends that it was *ultra vires*. There is no suggestion that the bank did not have the power to allow interest upon deposits, or to conduct its savings department. Neither party questions the bank's authority in that respect. The practice of maintaining savings departments seems to have become extensive in recent years, without challenge by the government. (Report of the Comptroller of the Currency; Treasury Reports, 1912, p. 361.) The position of the plaintiff in error is that, assuming ***140** its right to transact business of this sort,

still it could not lawfully enter into the agreement which the state seeks to enforce.

The applicable principles are not in dispute. The Federal statutes relative to national banks constitute the measure of the authority of such corporations, and they cannot rightfully exercise any powers except those expressly granted or which are incidental to carrying on the business for which they are established. California Nat. Bank v. Kennedy, 167 U. S. 362, 366, 42 L. ed. 198, 200, 17 Sup. Ct. Rep. 831; Logan County Nat. Bank v. Townsend, 139 U. S. 67, 73, 35 L. ed. 107, 110, 11 Sup. Ct. Rep. 496. These incidental powers are such 'as are required to meet all the legitimate demands of the authorized business, and to enable a bank to conduct its affairs, within the general scope of its charter, safely and prudently.' First Nat. Bank v. National Exch. Bank, 92 U. S. 122, 127, 23 L. ed. 679, 681; Western Nat. Bank v. Armstrong, 152 U. S. 346, 351, 38 L. ed. 470, 472, 14 Sup. Ct. Rep. 572. The bank was authorized to receive deposits. Arising from these deposits were credits to the depositors, forming part of their property, and subject to the taxing power of the state. It cannot be doubted that the property being taxable, the state could provide, in order to secure the collection of a valid tax upon such credits, for garnishment or trustee process against the bank, or in effect constitute the bank its agent to collect the tax from the individual depositors. First Nat. Bank v. Kentucky, 9 Wall. 353, 361–363, 19 L. ed. 701, 703, 704; Merchants' Mfrs' Nat. Bank v. Pennsylvania, 167 U. S. 461, 465, 466, 41 L. ed. 236, 238, 17 Sup. Ct. Rep. 829. Further, it would seem to be highly appropriate that, the credits of depositors being taxable by the state, the bank should be free to make reasonable agreements, and thus promote the convenience of its business, with respect to the making of returns and the payment of such amounts as the state might lawfully require of its depositors. Provision for such agreements, instead of constituting an interference with a Federal instrumentality, would aid it in performing its functions, ***141** and would remove unnecessary obstacles to the successful prosecution of its business.

The contention, however, is that in this case the bank, under the statute, stipulated to pay at the specified rate upon an average amount of deposits, and it is insisted that this amount did not correspond precisely to the amounts upon which interest was actually paid to the depositors, and upon which accordingly they would have been taxable. That is, as already stated, certain deposits being withdrawn between the interest dates fixed by the bank, there would be deposits belonging to the interest-bearing class upon which interest would not in fact be paid. The facts in regard to the fluctuations in deposits during the period in question are shown in the excerpts from the agreed statement set forth in the margin.[†] But we are ****38** of the ***142** opinion that this lack of an exact correspondence between the amount upon which the depositors would have been taxed and the average amount upon which the bank agreed to pay cannot be said to furnish a ground for holding the agreement to be invalid. There was, and in the ordinary course of business there naturally would be, a substantial equivalency. The arrangement to make the computation upon the average amount of deposits of the class was a simple and convenient method which could fairly be said to offset in its advantages such risks as might be incident to the fluctuations. It is further said that the agreement did not contemplate a charge against the depositors' accounts of the amount paid by the bank. The bank, however, was free to adjust its interest rates accordingly. We find no ground for sustaining the contention that the agreement was beyond the bank's power.

4. But it is also insisted that the agreement cannot be enforced for the reason that it was without valid consideration. The proposition is that the tax, considered as one upon the depositors, would, if enforced, constitute a denial of the equal protection of the laws, and would take the property of the depositors without due process of law.

What has already been said with respect to the charge of discrimination as against the bank is applicable here, and need not be repeated. Reference is also made to the exemptions granted by § 819 of the statute (*ante*) which makes its provision for the tax inapplicable to municipalities; to corporations organized solely for charitable, educational, or religious purposes; and to various corporations which were otherwise taxed. All these exemptions it was manifestly within the power of the state to allow. Similarly, with respect to persons whose deposits did not bear interest exceeding 2 per cent per annum, the legislature took this method of recognizing a practical difference between deposit accounts of the ordinary commercial sort and those which partook, generally speaking, ***143** of the character of savings accounts. It cannot be said that the classification adopted was purely arbitrary or beyond the power of the state. Citizens' Teleph. Co. v. Fuller, 229 U. S. 322, 329–331, 57 L. ed. 1206, 1213, 33 Sup. Ct. Rep. 837.

In support of the contention that the tax would deprive the depositors of their property without due proces of law, it is said, (1), that there was no valid assessment, and none was provided for; and (2), that the tax was assessed, if at all, without proper notice to the depositors. The statute laid the tax at a specified rate upon bank credits; no other assessment than that made by the statute itself was necessary; and no other notice to the depositor than that thus given by law was required. The tax was recoverable

by suit in which the depositor would have full opportunity to resist any illegal demand. Dollar Sav. Bank v. United States, 19 Wall. 227, 240, 22 L. ed. 80, 82; King v. United States, 99 U. S. 229, 233, 25 L. ed. 373, 374; United States v. Erie R. Co. 107 U. S. 1, 2, 27 L. ed. 385, 386, 2 Sup. Ct. Rep. 83; United States v. Chamberlin, 219 U. S. 250, 263, 264, 55 L. ed. 204, 210, 211, 31 Sup. Ct. Rep. 155.

5. Further objection is made that the statute interfered with existing contracts between the bank and its depositors, impairing their obligation. But this is clearly untenable. The statute did not act upon such contracts; it imposed a tax upon the property of depositors in the exercise of a power subject to which the deposits were made. North Missouri R. Co. v. Maguire, 20 Wall. 46, 61, 22 L. ed. 287, 293.

The judgment is affirmed.

Affirmed.

All Citations

231 U.S. 120, 34 S.Ct. 31, 58 L.Ed. 147, 4 A.F.T.R. 4701

Footnotes

† CHAPTER 37.
Taxation of National Bank Deposits.
Sec. 804. Depositors' report to commissioner.—Every person having, on the 1st day of April and October, an interest-bearing deposit in a national bank in this state, shall, except as otherwise provided by this chapter, within twenty days thereafter, report the amount thereof and the name of such bank to the commissioner of state taxes, taxes, on blanks prepared and furnished by him to such depositor on application there.
Sec. 805. Depositors' report to listers.—Every resident of this state so having an interest-bearing deposit in a national bank in this state shall annually, except as otherwise provided in this chapter, report to the listers of the town wherein he resides, the names of all banks located in this state wherein he then has or has had any such deposits during the year next preceding the 1st day of April in the year wherein such report is made, and the amount of such deposits.
Sec. 806. Interrogatories in inventories.—— The secretary of state shall incorporate into the tax inventory interrogatories so framed as to require the person subscribing to the same to state in writing and under oath whether or not he then has or has had during the year next preceding the 1st day of such April, any such deposits; and, if such interrogatories are answered in the affirmative, he shall also state the name of such bank and the amount of such deposit, with all accrued interest.
Sec. 807. Reports by listers.—The listers in every town shall, or or before the 10th day of May, upon blanks to be furnished by the commissioner of state taxes, report the names of all persons whose inventories show that they had in a national bank in this state, on the 1st day of the preceding April, deposits of the character and kind described in the third preceding section, together with the amount of each individual deposit so held on such 1st day of April, and the name of the bank holding such deposit.
Sec. 808. Reports filed; inspection.—Such reports shall be kept on file by said commissioner for three years from and after the dates on which the taxes based thereon became due and payable to the state. Such reports shall not be subject to the inspection of any person other than said commissioner and the employees in his office, the attorney general and the state's attorney of the county wherein such bank has its principal place of business, or said depositor, if a resident of this state, has his domicil. Any information contained in such reports shall not be disclosed by any person authorized to examine the same, except by the direction of a court of competent jurisdiction.
Sec. 809. Assessment of tax; payment.—— Every person so having a deposit in a national bank as aforesaid shall semiannually, except as otherwise provided by this chapter pay a tax to the state, which is hereby assessed at the rate of 7/20 of 1 per cent semiannually upon the amount of such deposit so held by such national bank on the 1st day of April and October; and no deduction therefrom shall be made on account of any exemption. The taxes imposed by this section shall be paid to the state treasurer semiannually on or before the last day of May and November next following the dates whereon the reports provided for in the fourth preceding section are required to be made.
Sec. 810. Exempt from other taxes.—No other tax shall be assessed on such deposits in national banks, nor against the depositors on account thereof.
Sec. 811. Penalty.—A depositor who wilfully fails to make returns or pay the taxes provided by this chapter shall forfeit 10 per cent of such deposit to the use of the state for each month's delay in filing such return. Such tax and forfeiture may be recovered in an action on this statute, commenced by the commissioner of state taxes in the name of the state, in any county, municipal, or city court.
Sec. 812. Trustee process.—A person having any of the moneys, goods, chattels, effects, rights, or credits of said depositor in his possession may be summoned as trustee in any action instituted under the preceding section, notwithstanding that the amount of such tax or the amount in his hands may be less than $10.
Sec. 813. Waiver of penalty.—If the commissioner of state taxes or the court wherein such action is pending for the recovery of such tax or forfeiture becomes satisfied that such failure was not wilful on the part of the depositor, said commissioner or said court may, in its discretion, waive any part or all of such penalty.

Sec. 814. Bank may elect to pay.—If a national bank in this state so elects, it may pay to the state all taxes provided by this chapter; and it shall be lawful for such bank to deduct such taxes so paid from the interest or deposits then or thereafter held by it, belonging to the person from whom such tax became due.
Sec. 815. Same; stipulation.—If a national bank elects to so pay such taxes to the state, and, to make returns as hereinafter provided, it shall semiannually, on or before the 1st day of April and October, file with the commissioner of state taxes a stipulation setting forth such fact; and thereupon such bank shall become liable to the state for such tax for the six months named in such stipulation, and to make returns as hereinafter provided; and no depositor in such bank shall be required to make the returns hereinbefore specified, covering the six months' period for which such stipulation was filed.
Sec. 816. Commissioner's certificate to bank.—Upon such stipulation being filed, said commissioner shall issue in duplicate to such bank a certificate showing that it has filed such stipulation.
Sec. 817. Bank's liability.—Every bank filing such stipulation shall thereupon become liable to the state for the amount of such tax of 7/20 of 1 per cent of the average amount of such deposits held by such bank during the six months beginning with the 1st day of April and October respectively, for which such stipulation was filed.
Sec. 818. Bank's return.—If such bank, on or before the 1st day of April, files a stipulation as hereinbefore provided, it shall, on or before the 31st day of the following October, file a return with the state treasurer and commissioner of state taxes, verified by the oath of its president, cashier, or one of its directors, showing the average amount of such deposits for the six months ending the 30th day of September in that year, and shall pay to the state treasurer the amount of such semiannual tax. In case such bank, on or before the 1st day of October, filed a like stipulation, it shall, on or before the 30th day of the following April, file a like return with the first-named officers, showing the average amount of such deposits for the six months ending with the 31st day of March next preceding the making of such return, and shall, in like manner, pay such taxes.
Sec. 819. Exemptions.—The provisions of this chapter shall not apply to municipalities; nor to corporations organized solely for charitable, educational, or religious purposes; nor to railroad, insurance, guaranty, express, telegraph, telephone, steamboat, car, transportation, sleeping car, parlor car, mortgage, loan, or investment companies; nor to savings banks, trust companies, and savings bank and trust companies which have interest-bearing deposits in national banks; nor to national banks having an interest-bearing deposit in another national bank; nor to any person having any sum of money on deposit in a national bank whereon interest not exceeding the rate of 2 per cent per annum is paid or allowed him by such national bank.
Sec. 820. Exemptions restricted.—Nothing in this chapter shall be construed as exempting from taxation any deposit in any national bank, except as hereinbefore provided.

† 'Deposits to the amount of $4,514, were made subsequent to July 1, 1908, and were withdrawn prior to January 1, 1909; and deposits to the amount of $3,002.12 were made subsequent to January 1, 1909, and withdrawn, prior to July 1, 1909, some being withdrawn prior to April 1, and some subsequent thereto. No interest was paid by the defendant on any of the deposits mentioned in this article. 'Deposits to the amount of $7,069.24, were made after October 1, 1908, and were withdrawn prior to April 1, 1909, of which $5,723.29 were in the bank January 1, 1909, and drew interest at the aforesaid rate; deposits in said bank on October 1, 1908, to the amount of $20,726.28, whereon interest at said rate was then allowed by the defendant, were withdrawn prior to March 31, 1909. Eleven of the individual depositors having interest-bearing deposits, not exceeding in the aggregate $4,561.95, became such after October 1, 1908, and ceased to be depositors before March 31, 1909; and forty-eight depositors of this class having deposits on October 1, 1908, not exceeding in the aggregate $22,530.54, ceased to be depositors before March 31, 1909.'
It also appeared that the aggregate of such interest-bearing deposits on October 1, 1908, was $569,393.75, of which $36,424.27 were deposited by nonresidents; and on April 1, 1909, such aggregate was $623,242.75, of which $39,361.98 were deposited by nonresidents. The aggregate on the lastnamed date was $28,885.01 in excess of the average for the semiannual period ending March 31, 1909.

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As of: October 12, 2015 7:03 PM EDT

CNB Fin. Corp. v. CNB Cmty. Bank (IO)

United States District Court for the Eastern District of Pennsylvania

September 29, 2004, Decided ; September 30, 2004, Filed; September 30, 2004, Entered

CIVIL ACTION NO. 03-6945 (PBT)

Reporter
2004 U.S. Dist. LEXIS 21483; 2004 WL 2434878

CNB FINANCIAL CORP., Plaintiff, v. CNB COMMUNITY BANK (IO), Defendant.

Subsequent History: Stay denied by CNB Fin. Corp. v. CNB Cmty. Bank, 2004 U.S. Dist. LEXIS 21800 (E.D. Pa., Oct. 26, 2004)

Disposition: **[*1]** CNB's motion for a preliminary injunction granted.

LexisNexis® Headnotes

Civil Procedure > Remedies > Injunctions > Preliminary & Temporary Injunctions

HN1 A court may properly issue a preliminary injunction when the following factors weigh in favor of the movant: (1) that it will be immediately and irreparably harmed by the defendants' conduct, (2) a reasonable likelihood of success on the merits, (3) the extent to which the harm to the plaintiff outweighs the possible harm to the defendant if the motion is granted, and (4) the public interest lies in granting the motion.

Civil Procedure > Remedies > Injunctions > Preliminary & Temporary Injunctions

Trademark Law > ... > Remedies > Equitable Relief > General Overview

Trademark Law > ... > Equitable Relief > Injunctions > Preliminary Injunctions

HN2 Preliminary injunctive relief is an extraordinary remedy and should be granted only in limited circumstances. The plaintiff bears the burden of proving a likelihood of success on the merits and irreparable harm.

Contracts Law > Types of Commercial Transactions > Sales of Goods > General Overview

Trademark Law > Conveyances > General Overview

Trademark Law > ... > Federal Unfair Competition Law > False Advertising > General Overview

Trademark Law > ... > Federal Unfair Competition Law > Lanham Act > General Overview

HN3 Section 1114 of the Lanham Act, 15 U.S.C.S. § 1114, proscribes the use of a registered mark in interstate commerce, without the consent of the registrant, 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.S. § 1114(1).

Trademark Law > ... > Federal Unfair Competition Law > Lanham Act > General Overview

HN4 For liability under the Lanham Act, parties do not have to intend that their mark travel interstate channels. It appears to be enough, for instance their radio or newspaper ads happen to be regularly carried beyond state borders.

Trademark Law > ... > Federal Unfair Competition Law > Lanham Act > General Overview

Trademark Law > Causes of Action Involving Trademarks > Infringement Actions > General Overview

Trademark Law > Causes of Action Involving Trademarks > Infringement Actions > Burdens of Proof

HN5 To prove trademark infringement under the Lanham Act, the plaintiff must prove: (1) it owns the disputed mark; (2) the mark is valid and legally protectable; and (3) the defendant's use of the mark to identify goods or services is likely to create confusion.

Trademark Law > Subject Matter of Trademarks > Terms Requiring Secondary Meaning > General Overview

HN6 For purposes of the Lanham Act, secondary meaning exists when the mark is interpreted by the consuming public to be a representation of the origin of products or services.

Trademark Law > Likelihood of Confusion > General Overview

HN7 The law of trademark protects trademark owners in the exclusive use of their marks when use by another would be likely to cause confusion.

Trademark Law > Likelihood of Confusion > General Overview

Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview

Trademark Law > ... > Consumer Confusion > Circuit Court Factors > General Overview

Trademark Law > ... > Consumer Confusion > Circuit Court Factors > 3rd Circuit Court

Trademark Law > ... > Factors for Determining Confusion > Intent of Defendant to Confuse > General Overview

Trademark Law > Likelihood of Confusion > Confusion Among Noncompeting Products > General Overview

Trademark Law > ... > Similarity of Marks > Appearance, Meaning & Sound > General Overview

HN8 The U.S. Court of Appeals for the Third Circuit has adopted a non-exhaustive list of factors to consider in evaluating likelihood of confusion, commonly referred to as the ″Lapp factors″ in trademark cases involving competing and non-competing products alike, which are as follows: (1) the degree of similarity between the owner's mark and the alleged infringing mark; (2) the strength of the owner's mark; (3) the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase; (4) the length of time the defendant has used the mark without evidence of actual confusion arising; (5) the intent of the defendant in adopting the mark; (6) the evidence of actual confusion; (7) whether the goods, competing or not competing, are marketed through the same channels of trade and advertised through the same media; (8) the extent to which the targets of the parties' sales efforts are the same; (9) the relationship of the goods in the minds of consumers, whether because of the near-identity of the products, the similarity of function, or other factors; (10) other facts suggesting that the consuming public might expect the prior owner to manufacture both products, or expect the prior owner to manufacture a product in the defendant's market, or expect that the prior owner is likely to expand into the defendant's market.

Trademark Law > Likelihood of Confusion > General Overview

Trademark Law > ... > Consumer Confusion > Circuit Court Factors > 3rd Circuit Court

HN9 The Lapp test for likelihood of confusion in trademark law is a qualitative inquiry. Not all factors will be relevant in all cases and the different factors may properly be accorded different weights depending on the particular factual setting.

Trademark Law > Causes of Action Involving Trademarks > Infringement Actions > General Overview

Trademark Law > Likelihood of Confusion > General Overview

Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview

Trademark Law > ... > Consumer Confusion > Circuit Court Factors > General Overview

Trademark Law > ... > Consumer Confusion > Circuit Court Factors > 3rd Circuit Court

Trademark Law > ... > Factors for Determining Confusion > Similarity of Marks > General Overview

Trademark Law > ... > Similarity of Marks > Appearance, Meaning & Sound > General Overview

HN10 Where the names are identical, the names in themselves are evidence of likelihood of confusion for purposes of trademark infringement. Although the degree of similarity between the owner's mark and the alleged infringing mark is but one factor in the multi-factor confusion analysis, the U.S. Court of Appeals for the Third Circuit has recognized that when products directly compete, mark similarity may be the most important of the ten factors in Lapp. In short, if upon evaluating the contested marks the overall impression created by marks is essentially the same, it is very probable that the marks are confusingly similar.

Trademark Law > Conveyances > General Overview

Trademark Law > Causes of Action Involving Trademarks > Infringement Actions > General Overview

Trademark Law > Likelihood of Confusion > General Overview

Trademark Law > ... > Factors for Determining Confusion > Similarity of Marks > General Overview

Trademark Law > ... > Similarity of Marks > Appearance, Meaning & Sound > General Overview

HN11 The closer the relationship between products, and the more similar their sales contexts, the greater the likelihood of confusion for trademark infringement purposes.

Trademark Law > Causes of Action Involving Trademarks > Infringement Actions > General Overview

Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview

HN12 The test for confusion for trademark infringement purposes is whether the overall impression created by marks is essentially the same. Courts must compare the appearance, sound and meaning of the marks, to determine whether the average consumer, on encountering one mark in isolated circumstances of the marketplace and having only a general recollection of the other, would likely confuse or associate the two marks.

Trademark Law > Causes of Action Involving Trademarks > Infringement Actions > General Overview

Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview

HN13 Where the trademark owner and the alleged infringer deal in competing goods or services, the court need rarely look beyond the mark itself.

Trademark Law > Causes of Action Involving Trademarks > Dilution of Famous Marks > General Overview

Trademark Law > Causes of Action Involving Trademarks > Infringement Actions > General Overview

Trademark Law > ... > Consumer Confusion > Circuit Court Factors > 3rd Circuit Court

Trademark Law > ... > Eligibility for Trademark Protection > Distinctiveness > General Overview

Trademark Law > ... > Eligibility for Trademark Protection > Distinctiveness > Evidence of Distinctiveness

HN14 Under the second Lapp factor for confusion for trademark infringement purposes, the strength of a mark is determined by (1) the distinctiveness or conceptual strength of the mark and (2) its commercial strength or marketplace recognition.

Civil Procedure > Judgments > Preclusion of Judgments > General Overview

Civil Procedure > ... > Preclusion of Judgments > Estoppel > General Overview

Civil Procedure > ... > Preclusion of Judgments > Estoppel > Judicial Estoppel

Trademark Law > ... > Eligibility for Trademark Protection > Distinctiveness > General Overview

Trademark Law > Subject Matter of Trademarks > Terms Requiring Secondary Meaning > General Overview

Trademark Law > Subject Matter of Trademarks > Eligibility for Trademark Protection > Strength of Trademark

HN15 Unlike patents, trademarks are dynamic: a mark once strong can become weak or a weak mark can later take on secondary meaning.

Trademark Law > Subject Matter of Trademarks > Terms Requiring Secondary Meaning > General Overview

HN16 A mark must either be suggestive, arbitrary, or fanciful, or must be descriptive with a demonstration of secondary meaning to be entitled to protection under the Lanham Act.

Trademark Law > Subject Matter of Trademarks > Eligibility for Trademark Protection > Strength of Trademark

HN17 While a mark might be weak in the national market, it might still be strong in the senior user's geographical and product area and thus deserving of protection.

Trademark Law > Subject Matter of Trademarks > Terms Requiring Secondary Meaning > General Overview

Trademark Law > Subject Matter of Trademarks > Eligibility for Trademark Protection > Strength of Trademark

HN18 Where the owner's use of a mark in commerce is limited to a particular geographic area, the determination of whether the mark is entitled to trademark protection may turn on the mark's strength and acquired secondary meaning in the relevant geographic area, as opposed to the national market generally.

Trademark Law > Subject Matter of Trademarks > Terms Requiring Secondary Meaning > General Overview

HN19 In the Third Circuit secondary meaning for trademark purposes exists when the mark is interpreted by the consuming public to be not only an identification of the product or services, but also a representation of the origin of those products or services. In general, secondary meaning is established through extensive advertising which creates in the minds of consumers an association between the mark and the provider of the services advertised under the mark.

Trademark Law > Subject Matter of Trademarks > Terms Requiring Secondary Meaning > General Overview

HN20 The factors that may be considered in determining whether a mark has secondary meaning include: ″(1) the extent of sales and advertising leading to buyer association; (2) length of use; (3) exclusivity of use; (4) the fact of copying; (5) customer surveys; (6) customer testimony; (7) the use of the mark in trade journals; (8) the size of the company; (9) the number of sales; (10) the number of customers; and (11) actual confusion.″ Commerce Nat'l, 214 F.3d at 438 (citation omitted).

Trademark Law > Causes of Action Involving Trademarks > Infringement Actions > General Overview

Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview

Trademark Law > ... > Consumer Confusion > Circuit Court Factors > 3rd Circuit Court

HN21 Evidence of actual confusion is not required to prevail on a claim; however, such evidence is, of course, highly probative.

Trademark Law > Conveyances > General Overview

Trademark Law > Causes of Action Involving Trademarks > Infringement Actions > General Overview

Trademark Law > Likelihood of Confusion > General Overview

Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview

Trademark Law > ... > Consumer Confusion > Circuit Court Factors > General Overview

Trademark Law > ... > Consumer Confusion > Circuit Court Factors > 3rd Circuit Court

HN22 When parties target their sales efforts to the same consumers, there is a stronger likelihood of confusion for trademark infringement purposes.

Civil Procedure > ... > Injunctions > Grounds for Injunctions > General Overview

Civil Procedure > Remedies > Injunctions > Preliminary & Temporary Injunctions

Trademark Law > Causes of Action Involving Trademarks > Infringement Actions > General Overview

Trademark Law > ... > Infringement Actions > Remedies > General Overview

Trademark Law > ... > Remedies > Equitable Relief > General Overview

Trademark Law > ... > Equitable Relief > Injunctions > Preliminary Injunctions

HN23 In addition to showing a likelihood of success on the merits, a plaintiff must also prove irreparable harm to carry its burden on a motion for a preliminary injunction. Grounds for irreparable injury include loss of control of reputation, loss of trade, and loss of good will. Lack of control over one's mark creates the potential for damage to reputation, which constitutes irreparable injury for the purpose of granting a preliminary injunction in a trademark case. Thus, trademark infringement amounts to irreparable injury as a matter of law.

Civil Procedure > ... > Injunctions > Grounds for Injunctions > General Overview

Civil Procedure > Remedies > Injunctions > Preliminary & Temporary Injunctions

Trademark Law > Causes of Action Involving Trademarks > Infringement Actions > General Overview

HN24 Where a plaintiff has put forth evidence demonstrating its likely success on the merits of its trademark infringement claim, it has established as a matter of law irreparable harm.

Trademark Law > Trademark Cancellation & Establishment > General Overview

Business & Corporate Compliance > ... > Registration > Federal Registration > Constructive Notice of Registration

HN25 The Lanham Act abolished the good faith defense by allowing federal registration of a trademark to serve as constructive notice of the registrant's claim of ownership. Consequently, courts agree that subsequent users of a registered mark cannot defend on the basis of lack of knowledge or good faith.

Civil Procedure > ... > Injunctions > Grounds for Injunctions > Public Interest

Trademark Law > Causes of Action Involving Trademarks > Infringement Actions > General Overview

Trademark Law > ... > Infringement Actions > Remedies > General Overview

Trademark Law > ... > Remedies > Equitable Relief > General Overview

Trademark Law > Likelihood of Confusion > General Overview

Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview

HN26 Where a likelihood of confusion arises out of the concurrent use of a trademark, the infringer's use damages the public interest.

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Judges: Hon. Petrese B. Tucker, U.S.D.J.

Opinion by: Petrese B. Tucker

Opinion

MEMORANDUM AND ORDER

Tucker, J.

Presently before the Court is a motion for preliminary injunction filed by CNB Financial Corp. (″CNB″) seeking protection of its federally registered trademark, ″CNB,″ under the federal trademark law. (See Doc. 6). Upon consideration of the parties' respective filings, (Docs. 6, 15, 16, 18, 22, 34 & 35), and the preliminary injunction hearing held in this matter pursuant to Fed. R. Civ. P. 65, the motion for preliminary injunction is granted.

I. FINDINGS OF FACT [1]

[*2] A. Parties

1. Plaintiff CNB Financial Corp. (″CNB″) is a Pennsylvania corporation headquartered in Clearfield, Pennsylvania. CNB, through its wholly-owned subsidiary County National Bank, renders community banking services to individuals and small businesses.

2. County National Bank is a nationally chartered banking institution which has been incorporated since 1934. County National Bank, headquartered in Clearfield, Pennsylvania, is a full-service financial institution with branch offices located throughout central Pennsylvania. (Pl. Hearing Ex. 27 at P-CNB 00870).

3. CNB is a bank holding company formed to take over the assets and stock of County National Bank in March 1984. CNB manages and directs the operations of County National Bank.

4. Defendant CNB Community Bank (″CNB (IO)″) is a Pennsylvania corporation which began operation in Clarion County, Pennsylvania on January 8, 2004.

5. CNB (IO) currently has two branch offices located in two cities in Clarion County, Clarion and New Bethlehem.

B. CNB's Primary Market Area and Services

6. CNB's primary geographic area is located in north central Pennsylvania, covering seven counties **[*3]** where it currently has established 20 branches and two lending facilities: Clearfield -- 10 branches, Warren -- 1 branch, McKean -- 3 branches, Elk -- 4 branches, Cambria -- 2 branches, and Jefferson -- 1 branch. (Pl. Ex. 48).

7. Since 1997, CNB has opened four new branches of Community National Bank and two new loan

[1] Defendant CNB (IO) has objected to the use of the Kolar Declaration, CNB's use of the Ridgway pilot survey, and the admission of certain exhibits relied upon by CNB during the hearing on grounds that the exhibits were not properly admitted. All objections are denied. CNB's use of this evidence is not improper and but is consistent with the Federal Rules of Evidence and Federal Rules of Civil Procedure.

production offices in north central Pennsylvania. (Tr. 1 at 30). Western expansion is more likely for CNB than eastern expansion due to the mountain range to the east of its primary market area. (Tr. 1 at 66).

8. CNB, through its subsidiary, provides a variety of banking services, including checking accounts, savings accounts, certificates of deposit, money market accounts, IRA accounts, annuities, and loan products (e.g., consumer loans, mortgage loans, commercial loans). (Tr. 1 at 77).

9. CNB serves over 40,000 households in its primary service area in north central Pennsylvania, (Tr. 1 at 34), and its depositors bank by internet, phone, and mail. (Id. at 64-65). CNB also has just under 2000 shareholders at present. (Id. at 64).

10. CNB tracks the deposits of its competitors and ranks second in its primary market area in terms of deposits. **[*4]** (Tr. 1 at 34-35).

11. CNB's direct competitors in its market area include S&T Bank, National City, Northwest Savings, Clearfield Bank & Trust, First National Bank, Omega, Nittany, Farmers National Bank, PNC, Sovereign Bank, Citizens Bank of Pennsylvania, Community First Bank, and C&G Savings Bank. (Tr. 1 at 100; Kolar Decl. P33).

C. Disputed Marks

12. In 1960, CNB, through its predecessor in title and in interest, began using the mark ″CNB″ to identify its banks and banking services. (Kolar Decl. P13). CNB has used the ″CNB″ mark in one form or another as a mark and name in commerce continuously since 1960 in connection with banking services, and has common law rights to the mark.

13. The ″CNB″ mark was derived from the first three letters of ″County National Bank.″ (Tr. 1 at 42).

14. In 1996, CNB filed three applications with the United States Patent and Trademark Office (″USPTO″) for the registration of the ″CNB″ mark in different styles. The registrations were subsequently issued as Registration Nos. 2,153,380 (″CNB County National Bank″), 2,140,190 (″CNB Financial Corp.″), and 2,135,363 (″CNB″ logo) for use in providing banking and financial services.

[*5] 15. CNB uses the ″CNB Financial Corp.,″ mark in association with its annual reports provided to shareholders, to promote its dividend reinvestment plan to the general public, and in its quarterly news releases which provide information about its services. (Tr. 1 at 38-39).

16. CNB uses the ″CNB County National Bank″ mark in association with the promotion of its banking services.

17. CNB uses the ″CNB″ logo mark with its shareholder dividend reinvestment and stock purchase plan prospectus.

18. The ″CNB″ mark and name also appears in ordinary print or block lettering in a wide range of materials distributed by and about CNB. See, e.g., Pl. Ex. 16 at P-CNB 01547 and 1549; Pl. Ex. 17 at P-CNB 00236 and 00246.

19. CNB has published booklets and other promotional materials using only the ″CNB″ mark without the logo. See Tr. 1 at 89-90 and Pl. Ex. 17 (booklet distributed in connection with merger); Tr. 1 at 144 and Pl. Ex. 17 (personal e-banking flyers).

20. CNB has used the ″CNB″ mark in the advertising and marketing of its banking services with and without ″County National Bank.″ Pl. Exs. 16-18. Where the ″CNB″ mark appears with ″County National Bank, **[*6]** ″ the ″CNB″ mark is often presented separated from the words, conveying a distinct and separate commercial impression. Id.

21. The C-N-B letters are the dominant element of CNB's federally registered marks.

22. The ″CNB″ mark is used as a source indicator for CNB's banking services in CNB's geographic market area. CNB, its customers and the media refer to and identify County National Bank by the ″CNB″ mark alone. (Pl. Ex. 15; Tr. 1 at 202-03).

D. CNB's Financials

23. As of 2003, CNB had $ 576,273,043 in deposits, $ 466,512,398 in loans, and 126,223 accounts. Pl. Ex. 8 at P-CNB 02154. In 2003, CNB had a net income of $ 9,057,000. Pl. Ex. 27 at P-CNB 01179.

24. In 2000, CNB spent $ 203,734.23 on advertising. In the years 2002 and 2003, CNB expended $ 373,735.18 and $ 306,961.85, respectively, on advertising. Pl. Ex. 29. CNB does not plan its advertising and marketing budgets on a county-by-county basis. (Tr. 1 at 146).

25. CNB has advertised and marketed its banking services under the CNB mark and name in the following newspapers serving its primary market area, in whole or in part: the Progress, Kane Republican, Johnsonburg Press, Star Courier, **[*7]** Daily Press, Bradford Era, The Spirit, Ridgway Record, Courier-Express and Warren Times Observer. Pl. Ex. 19.

26. CNB has advertised and marketed its banking services under the CNB mark and name on the following radio stations serving its primary market area, in whole or in part: WCPA/WQYX, Sunny 106.5, WESB, WLMI, WPKK, WDDH, WKBI (B-94), WPHB ″the Buzz,″ WNCC, WPXZ (″Kool 103.3″) and Kinzua Broadcasting. Pl. Ex. 19.

27. CNB has run print and radio advertisements with slogans referring to CNB solely by the ″CNB″ mark. See, e.g., Pl. Ex. 26 (radio ad with slogan: ″Lots of banks charge lots of fees to use one of their checking accounts, go free with CNB;″ print ad with slogan: ″Our vacation loans are ready to go, are you? Visit your nearest CNB office today″).

28. In addition to radio and print ads, CNB has run a television commercial on cable stations serving its market area, (Tr. 1 at 81; Pl. Ex. at 15), and advertises on billboards located along major highways. (Tr. 1 at 91). CNB also employs a PT Cruiser with a vehicle wrap advertising various CNB products as part of its marketing efforts. Id.; Pl. Ex. 17. The PT Cruiser serves as a ″moving billboard″ for **[*8]** CNB. See Pl. Ex. 17 at P-CNB 00448.

29. CNB has also conducted various promotions using only the ″CNB″ mark, or displaying the CNB mark prominently. See e.g., Pl. Ex. 17 at P-CNB 000247 and 00288 (ad promoting ″CNBear Kids Savings Club″ and prizes including ″an original CNBear beanie bear″); Tr. 1 at 100 and Pl. Ex. 17 (″CNB Visa check card″ offered by CNB using only the ″CNB″ mark without the words ″County National Bank″).

30. CNB has also sponsored numerous events and organizations where the ″CNB″ mark has been prominently displayed such as the Clearfield YMCA Winter Fest, Clearfield Arts Studio Theater, March of Dimes, the American Cancer Society, the American Red Cross, high school yearbooks, little league teams, volunteer fire companies, and chambers of commerce. (Tr. 1 at 88).

31. Idea Connections is an advertising agency who's services CNB employs. In 2003, Idea Connections held focus research groups for CNB to develop a new position statement. As a result of the focus group research, CNB adopted a new positioning statement, ″Hometown Banking, Hometown People.″ (Tr. 1 at 99).

32. A positioning statement is part of the branding identity process used **[*9]** by banks and other entities. CNB's adoption of a new positioning statement was to position itself in the market and to differentiate itself from its competition so that customers would have a good idea of the type of bank CNB is. (Tr. 1 at 99-100). CNB positions

itself against competitors in its market area, competitors who include S&T Bank, Northwest Savings, Clearfield Bank & Trust, and CSB Bank. (Tr. 1 at 100).

33. None of the financial institutions that are competitive with CNB use the ″CNB″ mark in any fashion. Id.

34. CNB's advertising reaches Clarion County through, for example, advertisements placed on the radio stations Q102 and WDBA. Pl. Exs. 20, 22.

35. CNB operates a website, and the web internet address includes the ″CNB″ mark: www.bankcnb.com. CNB distributes news and information regarding its products and investor relations, among other matters, on its website. CNB also provides personal and business ebanking services to its customers through the website. (Pl. Ex. 16; Tr. 1 at 65-66). The CNB website includes the ″CNB″ logo mark and the bank is referred to as ″CNB″ without the words ″County National Bank″ throughout the website.

E. CNB's Reputation

[*10] 36. CNB has expended considerable monies on marketing research to monitor, maintain and strengthen its market-base. CNB conducts research on its customers and potential customers through the use of customer satisfaction surveys, account surveys on deposits and loans, closed-account surveys, secret shopper and mystery shopper surveys, and hiring an advertising agency to assist it with adopting a position statement to further enhance its position and reputation in its market. (Tr. 1 at 98-99).

37. Annually, CNB conducts a new account survey to determine how and why customers chose CNB. A majority of customers indicate that they selected to bank with CNB, through its subsidiary County National Bank, by word-of-mouth from relatives and friends and reputation. (Tr. 1 at 101).

38. CNB has a variety of customers: blue collar, professional and business customers. Small businesses also comprise a significant portion of CNB's business, and CNB has commercial accounts from larger businesses. CNB's customer-base is representative of that found at community banks generally. (Tr. 1 at 102).

39. In addition to counties where CNB has branches, CNB also has customers that reside **[*11]** in Clarion County, other counties in Pennsylvania, and other states to include New York, Maryland, Florida, Texas, Ohio, Michigan, Illinois, Virginia and Georgia, among others.

40. In CNB's geographic market area, CNB is well-known by the ″CNB″ mark and name, ranking second among its competitors in deposits. CNB and other banks in its primary geographic area draw customers from neighboring communities where branch locations may not be physically present. (Kolar Decl. P21).

41. CNB continually assesses and updates its strategic marketing plan, and evaluates whether to expand into counties beyond those where it is currently established. CNB has considered expanding into locations west of its primary service area, specifically Clarion County, Butler and Venago, potentially by merger with an existing financial institution. (Tr. 1 at 65).

F. CNB (IO)'s Financials and Advertising

42. CNB (IO)'s organizers were aware of Community National Bank's existence prior to selecting the name, CNB Community Bank, which includes the ″CNB″ mark. [Def. Prop. FF P32.] CNB (IO) did no due diligence to determine whether the ″CNB″ mark was federally registered. Id.

43. **[*12]** CNB (IO) has two branch offices, in Clarion and New Bethlehem, both located in Clarion County. CNB (IO)'s organizers adopted the ″CNB″ mark to represent initials of each city,

″C″ for ″Clarion″ and ″N″ and ″B″ for ″New Bethlehem.″

44. CNB (IO)'s logo consists of the ″CNB″ mark in large green letters with leaf overlaying ″N″ in autumn colors, all against a white background. CNB (IO)'s organizers selected the leaf design to create an association with the Clarion County Autumn Leaf Festival held each October. (Tr. 2 at 61).

45. In print and radio advertisements commissioned by CNB (IO), it identifies itself as ″CNB Community Bank.″ However, in published articles about CNB (IO), it has been identified as both ″CNB″ and ″CNB Bank,″ in addition to ″CNB Community Bank.″ See, e.g., CNB (IO)'s website at *www.cnbcb.com* (posting newspaper articles).

46. Service providers for CNB (IO) have also referred to it as simply ″CNB″ and ″CNB Bank″ on invoices. (Tr. 2 at 101-02; Def. Prop FF P64).

47. CNB (IO) has placed radio ads with stations located in towns where CNB has branches and whose signals reach outside of Pennsylvania. (Pl. Ex. 22).

48. However, CNB (IO) has engaged **[*13]** in minimal advertising to date. Its advertising efforts have been limited to restaurant placemats, newspaper ads, radio ads, imprinted giveaways and sponsorships. (Tr. 2 at 97-99).

49. As of April 20, 2004, CNB (IO) had spent less than $ 3000 on radio advertising, $ 22,000 on print advertising, and $ 10,000 on all other advertising. Id. CNB (IO) had also spent less than $ 6,000 on signage prior to this date.

II. LEGAL STANDARD

HN1 A court may properly issue a preliminary injunction when the following factors weigh in favor of the movant: (1) that it will be immediately and irreparably harmed by the defendants' conduct, (2) a reasonable likelihood of success on the merits, (3) the extent to which the harm to the plaintiff outweighs the possible harm to the defendant if the motion is granted, and (4) the public interest lies in granting the motion. See *Opticians Ass'n of America v. Independent Opticians of America, 920 F.2d 187, 191-92 (3d Cir. 1990)*. ″***HN2*** Preliminary injunctive relief is an extraordinary remedy and should be granted only in limited circumstances.″ *Kos Pharms., Inc. v. Andrx Corp., 369 F.3d 700, 708 (3d Cir. 2004)* (citation **[*14]** and internal quotations omitted). ″One of the goals of the preliminary injunction analysis is to maintain the status quo, defined as the last, peaceable, noncontested status of the parties,″ which in a trademark case is the time prior to the alleged infringing conduct. Id. (quoting *Opticians, 920 F.2d at 197*) (add'l citation omitted). The plaintiff bears the burden of proving a likelihood of success on the merits and irreparable harm.

III. DISCUSSION

A. Subject Matter Jurisdiction

HN3 *Section 1114 of the Lanham Act* proscribes the use of a registered mark in interstate commerce, ″without the consent of the registrant[,]… 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)*. CNB (IO) challenges jurisdiction on grounds that neither party in this case has used the ″CNB″ mark in interstate commerce, rendering the Lanham Act inapplicable.

There is no question that this Court has subject matter jurisdiction over this case. The record supports CNB's **[*15]** assertion that it employs its marks in interstate commerce. CNB has out of-state customers who hold deposit and loan accounts and to whom CNB mails ″stuffers″ with

account statements marketing its services with its mark. (Pl. Reply at 3 and Ex. 1). CNB also purchases commercial advertising using its mark from newspaper and radio stations which carrying the ads beyond Pennsylvania borders. Id. Ex. 2. In addition, CNB maintains an internet site website where it features and promotes its banking services using its federally-registered marks.

CNB (IO) has likewise utilized the ″CNB″ mark in interstate commerce. At least five of CNB (IO)'s depositors, to include its largest depositor, live outside Pennsylvania. (Tr. 2 at 84, 105; Pl. Ex. 51). CNB (IO) has also purchased advertising time using the ″CNB″ mark from radio stations whose signals reach across state lines. [2] **[*17]** (Pl. Ex. 22). CNB (IO) cites no authority for its claim that the number of its out-of-state depositors, all of whom are also CNB (IO) shareholders, (Tr. 2 at 84-85), should be held de minimus as a matter of law and insufficient to render it liable under the Lanham Act. [3] Def. Prop. COL P21. Nor is there merit to **[*16]** CNB (IO)'s argument that it should be exempt from liability under the Lanham Act because it did not intend for its communications to enter into the stream of interstate commerce. ″***HN4*** Parties do not have to intend that their mark travel interstate channels…. It appears to be enough, for instance their radio or newspaper ads happen to be regularly carried beyond state borders.″ *Laurel Capital Group, Inc. v. BT Fin. Corp., 45 F. Supp. 2d 469, 480 (W.D. Pa. 1997)*. Accordingly, subject matter jurisdiction exists in this matter.

B. The Lanham Act

″***HN5*** To prove trademark infringement… under the Lanham Act, [the plaintiff] must prove: (1) it owns the [disputed] mark; (2) the mark is valid and legally protectable; and (3) [the defendant's] use of the mark to identify goods or services is likely to create confusion.″ *Checkpoint Sys., Inc. v. Check Point Software Techs., Inc., 269 F.3d 270, 279 (3d Cir. 2001)* (citation omitted). All three prongs are at issue in this matter. As to the first prong, CNB (IO) challenges CNB's standing to bring this action on grounds that CNB's subsidiary, County National Bank, never **[*18]** assigned CNB the rights to the registered marks at issue, and as a result, CNB is not the owner of the marks alleged to have been infringed and thus not the proper party to bring this action. See Def. Resp. at 15-16; Def. Prop. FF P13. It is undisputed that County National Bank is the wholly-owned subsidiary of CNB. CNB purchased all shares of County National Bank when it (CNB) was created in 1984; CNB exercises exclusive control over the management and operation of County National Bank, and CNB registered the marks in dispute. This serves as prima facie evidence of the registration's validity. *15 U.S.C. § 1057(b)*. The Lanham Act as well as the United States Patent and Trade Office (″USPTO″) recognizes and permits related companies to register and use marks and seek protection against trademark infringement. See *15 U.S.C. § 1055* (″If the first use of a mark by a person is controlled by the registrant or applicant for registration of the mark with respect to the nature and quality of the goods or services, such first use shall inure to the benefit of the registrant or applicant, as the case may be″). Thus as the registrant **[*19]** of the marks in

[2] CNB (IO) also has an internet website at www.cnbcb.com which was created in connection with its sale of stock. The website contains information about CNB (IO)'s directors and organizers, its marketplace, and its public offering. (Tr. 2 at 83). CNB (IO) asserts that its internet website is insufficient to establish subject matter jurisdiction as ″it is only directed at investors for a bank in organization and is not offering banking services.″ Def. Prop. COL P3. This argument is not persuasive. CNB (IO)'s website is used to both promote its public offering and to provide information about its proposed banking services.

[3] There is also no merit to CNB (IO)'s suggestion that the out-of-state depositors' ″pre-existing relationship with a founding shareholder, bank organizer, or director″ is relevant to this inquiry. Def. Resp. at 13. The fact that some or all of CNB (IO)'s out-of-state depositors are relatives, friends, or associates of its organizers has no bearing on the question of jurisdiction if CNB (IO) uses its mark in connection with soliciting and conducting business with those individuals.

question and in its capacity as owner and exclusive manager of County National Bank, CNB has standing to bring this action.

As to prong two, CNB (IO) argues that CNB's marks are generic and the federal registration of these marks is invalid ″because their primary significance to the public does not indicate a single source of goods or services.″ Def. Resp. at 16. This claim arises from CNB (IO)'s contention that the contested ″CNB″ mark is an acronym for County National Bank, which, in CNB (IO)'s view, renders the ″CNB″ mark generic because the terms ″county″ and ″national bank″ are generic. Id. at 17. CNB (IO)'s argument is unpersuasive. This issue arose in *Merritt Forbes & Co., Inc. v. Newman Inv. Sec., Inc., 604 F. Supp. 943 (S.D.N.Y. 1985)*, a case relied upon by CNB (IO). In that case, the defendant argued that the acronym ″TOP's″ was generic as a matter of law simply because it was derived from the generic phrase ″tender option program.″ In rejecting this argument, the court ruled that ″the fact that [TOP's] is an acronym for the generic term 'tender option program' does not necessarily make it in itself generic.″ *Id. at 956*; **[*20]** see also *Kampgrounds of Am., Inc. v. North Delaware A-OK Campground, Inc., 415 F. Supp. 1288 (D. Del. 1976)*. In this case, the question of whether the ″CNB″ mark is distinctive and entitled to trademark protection turns on whether the mark is perceived by the public as a source indicator, that is, the mark has taken on a secondary meaning. See *Commerce Nat'l Ins. Servs. v. Commerce Ins. Agency, Inc., 214 F.3d 432, 438 (3d Cir. 2000)* (citation omitted) (holding ***HN6*** ″secondary meaning exists when the mark is interpreted by the consuming public to be… a representation of the origin of… products or services.″). CNB has used the ″CNB″ mark in commerce for banking services for over 40 years and, as discussed more fully below, has submitted sufficient evidence to sustain its burden on this motion of proving secondary meaning in its market area. As such, CNB (IO)'s argument as to prong two must also fail.

C. Likelihood of Confusion

The crux of an infringement claim lies in the third prong of the Lanham Act: likelihood of confusion. ″***HN7*** The law of trademark protects trademark owners in the exclusive use of their marks when use by another would be likely **[*21]** to cause confusion.″ *Interpace Corp. v. Lapp, Inc., 721 F.2d 460, 462 (3d Cir. 1983)*.***HN8*** The Third Circuit ″has adopted a non-exhaustive list of factors to consider in evaluating likelihood of confusion, commonly referred to as the '*Lapp* factors'″ in trademark cases involving competing and non-competing products alike, which are as follows:

(1) the degree of similarity between the owner's mark and the alleged infringing mark;

(2) the strength of the owner's mark;

(3) the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase;

(4) the length of time the defendant has used the mark without evidence of actual confusion arising;

(5) the intent of the defendant in adopting the mark;

(6) the evidence of actual confusion;

(7) whether the goods, competing or not competing, are marketed through the same channels of trade and advertised through the same media;

(8) the extent to which the targets of the parties' sales efforts are the same;

(9) the relationship of the goods in the minds of consumers, whether because of the near-identity of the products, the similarity **[*22]** of function, or other factors;

(10) other facts suggesting that the consuming public might expect the prior owner to manufacture both products, or expect the prior owner to manufacture a product in the defendant's market, or expect that the prior owner is likely to expand into the defendant's market.

Kos Pharms., Inc. v. Andrx Corp., 369 F.3d 700, 709 (3d Cir. 2004) (citing *A&H Sportswear, Inc. v. Victoria's Secret Stores, Inc., 237 F.3d 198, 215 (3d Cir. 2000))* (add'l citations omitted). ″***HN9*** The Lapp test is a qualitative inquiry. Not all factors will be relevant in all cases… [and] the different factors may properly be accorded different weights depending on the particular factual setting.″ *A&H Sportswear, 237 F.3d at 215*; see also *Checkpoint Sys., Inc. v. Check Point Software Techs., Inc., 269 F.3d 270, 280 (3d Cir. 2001)* (″None of these factors is determinative in the likelihood of confusion analysis and each factor must be weighed and balanced one against the other.″).

1. Similarity of the Marks (Factor I)

″***HN10*** Where the names are identical… the names in themselves are evidence of likelihood **[*23]** of confusion.″ *American Plan Corp. v. State Loan & Fin. Corp., 365 F.2d 635, 639 (3d Cir. 1966)*. ″Although the degree of similarity between the owner's mark and the alleged infringing mark is but one factor in the multi-factor confusion analysis,… [our circuit has] recognized that when products directly compete, mark similarity 'may be the most important of the ten factors in Lapp.'″ *Checkpoint Sys., 269 F.3d at 281* (quoting *Fisons Horticulture, Inc. v. Vigoro Indus., Inc., 30 F.3d 466, 476 (3d Cir. 1994))*. In short, if upon evaluating the contested marks ″the overall impression created by marks is essentially the same, 'it is very probable that the marks are confusingly similar.'″ *Opticians, 920 F.2d at 195* (quotation omitted).

In this case, the distinctive and dominant component of the parties' respective names and logos are the letters C-N-B. CNB's logo consists solely of the ″CNB″ mark in large type preceded by three lines evenly spaced apart. See Pl. Ex. 5 (mark registered at No. 2,135,363). In CNB's marks registered at Nos. 2,153,380 and 2,140,190, its logo (the ″CNB″ mark) appears over the words ″County **[*24]** National Bank″ and ″Financial Corp.,″ respectively, with the C-N-B letters more than double the size of the words. See Pl. Exs. 1, 3. Similarly, the C-N-B letters appear in large type in CNB (IO)'s logo, centered over the words ″Community Bank,″ words which are substantially smaller than the dominant C-N-B letters. See Pl. Ex. 31. In addition to using the same mark, the parties are also engaged in the exact same business--providing community banking and financial services--in overlapping markets, and competing for the same customers therein. ***HN11*** ″The closer the relationship between the products, and the more similar their sales contexts, the greater the likelihood of confusion,″ as the preliminary evidence suggests in this case. *Fisons, 30 F.3d at 473*.

The fact that the parties' marks are different colors and CNB (IO)'s logo contains a leaf-overlay does not diminish the similarity of the competing marks and the potential for confusion. ***HN12*** The test for confusion is whether the ″overall impression created by marks is essentially the same.″ *Opticians, 920 F.2d at 195* (quotation omitted). ″Courts must 'compare the appearance, sound and meaning of the **[*25]** marks,' (citation omitted), to determine whether the 'average consumer, on encountering one mark in isolated circumstances of [the] marketplace and having only [a] general recollection of the other, would likely confuse or associate the two [marks].'″ *Checkpoint Sys., 269 F.3d at 281* (quoting *Fisons, 30 F.3d at 477-78*). The dominant and visual focus of the ″CNB″ mark in the parties' names and logo undermines the suggestion that the design differences minimizes the potential for confusion.

Similarly, the descriptive terms adopted by each party does not lessen the potential for confusion in

this case. First, as CNB notes, its logo is simply the ″CNB″ mark standing alone. Second, the record establishes that CNB is known to its customers and others throughout its geographic market as ″CNB″ and ″CNB bank,″ as well as ″CNB County National Bank,″ and that it engages in print and radio advertising, as it has for years, using only the ″CNB″ mark at times to identify itself and to promote its products and services. See supra Findings of Fact PP27, 29. Likewise, CNB (IO) has been identified in its market area by the ″CNB″ mark alone, notwithstanding **[*26]** its short commercial life. As the articles posted on CNB (IO)'s website evidence, soon after CNB (IO) publicly announced its name and organizational plans, the media began referring to it as ″CNB″ and ″CNB Bank.″ Id. P45. Third-parties doing business with CNB (IO) have also listed it as ″CNB″ or ″CNB Bank″ on invoices. Id. P46. Given that both parties are identified by the same name in overlapping market areas, offering the same services, this factor weighs heavily in CNB's favor and supports the conclusion that CNB will likely prevail on the merits of its trademark claim.

″***HN13*** Where the trademark owner and the alleged infringer deal in competing goods or services, the court need rarely look beyond the mark itself.″ *Fisons, 30 F.3d at 472*. However, CNB does not claim nationwide rights to the ″CNB″ mark in this action, and limits its claim to protection of its mark in its geographic market area. As such, CNB bears the burden of proving that its mark is strong in its particular market area, and that CNB (IO)'s use of its mark extends into its market. Accordingly, the second and eighth *Lapp* factors are relevant to this action and will be addressed in turn. [4] **[*27]**

2. Strength of the Owner's Mark (Factor 2)

HN14 Under the second *Lapp* factor, ″the strength of a mark is determined by (1) the distinctiveness or conceptual strength of the mark and (2) its commercial strength or marketplace recognition.″ *Checkpoint Sys., 269 F.3d at 281* (citing *Fisons, 30 F.3d at 478-79*). CNB (IO) asserts that this factor does not **[*28]** weigh in CNB's favor on grounds that CNB is bound by its statements to the USPTO in its trademark application wherein CNB argued that the ″CNB″ mark was ″relatively weak and readily distinguishable by purchasers, potential purchasers and the relevant public.″ Def. Resp. at 8 (quoting O'Malley Decl., Exs. 11-13). CNB (IO) urges that CNB should be estopped from ″contradicting its representation to the USPTO″ and precluded from arguing before this Court that its mark is strong in its geographic market area of north central Pennsylvania. Id. at 18-19.

CNB (IO)'s argument is without merit. CNB (IO) seeks to apply by analogy the doctrine of ″prosecution history estoppel,″ also known as ″file wrapper estoppel,″ that governs patent cases. See generally *Warner-Jenkinson Co. v. Hilton Davis Chem. Co., 520 U.S. 17, 30, 137 L. Ed. 2d 146, 117 S. Ct. 1040 (1997)*. CNB (IO) cites no caselaw in support of this proposition, relying only on a district court case wherein the court suggested in dicta ″that a trademark equivalent of the 'file wrapper estoppel' doctrine from patent law might, for equitable reasons, prevent a party from asserting inconsistent positions regarding a mark's distinctiveness before the USPTO **[*29]** and then later before a court of law.″ *Second Chance Body Armor, Inc. v. Am. Body Armor & Equip., Inc., 1999 U.S. Dist. LEXIS 17201 at *29 (N.D. Il. Oct. 5, 1999)*. As CNB notes, ***HN15*** unlike patents, trademarks are dynamic: a mark once strong can become weak or a weak mark can

[4] The parties spar over whether consumers in Clarion and Jefferson Counties are rural consumers and whether these consumers are working class and/or professional consumers. Further, the parties are split in their positions as to the level of sophistication of these groups in financial matters, particularly in selecting a community bank for their banking needs. Given both parties use the same mark to provide the same services in an overlapping market area, the level of sophistication of the average consumer in this geographic region is largely irrelevant since confusion would likely arise even among more sophisticated consumers.

later take on secondary meaning. *Kampgrounds of Am., 415 F. Supp. at 1293* (″even if the marks initially were weak ones, they have now taken on the kind of distinctiveness which would warrant their protection under the Lanham Act″ after years of use and advertising). No basis exists, therefore, to apply the patent doctrine of ″prosecution history estoppel″ in this trademark case. [5]

a) *Mark Strength in the Relevant* **[*30]** *Market Area*

HN16 A ″mark must either be suggestive, arbitrary, or fanciful, or must be descriptive with a demonstration of secondary meaning″ to be entitled to protection under the Lanham Act. *A&H Sportswear, 237 F.3d at 221-22*. CNB relies on the 40-plus years it has been doing business in the north central Pennsylvania region using the ″CNB″ mark as well as its twenty branch offices and two loan offices, deposits in excess of $ 580 million, loans exceeding $ 466 million, and assets of $ 712 million to support its claim that its mark is distinctive and has secondary meaning in its market. (Tr. 3 at 7). CNB's claim is further bolstered by the fact that it ranks second in size in the area that it primarily serves. Id. In response, CNB (IO) points to evidence of third-party use of the ″CNB″ mark in states such as Louisiana and Washington, and by a bank in Erie County in northwest Pennsylvania as evidence of the mark's weakness.

CNB (IO)'s position ignores the fact that ***HN17*** while ″[a] mark might be weak in the national market, [it] might still be strong in the senior user's geographical and product area and thus deserving of protection.″ *Ameritech, Inc. v. Am. Info. Technologies Corp., 811 F.2d 960, 967 (6th Cir. 1987).* **[*31]** This principle was applied in *Midwest Guar. Bank v. Guar. Bank, 270 F. Supp. 2d 900 (E.D. Mich. 2003)*, where the court rejected the defendant's argument that uses of the GUARANTY mark in other parts of the country, states such as Texas, Louisiana, and California, was evidence of actual third-party use which weakened the GUARANTY mark in southeast Michigan. *Id. at 914*. Relying on Ameritech, the court ruled that the second *Lapp* factor weighed in the plaintiff's favor given evidence of (1) the plaintiff's expenditure of ″a considerable amount of money (nearly $ 200,000 per year), in a very concentrated area″ of two counties to promote and advertise its products and services, (2) the plaintiff's exclusive use of the GUARANTY mark for financial services for over a decade in southeast Michigan, and (3) ″substantial evidence of actual confusion.″ *Midwest Guar. Bank, 270 F. Supp. 2d at 911-12* (citations omitted). With respect to the plaintiff's exclusive use of the GUARANTY mark for over a decade, the court found ″such continuous, exclusive use of a mark, in conjunction with a concentrated and significant advertising campaign, supports **[*32]** a conclusion that Midwest Guaranty's mark is strong in the local market.″ *Id. at 912* (emphasis added).

This circuit has long recognized, along with other circuits, that ***HN18*** where the owner's use of a mark in commerce is limited to a particular geographic area, the determination of whether the mark is entitled to trademark protection may turn on the mark's strength and acquired secondary meaning in the relevant geographic area, as opposed to the national market generally. See *Natural Footwear, Ltd. v. Hart, Schaffner & Marx, 760 F.2d 1383, 1398-99 & n.34 (3d Cir. 1985)* (noting trademark protection may be limited to a ″relevant geographic market… comprised only [of] a relatively small portion of a state (*e.g.* the Pittsburgh area) or of several states (*e.g.* the Delaware Valley area)″); *First Fed. Sav. & Loan Ass'n v. First Fed. Sav. & Loan Ass'n, 929 F.2d 382, 385 (8th Cir. 1991)* (holding ″ordinarily descriptive term 'First Federal' acquired a special

[5] This argument is further without merit since CNB (IO) cannot claim to have relied on CNB's statements to the USPTO prior to selecting its name. CNB (IO) concedes that it conducted no search of the USPTO registry to determine whether another party had rights to the ″CNB″ mark. Def. Resp. at 2.

meaning in Pottawattamie County″). Further, the evidence does not demonstrate that the existence of CNB Community Bank of Northwest Pennsylvania in Erie County, a county located **[*33]** outside of market area where CNB's mark is known and well-established and where CNB advertises, has served to weakened CNB's mark. The defendant has not demonstrated, nor does the evidence presented on the preliminary injunction motion suggest, that the existence of third-party uses of CNB's mark has effectively diluted it. Thus, the Court agrees that CNB is entitled to protection of its mark in CNB's market area of north central Pennsylvania. [6]

b) Secondary Meaning

HN19 In the Third Circuit:

> Secondary meaning exists when the mark ″is interpreted by the consuming **[*34]** public to be not only an identification of the product or services, but also a representation of the origin of those products or services.″ In general, [secondary meaning] is established through extensive advertising which creates in the minds of consumers an association between the mark and the provider of the services advertised under the mark. [7]

Commerce Nat'l, 214 F.3d at 438 (quoting *Scott Paper Co. v. Scott's Liquid Gold, Inc., 589 F.2d 1225, 1228 (3d Cir. 1978))*. The record supports CNB's contention that its mark has acquired secondary meaning in the counties where its branch offices are located and where it conducts business. Hearing testimony established that CNB is well-known in its market and that the ″CNB″ mark is and has been associated exclusively with CNB and no other entity in connection with banking services in north central Pennsylvania for over 40 years. (Tr. 1 at 100). Further, CNB has invested over $ 500,000 in advertising over the last two years alone (Tr. 3 at 8), advertising which reaches counties beyond those where it has branch offices, and it expends considerable resources on research to monitor, maintain and strengthen **[*35]** its reputation. These efforts include conducting customer satisfaction surveys, account surveys on deposits and loans, closed-account surveys, and focus groups with customers, among other efforts, to enhance its reputation. (Tr. 1 at 78). CNB's new account surveys have indicated that a majority of CNB customers chose the bank by word-of-mouth referrals from relatives and by reputation. (Tr. 1 at 101).

CNB's evidence of actual confusion further supports its claim as to secondary meaning. *Commerce Int'l, 214 F.3d at 438* **[*36]** (citing actual confusion as a factor to test claims of secondary meaning). In the pilot survey conducted by Bruno and Ridgway Research Associates (″Bruno Report″), forty-one respondents were questioned and 13 exhibited actual confusion in identifying a CNB sign with the correct bank. (Tr. 1. at 156). Other evidence of actual confusion came to CNB's attention prior to and after CNB (IO)'s grand opening. (See Pl. Exs. 33, 36-46).

HN21 Evidence of actual confusion is not required to prevail on a trademark infringement claim, *Opticians, 920 F.2d at 195*, however, such evidence is, of course, highly probative. This evidence, along with the other evidence cited herein, supports CNB's claim as to the strength of

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[6] Contrary to CNB (IO)'s assertion, the fact that CNB's right to exclusive use of the ″CNB″ mark is limited to its primary market area, located wholly in Pennsylvania, does not undermine subject matter jurisdiction in this case. The determination of whether or not a mark is used in interstate commerce is an inquiry separate from that governing the geographic parameters of a mark owner's enforcement rights, and the tests should not be confused.

[7] ***HN20*** The factors that may be considered in determining whether a mark has secondary meaning include: ″(1) the extent of sales and advertising leading to buyer association; (2) length of use; (3) exclusivity of use; (4) the fact of copying; (5) customer surveys; (6) customer testimony; (7) the use of the mark in trade journals; (8) the size of the company; (9) the number of sales; (10) the number of customers; and (11) actual confusion.″ Commerce Nat'l, 214 F.3d at 438 (citation omitted).

its mark in its market area, particularly in light of its continuous use of the ″CNB″ mark for over 40 years, weighing the second *Lapp* factor in CNB's favor.

3. Market Overlap (Factor 8)

The eighth *Lapp* factor evaluates the extent to which the parties' sales efforts target the same consumers. This circuit has ″recognized that ***HN22*** when parties target their sales efforts to the same consumers, there is a stronger likelihood of confusion.″ *Checkpoint Sys., 269 F.3d at 290* **[*37]** (citation omitted). It is undisputed that banks in the central Pennsylvania region draw customers from neighboring communities where they may not have a branch office. CNB (IO) is case in point. While CNB (IO)'s two branch offices are located in Clarion County, it advertises its banking services to individuals who work and live in the Clarion County area, which includes Jefferson County residents who commute to Clarion County. (Tr. 2 at 112-13). CNB (IO) also has approximately 70 depositors who live in Jefferson County. (Tr. 2 at 103). Jefferson County neighbors both Clarion and Clearfield counties and is home to one of CNB's branch offices. In addition, CNB (IO) has placed ads on a radio station based in the same city where CNB's Jefferson County branch office is located, in Punxsutawney, Pennsylvania, and with two other radio stations located in Jefferson and Clearfield counties. (Tr. 2 at 107-08). It is clear from CNB (IO)'s advertising practices and its Jefferson County accounts that Jefferson County is a part of its market, intended or not. Further, the record supports CNB's contention that there is a strong likelihood that the parties' respective consumers will encounter the **[*38]** other's advertising, resulting in potential confusion from the use of the same trademark for the same services in overlapping markets. Accordingly, this factor too weighs in CNB's favor and supports the issuance of an injunction in this case. [8]

D. Irreparable Harm

HN23 In addition to showing a likelihood of success on the merits, a plaintiff must also prove irreparable harm to carry its burden on a motion for a preliminary injunction. ″Grounds for irreparable injury include loss of control **[*39]** of reputation, loss of trade, and loss of good will. Lack of control over one's mark creates the potential for damage to . . . reputation, which constitutes irreparable injury for the purpose of granting a preliminary injunction in a trademark case. Thus, trademark infringement amounts to irreparable injury as a matter of law.″ *Kos, 369 F.3d at 726* (citations and internal punctuation omitted). ***HN24*** As CNB has put forth evidence demonstrating its likely success on the merits of its trademark infringement claim, it has established as a matter of law irreparable harm. Id. CNB (IO)'s claim of good faith is not a defense. ***HN25*** The ″Lanham Act … abolished the good faith defense by allowing federal registration of a trademark to serve as constructive notice of the registrant's claim of ownership. Consequently, courts agree that subsequent users of a registered mark cannot defend on the basis of lack of knowledge or good faith.″ *Members First Fed. Credit Union v. Members 1st Fed. Credit Union, 54 F. Supp.2d 393, 409 (M.D. Pa. 1999)*. Further, while no evidence has been produced to suggest that CNB (IO) acted in bad faith in selecting its name, it is noteworthy **[*40]** that CNB (IO) failed to engage in any due diligence and did not conduct a search of the USPTO registry to determine whether or not the ″CNB″ mark was registered and in use in the region of Pennsylvania where it sought to conduct business. CNB (IO)

[8] CNB also argues that it is entitled to a preliminary injunction under its unfair competition and common law claims since its trademark rights also extend to its ″natural zone of expansion,″ which includes Clarion County where CNB (IO)'s branches are located. Pl. Prop. COL P112; see also Laurel, 45 F. Supp. 2d at 482 (discussing the ″natural zone of expansion″ theory of market penetration). This would only be an added basis to support the injunction enjoining CNB (IO)'s use the ″CNB″ mark in this case.

also took no action after receiving a cease-and-desist letter from CNB in November of 2003, prior to its grand opening. Given CNB (IO) had constructive notice of CNB's federal rights to the ″CNB″ mark, it cannot now ″claim to be harmed [since] it brought any and all difficulties occasioned by the issuance of an injunction upon itself.″ *Opticians, 920 F.2d at 197*.

Finally, the public interest will also be served by an injunction in this matter. ″***HN26*** Where a likelihood of confusion arises out of the concurrent use of a trademark, the infringer's use damages the public interest.″ *S & R Corp. v. Jiffy Lube Int'l, Inc., 968 F.2d 371, 379* (citing *Opticians, 920 F.2d at 197-98*).

IV. CONCLUSION

In accordance with the foregoing, CNB's motion for a preliminary injunction enjoining CNB (IO)'s use of the ″CNB″ mark pursuant to the Lanham Act is GRANTED. An appropriate order follows establishing **[*41]** the terms of the injunction and the requisite bond. See Fed. R. Civ. P. 65(c).

ORDER

AND NOW, this 29th day of September, 2004, upon consideration of Plaintiff's Motion for a Preliminary Injunction (Doc. 6), Defendant's Response (Doc. 18), all other filings made in conjunction with this Motion, and the preliminary injunction hearing held in this matter pursuant to Fed. R. Civ. P. 65, **IT IS HEREBY ORDERED AND DECREED** that Plaintiff's Motion for Preliminary Injunction is **GRANTED.**

IT IS FURTHER ORDERED that:

1. Defendant, its officers, directors, principals, agents, servants, affiliates, employees, attorneys, representatives, successors and assigns, and all those in privity or acting in concert or participation with Defendant, and each and all of them are hereby enjoined and restrained, pending the final hearing and determination of this action, from using ″CNB″ or any phonetic equivalents, as a mark or name or as a component of a mark, name or domain name on and in connection with any banking and financial services not originating from or authorized by Plaintiff.

2. Defendant shall modify all advertising which has been placed but **[*42]** not yet distributed to eliminate all use of ″CNB″ in connection with banking services and shall recall from all distributors, agents and intermediaries all promotional material bearing ″CNB″ that has not yet been distributed to the ultimate customers.

3. This Order is conditioned upon the posting of bond by Plaintiff in the amount of $ 50,000 for the payment of such costs and damages as Defendant may incur if it is determined that it was wrongfully enjoined.

BY THE COURT:

Hon. Petrese B. Tucker, U.S.D.J.

592 N.W.2d 321
Supreme Court of Iowa.

COMMERCIAL SAVINGS BANK, Appellant,
v.
HAWKEYE FEDERAL SAVINGS BANK,
Defendant,
and
Commercial Federal Bank, Appellee.

No. 97–771. | March 24, 1999. | Rehearing Denied April 16, 1999.

Bank operating as "Commercial Savings Bank" brought action against competitor, which operated under name "Commercial Federal Bank," alleging common-law trademark infringement of name "Commercial" and its variants, and seeking injunctive and declaratory relief. The District Court, Carroll County, Timothy J. Finn, J., denied bank's requests, and bank appealed. The Supreme Court, McGiverin, C.J., held that: (1) bank had common-law trademark in name "Commercial," but (2) similarity between business names used by bank and its competitor was not likely to cause confusion.

Affirmed.

West Headnotes (32)

[1] **Appeal and Error**
Equitable proceedings

30Appeal and Error
30XVIReview
30XVI(F)Trial De Novo
30k892Trial De Novo
30k893Cases Triable in Appellate Court
30k893(2)Equitable proceedings

Supreme Court's standard of review in equity cases is de novo. Rules App.Proc., Rule 4.

1 Cases that cite this headnote

[2] **Appeal and Error**
Equitable proceedings
Appeal and Error
Effect of findings below

30Appeal and Error
30XVIReview
30XVI(F)Trial De Novo
30k892Trial De Novo
30k893Cases Triable in Appellate Court
30k893(2)Equitable proceedings
30Appeal and Error
30XVIReview
30XVI(F)Trial De Novo
30k892Trial De Novo
30k895Scope of Inquiry
30k895(2)Effect of findings below

In conducting de novo review of equity cases, Supreme Court examines the entire record and adjudicate anew rights on issues properly before it, giving weight to the trial court's factual findings, especially when considering the credibility of witnesses, although it is not bound by them. Rules App.Proc., Rule 14(f)(7).

2 Cases that cite this headnote

[3] **Trademarks**
Infringement
Trademarks
Infringement

382TTrademarks
382TVIIIViolations of Rights
382TVIII(A)In General
382Tk1418Practices or Conduct Prohibited in General; Elements
382Tk1421Infringement
(Formerly 382k331 Trade Regulation)
382TTrademarks
382TIXActions and Proceedings
382TIX(F)Injunctions
382Tk1712Permanent Injunctions
382Tk1714Grounds and Subjects of Relief
382Tk1714(2)Infringement
(Formerly 382k620 Trade Regulation)

To succeed on a common-law trademark infringement claim and to obtain injunctive relief, a plaintiff must prove: (1) that it has a valid trademark or a protectable proprietary right in the name it seeks to exclude others from

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using, and (2) that there has been infringement of that right.

2 Cases that cite this headnote

[4] **Trademarks**
Nature of trademarks in general; definitions
Trademarks
Services and service marks in general

382TTrademarks
382TIIMarks Protected
382Tk1021Nature of trademarks in general; definitions
(Formerly 382k1 Trade Regulation)
382TTrademarks
382TIIMarks Protected
382Tk1022Subject Matter Underlying Trademarks
382Tk1024Services and service marks in general
(Formerly 382k1 Trade Regulation)

"Trademarks" are signs or symbols used to identify goods, referred to as trademarks, or services, referred to as service marks. Restatement (Third) of Unfair Competition, § 9.

Cases that cite this headnote

[5] **Trademarks**
State Registration

382TTrademarks
382TVIIRegistration
382TVII(A)In General
382Tk1256State Registration
382Tk1257In general
(Formerly 382k151 Trade Regulation)

Registration of trademarks is not a prerequisite to protection from infringement.

Cases that cite this headnote

[6] **Trademarks**
Infringement

382TTrademarks
382TVIIIViolations of Rights
382TVIII(A)In General
382Tk1418Practices or Conduct Prohibited in General; Elements
382Tk1421Infringement
(Formerly 382k332 Trade Regulation)

Trademark infringement is a form of unfair competition because the similarity in the marks could lead a prospective buyer to believe that defendant's goods are those of the plaintiff.

2 Cases that cite this headnote

[7] **Trademarks**
Capacity to Distinguish or Signify; Distinctiveness

382TTrademarks
382TIIMarks Protected
382Tk1029Capacity to Distinguish or Signify; Distinctiveness
382Tk1030In general
(Formerly 382k331 Trade Regulation)

To meet the requirement in a common-law trademark infringement claim of establishing the existence of a valid common-law trademark, the plaintiff must prove that there has been use of a name or designation that is sufficiently distinctive such that consumers identify the mark with the goods or services provided by the claimant.

2 Cases that cite this headnote

[8] **Trademarks**
Levels or categories of distinctiveness in general; strength of marks in general

382TTrademarks
382TIIMarks Protected
382Tk1033Levels or categories of distinctiveness in general; strength of marks in general
(Formerly 382k25, 382k24, 382k23, 382k13 Trade Regulation)

Courts determine whether an alleged trademark is sufficiently distinctive by classifying it into one of four categories: (1) generic; (2) descriptive; (3) suggestive; or (4) arbitrary or fanciful.

1 Cases that cite this headnote

[9] **Trademarks**
Generic terms or marks

382TTrademarks
382TIIMarks Protected
382Tk1034Generic terms or marks
(Formerly 382k23 Trade Regulation)

Generic trademark designation describes the general category, type, or class of goods, services or business and is not entitled to protection.

1 Cases that cite this headnote

[10] **Trademarks**
Suggestive terms or marks

382TTrademarks
382TIIMarks Protected
382Tk1038Suggestive terms or marks
(Formerly 382k25 Trade Regulation)

"Suggestive trademark designation" is one that is suggestive of the nature or characteristics of the product or business without being clearly descriptive. Restatement (Third) of Unfair Competition § 13 cmt. c.

Cases that cite this headnote

[11] **Trademarks**
Suggestive terms or marks

382TTrademarks
382TIIMarks Protected
382Tk1038Suggestive terms or marks
(Formerly 382k25 Trade Regulation)

Suggestive trademarks or names need not acquire secondary meaning to be protected.

Cases that cite this headnote

[12] **Trademarks**
Arbitrary or fanciful terms or marks

382TTrademarks
382TIIMarks Protected
382Tk1039Arbitrary or fanciful terms or marks
(Formerly 382k24 Trade Regulation)

For purposes of classifying alleged trademark, "fanciful designation" is a term having no meaning other than identifying the source. Restatement (Third) of Unfair Competition § 13 cmt. c.

Cases that cite this headnote

[13] **Trademarks**
Arbitrary or fanciful terms or marks

382TTrademarks
382TIIMarks Protected
382Tk1039Arbitrary or fanciful terms or marks
(Formerly 382k24 Trade Regulation)

Arbitrary or fanciful trademarks are considered inherently distinctive and are accorded protection without having to prove secondary meaning.

Cases that cite this headnote

[14] **Trademarks**
Descriptive Terms or Marks

382TTrademarks
382TIIMarks Protected
382Tk1035Descriptive Terms or Marks
382Tk1036In general

(Formerly 382k13 Trade Regulation)

"Descriptive designation," for purposes of classifying alleged trademark, is one that is merely descriptive of the nature, qualities, or other characteristics of the goods, services, or business with which it is used; thus, words describing the purpose or function of a product, the effect of its use, or the class of intended purchasers is considered to be descriptive in nature. Restatement (Third) of Unfair Competition § 14.

Cases that cite this headnote

[15] **Trademarks**
Acquired distinctiveness; secondary meaning

382TTrademarks
382TIIMarks Protected
382Tk1035Descriptive Terms or Marks
382Tk1037Acquired distinctiveness; secondary meaning
(Formerly 382k13 Trade Regulation)

Descriptive terms are not inherently distinctive and are only protectable as a trademark where secondary meaning is shown. Restatement (Third) of Unfair Competition § 13 cmt. a.

1 Cases that cite this headnote

[16] **Trademarks**
Marks protected; secondary meaning

382TTrademarks
382TIXActions and Proceedings
382TIX(C)Evidence
382Tk1601Presumptions and Burden of Proof
382Tk1608Marks protected; secondary meaning
(Formerly 382k573.1 Trade Regulation)

Person claiming rights in a trademark or name bears the burden of proving that the designation is inherently distinctive or that it has become distinctive by acquiring secondary meaning. Restatement (Third) of Unfair Competition § 13 cmt. a.

2 Cases that cite this headnote

[17] **Trademarks**
Acquired distinctiveness and secondary meaning in general

382TTrademarks
382TIIMarks Protected
382Tk1029Capacity to Distinguish or Signify; Distinctiveness
382Tk1032Acquired distinctiveness and secondary meaning in general
(Formerly 382k478 Trade Regulation)

Acquired distinctiveness, or secondary meaning, for purposes of establishing trademark, exists when the relevant consuming public has come to recognize the designation as one that identifies the business. Restatement (Third) of Unfair Competition § 13(b).

Cases that cite this headnote

[18] **Trademarks**
Acquired distinctiveness and secondary meaning in general

382TTrademarks
382TIIMarks Protected
382Tk1029Capacity to Distinguish or Signify; Distinctiveness
382Tk1032Acquired distinctiveness and secondary meaning in general
(Formerly 382k478 Trade Regulation)

"Secondary meaning," for purposes of establishing existence on a trademark, is the connection in the consumer's mind between the mark and the provider of the service.

Cases that cite this headnote

[19] **Trademarks**
Secondary Meaning

382TTrademarks
382TIXActions and Proceedings
382TIX(C)Evidence
382Tk1620Weight and Sufficiency
382Tk1628Secondary Meaning
382Tk1628(1)In general
(Formerly 382k478 Trade Regulation)

Secondary meaning of an alleged trademark can be established through direct evidence, such as consumer surveys and customer testimony, or through circumstantial evidence, such as evidence of exclusivity of use, length and manner of the designation's use, amount and manner of advertising, amount of sales, market share, and number of customers. Restatement (Third) of Unfair Competition § 13 cmt. e.

Cases that cite this headnote

[20] **Trademarks**
Particular cases

382TTrademarks
382TIVCreation and Priority of Rights
382Tk1132Use of Mark
382Tk1137Scope and Priority of Use; Multiple Users, Markets, or Territories
382Tk1137(2)Particular cases
(Formerly 382k358 Trade Regulation)

Bank that operated under the name "Commercial Savings Bank" in eight-county area for almost 80 years and did so exclusively under that mark for first 74 years had protectable common-law property right in the mark "Commercial."

Cases that cite this headnote

[21] **Trademarks**
Infringement

382TTrademarks
382TVIIIViolations of Rights
382TVIII(A)In General
382Tk1418Practices or Conduct Prohibited in General; Elements
382Tk1421Infringement
(Formerly 382k574 Trade Regulation)

Once a plaintiff has proved that it has a valid common-law trademark by showing that the name or designation it seeks to protect is distinctive, either inherently so or through secondary meaning, it then must prove that defendant's use of a similar designation will cause a likelihood of confusion among consumers. Restatement (Third) Unfair Competition § 20 cmt. d.

7 Cases that cite this headnote

[22] **Trademarks**
Strength or fame of marks; degree of distinctiveness
Trademarks
Particular marks, relationship between
Trademarks
Particular goods and services, relationship between

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1090Nature of Marks
382Tk1092Strength or fame of marks; degree of distinctiveness
(Formerly 382k358 Trade Regulation)
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1093Relationship Between Marks
382Tk1096Particular marks, relationship between
(Formerly 382Tk1096(2), 382k358 Trade Regulation)
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1100Relationship Between Goods or Services Underlying Marks
382Tk1103Particular goods and services, relationship between
(Formerly 382k358 Trade Regulation)

Similarity between business names used by bank operating as "Commercial Savings Bank" and its competitor, which operated under name "Commercial Federal Bank" was not likely to cause confusion such that bank's customers would be so confused that they would inadvertently do their banking business with competitor, despite strength of bank's trademark "Commercial Savings," and the similarity of

names, their goods, and services, given bank's solid reputation.

Cases that cite this headnote

[23] **Trademarks**
Similarity; likelihood of confusion

382TTrademarks
382TIXActions and Proceedings
382TIX(C)Evidence
382Tk1601Presumptions and Burden of Proof
382Tk1609Similarity; likelihood of confusion
(Formerly 382k574 Trade Regulation)

Bank bore the burden of proving that competitor's use of the trademark "Commercial" created a likelihood of confusion, deception, or mistake among an appreciable number of ordinary consumers as to the source of or association between the banks' services.

Cases that cite this headnote

[24] **Trademarks**
Factors considered in general

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1081Factors considered in general
(Formerly 382k345.1, 382k340.1, 382k334.1, 382k333 Trade Regulation)

Non-dispositive factors to be considered in determining whether there is a likelihood of confusion between two marks include: (1) strength of the trademark; (2) similarity between the trademark and the defendant's mark; (3) competitive proximity of the products on which the respective marks are placed; (4) intent of the alleged infringer to pass off its goods as those of the trademark holder; (5) incidents of actual confusion; and (6) degree of care likely to be exercised by potential customers of the trademark holder. Restatement (Third) of Unfair Competition § 21.

1 Cases that cite this headnote

[25] **Trademarks**
Nature and Circumstances of Use of Marks

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1107Nature and Circumstances of Use of Marks
382Tk1108In general
(Formerly 382k334.1 Trade Regulation)

Whether the use of a particular trademark designation causes a likelihood of confusion must be evaluated in light of the overall market context in which the designation is used. Restatement (Third) of Unfair Competition § 21 cmt. a.

Cases that cite this headnote

[26] **Trademarks**
Nature of Confusion

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1083Nature of Confusion
382Tk1084In general
(Formerly 382k334.1 Trade Regulation)

Alleged trademark confusion must threaten the commercial interests of the owner of the mark. Restatement (Third) of Unfair Competition § 20 cmt. b.

Cases that cite this headnote

[27] **Trademarks**
Strength or fame of marks; degree of distinctiveness

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of

Confusion
382Tk1090Nature of Marks
382Tk1092Strength or fame of marks; degree of distinctiveness
(Formerly 382k10 Trade Regulation)

Strength of a trademark measures the degree of distinctiveness for the purpose of determining the likelihood of confusion resulting from another's use of a similar mark. Restatement (Third) of Unfair Competition § 21 cmt. i.

Cases that cite this headnote

[28] **Trademarks**
Strength or fame of marks; degree of distinctiveness

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1090Nature of Marks
382Tk1092Strength or fame of marks; degree of distinctiveness
(Formerly 382k331 Trade Regulation)

More distinctive a trademark is, the stronger it is, and the greater the likelihood of confusion and scope of protection.

Cases that cite this headnote

[29] **Trademarks**
Levels or categories of distinctiveness in general; strength of marks in general

382TTrademarks
382TIIMarks Protected
382Tk1033Levels or categories of distinctiveness in general; strength of marks in general
(Formerly 382k13 Trade Regulation)

Unlike trademarks that are considered suggestive or arbitrary/fanciful, a descriptive mark is not inherently distinctive and thus is not considered to a strong mark. Restatement (Third) of Unfair Competition § 13 cmt. e.

Cases that cite this headnote

[30] **Trademarks**
Actual confusion

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1083Nature of Confusion
382Tk1086Actual confusion
(Formerly 382k334.1 Trade Regulation)

When determining whether there exists a likelihood of trademark confusion, weight is given to the number and extent of instances of actual confusion and test is whether any consumers have actually been confused by the products or services bearing the allegedly confusing marks.

Cases that cite this headnote

[31] **Trademarks**
Similarity or dissimilarity in general
Trademarks
Persons confused; circumstances of sale

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1093Relationship Between Marks
382Tk1095Similarity or dissimilarity in general
(Formerly 382k340.1 Trade Regulation)
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1112Persons confused; circumstances of sale
(Formerly 382k340.1 Trade Regulation)

If the goods or services are normally purchased only after considerable attention and inspection, greater similarity between the allegedly confusing trademark designations may be permitted than when the goods or services are purchased casually or impulsively. Restatement (Third) of Unfair Competition § 21 cmt. h.

Cases that cite this headnote

[32] Trademarks
Alphabetical listing

382TTrademarks
382TXITrademarks and Trade Names Adjudicated
382Tk1800Alphabetical listing
(Formerly 382k736 Trade Regulation)

Commercial

Cases that cite this headnote

Attorneys and Law Firms

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Considered by McGIVERIN, C.J., and HARRIS, CARTER, NEUMAN and CADY, JJ.

Opinion

McGIVERIN, Chief Justice.

Plaintiff, Commercial Savings Bank, appeals from a district court ruling denying its request for injunctive and declaratory relief concerning its common-law trademark infringement claim. In the district court, ***324** Commercial Savings Bank asserted that it had a trademark in the name COMMERCIAL and its variants, and thus had the right to enjoin defendant Commercial Federal Bank from using the name COMMERCIAL in its business name in plaintiff's eight-county trade area.

The district court denied Commercial Savings' request for injunctive relief. We affirm.

I. Background facts and proceedings.

This is a suit by plaintiff, Commercial Savings Bank (Commercial Savings), an Iowa bank with its main office in Carroll, Iowa, against another Carroll, Iowa, bank, Commercial Federal Bank. The obvious similarity in the names of the banks is the basis for the litigation.

A. Commercial Savings' mark.
Commercial Savings, with its main office in Carroll, Iowa, also has branch offices in Lanesboro and Dedham, all located in Carroll County. Since its beginning in 1917, Commercial Savings has operated as a bank under its chartered name "Commercial Savings Bank."

Commercial Savings is engaged in the banking business and sells banking products and services to its customers in the Iowa counties of Carroll, Crawford, Greene, Sac, Calhoun, Audubon, Shelby, and Guthrie. These products and services are marketed under the trade name and service mark COMMERCIAL SAVINGS BANK and also under service marks COMMERCIAL SAVINGS, COMMERCIAL BANK and COMMERCIAL (hereinafter collectively referred to as COMMERCIAL). Commercial Savings has never owned a trademark registered with a government body for any of those business names.[1]

Commercial Savings' use of the foregoing COMMERCIAL marks in the eight-county area served by Commercial Savings was exclusive until 1991. At that time, Commercial Federal Mortgage Corporation, a subsidiary of defendant Commercial Federal Bank, began providing home mortgage loans throughout the state of Iowa, including in the eight-county region where Commercial Savings does business.

B. Commercial Federal's mark.
Defendant Commercial Federal Bank began business in 1887 in Omaha, Nebraska. Since that time, Commercial Federal has been providing banking services in Omaha and surrounding communities, including cities in western Iowa.

In 1972, Commercial Federal changed its name from Commercial Savings & Loan Association to Commercial Federal Savings & Loan and received a federal charter to that effect. In 1990, the name was changed again to its current form, Commercial Federal Bank.

In 1987, Commercial Federal obtained a registration from the United States Trademark Office for the mark COMMERCIAL FEDERAL which it began using in

1972. Subsequently, in 1994, Commercial Federal obtained federal registration of the "CF" logo, which has been used at all times since then by Commercial Federal in its advertising, brochures, and signs in conjunction with the name "Commercial Federal Bank" or the mark "Commercial Federal."

In August 1995, Commercial Federal merged with Conservative Savings Bank, including its branch office in Harlan, Iowa, in Shelby County. As a result, Conservative Savings Bank ceased to exist and the Harlan branch name was changed to Commercial Federal Bank. Commercial Federal then began competing with plaintiff Commercial Savings for customers in Carroll County, as ***325** well as in Shelby, Audubon, and Crawford counties.

On October 1, 1996, Commercial Federal merged with defendant Hawkeye Federal Savings Bank, which had its main office in Boone, Iowa, with branch offices in Carroll, Manning, Lake City, Madrid, and Ogden, Iowa. As a result of the merger, Hawkeye Federal Savings Bank ceased to exist and the names of all its branch banks were changed to Commercial Federal Bank. Commercial Federal Bank currently operates banks in Harlan, Carroll, Boone, Lake City, Manning, Madrid, and Ogden, Iowa, in plaintiff's eight-county trade area.

C. The present dispute.

Plaintiff Commercial Savings filed a petition against defendant Hawkeye Federal Savings/Commercial Federal Bank on August 26, 1996, asserting claims for common-law trademark infringement, unfair competition, and injury to business reputation-dilution under Iowa Code section 548.113 (1995), and seeking declaratory relief concerning those claims. At the same time, Commercial Savings sought temporary and permanent injunctions to enjoin Hawkeye Savings Bank/Commercial Federal from using the mark COMMERCIAL, whether alone or in combination with other words or symbols, in connection with its banking products or services.

An evidentiary hearing concerning Commercial Savings' petition for temporary injunction was held on October 31, 1996. Patrick Moehn, president of Commercial Savings, testified concerning the bank's history. Moehn stated that a member of his family had served as bank president since 1923. Moehn also explained that the bank survived the bank crisis during the Great Depression and as a result had developed a solid reputation in the community. Moehn further testified that Commercial Savings is generally referred to by people in Carroll County and surrounding counties as "Commercial Savings," "Commercial Bank," and "Commercial."

Thomas Gronstal, president of the Carroll County State Bank in Carroll, Iowa, former mayor and lifetime resident of Carroll, also testified that residents of Carroll county frequently refer to Commercial Savings as "Commercial Savings" and "Commercial" and have done so as long as he can remember.

Copies of Commercial Savings' past newspaper ads and radio "spots" over the past eleven years were introduced into evidence. Most of these ads refer to plaintiff bank as "Commercial Savings Bank" or "Commercial Bank," rather than just the name "Commercial" alone.

Commercial Savings also presented evidence concerning alleged confusion generated by Commercial Federal's use of the word "Commercial" in its name. On July 11, 1996, Commercial Savings received a letter addressed to "Commercial Federal Savings Bank" from American Family Insurance. On August 6, 1996, Commercial Savings received a letter addressed to "Commercial Federal Savings" from an apartment complex in Carroll. Both letters were intended for plaintiff Commercial Savings and bore Commercial Savings' correct address, but the senders in each case added the name Federal to the address.

Employees of Commercial Savings also reported receiving telephone calls on September 23 and October 9 from unidentified individuals who stated in substance that they had called the wrong bank.

On October 11, Commercial Savings discovered that it had received an automobile title from the Carroll County Treasurer's Office that should have been sent to Commercial Federal.

In another example, on or about October 15, a Commercial Savings customer came into plaintiff's bank and asked an employee to explain the rates that were advertised in a local newspaper. The employee explained that the advertisement was for defendant Commercial Federal, not plaintiff. The customer stated that he only remembered seeing the word COMMERCIAL in the ad.

Commercial Savings reported receiving a telephone call on October 17 from a woman complaining about charges to her account. The caller eventually realized that her account ***326** was at Commercial Federal, not Commercial Savings, and thus had called the wrong bank.

On October 18, Commercial Savings received two letters addressed to Commercial Federal and bearing Commercial Federal's address. This was apparently an

error on the part of the post office concerning misdelivered mail. On October 18 and October 29, Commercial Savings received insurance policies that incorrectly listed Commercial Savings as the loss payee. The proper loss payee was Commercial Federal and thus the policies should have been sent to Commercial Federal.

On or about October 21, the Carroll County State Bank incorrectly routed a check written on a Commercial Federal account to Commercial Savings for payment. Also in October, an automatic payroll deposit from the Pella Corporation in Carroll was incorrectly directed to Commercial Savings instead of to Commercial Federal.

Based upon this evidence, the district court denied plaintiff Commercial Savings' request for a temporary injunction on December 19, 1996. The court determined that although Commercial Savings used the term COMMERCIAL in connection with banking services prior to Commercial Federal's registration of its trademark in 1987, the name COMMERCIAL was rarely used alone. The court thus concluded that Commercial Savings failed to show the existence of a common law trademark.

Additionally, the court found that the name COMMERCIAL was a generic and descriptive term and that plaintiff failed to prove that it had established a secondary meaning with respect to the name COMMERCIAL such that a customer would identify that name with plaintiff as the provider of certain banking services. Finally, the court concluded that any evidence of actual confusion involving the two banks was "minimal at best" and that such confusion appeared to be reasonably manageable.

Following entry of this ruling denying a temporary injunction to plaintiff, the parties agreed that the court's December 19, 1996 ruling should in substance be entered as the final judgment. Additionally, plaintiff dismissed all claims against defendant Hawkeye Federal Savings Bank and all claims against both defendants relating to injury to business reputation-dilution. After entry of final judgment on April 2, 1997, plaintiff appealed.

II. Standard of review.

[1] [2] Our standard of review in equity cases is de novo. Iowa R.App. P. 4. In such cases, we examine the entire record and adjudicate anew rights on issues properly before us. *See Ide v. Farm Bureau Mut. Ins. Co.,* 545 N.W.2d 853, 856 (Iowa 1996). In doing so, we give weight to the trial court's factual findings, especially when considering the credibility of witnesses, although we are not bound by them. Iowa R.App. P. 14(f)(7).

III. Common law trademarks.

Plaintiff Commercial Savings asserts that the district court erred in concluding that the name COMMERCIAL, when used either alone or in combination with other words or symbols in connection with its banking products and services, does not constitute a common-law trademark for plaintiff.

A. Background law concerning trademarks.

[3] To succeed on a common-law trademark infringement claim and to obtain injunctive relief, a plaintiff must prove (1) that it has a *valid trademark* or a protectable proprietary right in the name it seeks to exclude others from using, and (2) that there has been *infringement* of that right. *See Gulf Coast Bank v. Gulf Coast Bank & Trust Co.,* 652 So.2d 1306, 1309 (La.1995).

[4] "Trademarks are signs or symbols *used to identify goods* (referred to as trademarks) or services (referred to as service marks)." *Pundzak, Inc. v. Cook,* 500 N.W.2d 424, 430 (Iowa 1993) (emphasis added); *see also Iowa Auto Market v. Auto Market & Exchange,* 197 Iowa 420, 422, 197 N.W. 321, 322 (1924); Restatement (Third) of Unfair Competition § 9 (1995) [hereinafter Restatement] (defining a trademark as "a word, name, symbol, device, or other designation, ... that is distinctive of a person's goods or ***327** services and that is used in a manner that identifies those goods or services and distinguishes them from the goods or services of others").

[5] We recognized long ago that trademarks are a form of common-law property right. *See Pundzak,* 500 N.W.2d at 430. Registration of trademarks is therefore not a prerequisite to protection from infringement. *See id.; see also* William C. Holmes, *1 Intellectual Property & Antitrust Law* § 3.02, at 3–4 (1998) [hereinafter Holmes] ("Acquiring ownership of a trademark requires no governmental action whatsoever, but is instead accomplished through the physical act of using the mark in trade to identify a product or service as coming from a particular source.").

[6] "Trademarks perform the important economic function of identifying the products of one business and distinguishing them from those of its competitors." Holmes, § 3.01, at 3–3. Trademark infringement is considered a form of unfair competition because the similarity in the marks could lead a prospective buyer to

believe that defendant's goods are those of the plaintiff. *See* Rudolf Callmann, 3A *The Law of Unfair Competition, Trademarks & Monopolies* § 20.02, at 9 (4th ed.1988) [hereinafter Callmann]. Thus, potential customers may be attracted to the reputation and name built up by the first user. *Id.* § 20.12, at 80. The danger is not that the sophisticated buyer will actually purchase from the defendant/second user believing that he has purchased from plaintiff/first user, but rather that the purchaser will be misled into an *initial* interest in defendant based on a mistaken belief as to a potential interrelationship between the two businesses. *Id.* § 20.03, at 12. In such cases, a defendant should not be permitted to benefit or trade upon any misleading suggestion of a relationship with the plaintiff's business or products. *Id.* § 20.04, at 20. Thus, a plaintiff's market share may be diminished where the purchaser stops buying plaintiff's product because it is dissatisfied with defendant's product and believes there to be some connection between plaintiff and defendant. *Id.* § 20.04, at 18. The justification for an injunction is that the plaintiff, as owner of the infringed trademark, is entitled to insist that its reputation shall be of its own making alone and that quality of its products or services lies within its exclusive control. *Id.* § 20.04, at 21. Thus, " '[w]hat is infringed is the right of the public to be free of confusion and the synonymous right of a trademark owner to control [its] product's reputation.' " *Phipps Bros. v. Nelson's Oil & Gas,* 508 N.W.2d 885, 886 (S.D.1993) (quoting *James Burrough Ltd. v. Sign of the Beefeater, Inc.,* 540 F.2d 266, 274 (7th Cir.1976)).

B. Analytical framework: whether a common-law trademark exists.

[7] As noted above, a trademark is a sign or symbol used to identify goods. *See Pundzak,* 500 N.W.2d at 430. Thus, to meet the first requirement in a common-law trademark infringement claim—the existence of a valid common-law trademark—the plaintiff must prove that there has been *use* of a name or designation that is sufficiently *distinctive* such that consumers (i.e., customers and potential customers) identify the mark with the goods or services provided by the claimant. *See First Bank v. First Bank Sys., Inc.,* 84 F.3d 1040, 1044–45 (8th Cir.1996).

Use of a name or designation is not usually difficult to show. The more complicated question concerns whether the name or designation is sufficiently distinctive of the plaintiff's goods or services such that it deserves protection against use or infringement by another.

[8] [9] [10] [11] [12] [13] In terms of analysis, courts determine whether an alleged trademark is sufficiently distinctive by classifying it into one of four categories: (1) generic;[2] (2) descriptive; (3) suggestive;[3] or (4) arbitrary or fanciful.[4] ***328** *See id.* at 1045; *accord Duluth News–Tribune v. Mesabi Publ'g Co.,* 84 F.3d 1093, 1096 (8th Cir.1996).

[14] Here, the parties seem to agree that the name COMMERCIAL is descriptive. A descriptive designation is one that is "merely descriptive of the nature, qualities, or other characteristics of the goods, services, or business with which it is used." Restatement § 14. Thus, words describing the purpose or function of a product, the effect of its use, or the class of intended purchasers is considered to be descriptive in nature. *See* Restatement § 14 cmt. a.

In prior cases, we have stated that words which are generic or which are merely descriptive of the goods or business to which they apply are not inherently distinctive and will not be protected as a trademark or trade name. *See Iowa Auto Market,* 197 Iowa at 422, 197 N.W. at 322–23. We have likewise noted, however, that terms which may be considered "descriptive" in nature "may, by long use in connection with the goods or business of a particular dealer, come to be understood in a *secondary sense* as designating the goods or business of such dealer, and in such cases their deceptive use by another will be restrained as unfair competition." *Id.* at 423, 197 N.W. at 323 (concluding that the words "Auto Market" in business name were too generic to constitute a trademark or trade name so as to justify enjoining defendant from using those words in its business name); Restatement § 13(b). We have explained:

> To have this protection, the party complaining must show that, by continued use, the secondary meaning has become established in the public mind, and that his goods have become known and recognized by the public under the name, device, or symbol, with its secondary meaning. The secondary meaning only comes from use. Before the courts will afford protection in its use, it must be shown, that, as to the party complaining, it has a secondary meaning in the public mind; that it designates and is understood to represent the goods of the party complaining, so that one appropriating it and using it, after such meaning had attached, would be in a position to practice a fraud

> upon the complainant and upon the public.

Motor Accessories Mfg. Co. v. Marshalltown Motor Material Mfg. Co., 167 Iowa 202, 208–09, 149 N.W. 184, 187 (1914).[5]

[15] The Restatement has adopted principles similar to our statements in *Iowa Auto Market and Motor Accessories* concerning a trademark's secondary meaning. *See* Restatement § 13(b). Specifically, the Restatement rule provides that descriptive terms are not inherently distinctive and are only protectable where secondary meaning is shown. *See id.* § 13 cmt. a.

[16] [17] [18] "The person claiming rights in a mark or name bears the burden of proving that the designation is inherently distinctive or that it has become distinctive by acquiring secondary meaning." *Id.* Acquired distinctiveness, or secondary meaning, exists when the relevant consuming public has come to recognize the designation as one that identifies the business. *See id.* § 13(b). Said another way, secondary meaning simply refers to the connection in the consumer's mind between the mark and the provider of the ***329** service. *See Investacorp, Inc. v. Arabian Inv. Banking Corp.,* 931 F.2d 1519, 1525 (11th Cir.1991).

[19] Secondary meaning can be established through direct evidence, such as consumer surveys and customer testimony, or through circumstantial evidence, such as evidence of exclusivity of use, length and manner of the designation's use, amount and manner of advertising, amount of sales, market share, and number of customers. *See Madison Reprographics v. Cook's Reprographics,* 203 Wis.2d 226, 552 N.W.2d 440, 445 (Ct.App.1996); Restatement § 13 cmt. e.

C. Analysis.

[20] Upon our review, we disagree with the district court's finding that plaintiff Commercial Savings has not acquired distinctiveness with respect to the name COMMERCIAL through secondary meaning. Commercial Savings has operated under the name COMMERCIAL SAVINGS BANK since 1917 and did so exclusively under that mark until 1991. No other bank in the eight-county area operated under that name during that time. Plaintiff has used the marks COMMERCIAL, COMMERCIAL BANK, and COMMERCIAL SAVINGS BANK in many forms of advertising and promotional activities, including newspapers, brochures, signs and radios ads.

The evidence also shows that plaintiff's president, Patrick Moehn, a long time resident of Carroll County, testified that Carroll County residents refer to plaintiff as COMMERCIAL, COMMERCIAL SAVINGS, and COMMERCIAL BANK. Thomas Gronstal, president of the Carroll County State Bank and longtime resident of Carroll, also testified that people in the community generally refer to plaintiff as COMMERCIAL or COMMERCIAL SAVINGS. This evidence causes us to find that consumers in the eight-county area have come to associate the name COMMERCIAL with banking goods and services provided by plaintiff. *Cf. First Federal, Council Bluffs v. First Federal Sav. & Loan Assoc. of Lincoln,* 929 F.2d 382, 384 (8th Cir.1991) (plaintiff First Federal Council Bluffs had developed secondary meaning in name FIRST FEDERAL through exclusive use of that name for twenty-five years and community involvement and support).

As a whole, the evidence in the record is sufficient to establish a secondary meaning in the name COMMERCIAL, such that consumers in the eight-county area would associate that designation with banking products and services provided by plaintiff. We therefore conclude that plaintiff met its burden of proving it has a protectable common-law property right in the mark COMMERCIAL.

IV. Has there been infringement of the mark COMMERCIAL?

Having decided that plaintiff has a valid common-law trademark in the mark COMMERCIAL, we next must determine whether the trademark has been infringed by defendant, Commercial Federal Bank.

A. Background law concerning infringement.

In prior decisions, we stated, "confusion of names in business is sufficient ground for the issuance of an injunction." *Atlas Assur. Co. v. Atlas Ins. Co.,* 138 Iowa 228, 233, 112 N.W. 232, 233 (1907). We have also stated that "an injunction will lie to prevent not only the use by another of the identical name, but the use of a name which, by reason of similarity, will *tend to create confusion and enable* the later user to obtain the business of the first." *Iowa Auto Market,* 197 Iowa at 423, 197 N.W. at 323 (emphasis added).

Courts from other jurisdictions have adopted a similar standard for determining whether a trademark has been infringed—whether there is a *likelihood of confusion* among consumers. *See SquirtCo v. Seven–Up,* 628 F.2d

1086, 1091 (8th Cir.1980); *Phipps Bros.,* 508 N.W.2d at 886; *Madison Reprographics,* 552 N.W.2d at 444–45. This "likelihood of confusion" standard is either based on pertinent language of the Lanham Act, *see* 15 U.S.C. § 1114(1)(b),[6] the federal ***330** law governing trademark infringement claims, or upon language of section 20 of the Restatement (Third) of Unfair Competition.[7]

[21] While our prior cases implicitly required a finding that use of a similar business trade name or trademark constitutes infringement when a "likelihood of confusion" exists among consumers, we now follow courts from other jurisdictions and officially adopt the "likelihood of confusion" standard. Thus, once a plaintiff has proved that it has a valid common-law trademark by showing that the name or designation it seeks to protect is distinctive, either inherently so or through secondary meaning, it then must prove that defendant's use of a similar designation will cause a likelihood of confusion among consumers. *See* Restatement (Third) Unfair Competition § 20 cmt. d.

Following this analysis, our next task is to consider whether the district court properly concluded that Commercial Savings failed to prove that Commercial Federal's use of the name COMMERCIAL is likely to cause confusion among consumers concerning the goods, services or business provided by plaintiff and defendant.

B. Relevant factors.

[22] [23] [24] [25] Commercial Savings bears the burden of proving that Commercial Federal's use of the name COMMERCIAL would create a likelihood of confusion, deception, or mistake among an appreciable number of ordinary consumers as to the source of or association between the banks' services. *See First Nat'l Bank, Sioux Falls v. First Nat'l Bank, South Dakota,* 153 F.3d 885, 888 (8th Cir.1998). Courts have established the following factors to be considered in determining whether there is a likelihood of confusion between two marks:

(1) strength of the trademark;

(2) similarity between the trademark and the defendant's mark;

(3) competitive proximity of the products on which the respective marks are placed;

(4) intent of the alleged infringer to pass off its goods as those of the trademark holder;

(5) incidents of actual confusion; and

(6) degree of care likely to be exercised by potential customers of the trademark holder.

See Mutual of Omaha Ins. Co. v. Novak, 836 F.2d 397, 399 (8th Cir.1987) (citing *SquirtCo,* 628 F.2d at 1091); *see also* Restatement § 21 (listing similar factors). "[T]he relative weight of the factors depends on the facts of the individual case," *First Nat'l Bank, Sioux Falls,* 153 F.3d at 888, and no single one is dispositive, *First Savings Bank, F.S.B. v. First Bank Sys.,* 101 F.3d 645, 652 (10th Cir.1996). Additionally, "whether the use of a particular designation causes a likelihood of confusion must be evaluated in light of the overall market context in which the designation is used." Restatement § 21 cmt. a.

[26] The Restatement explains that "the confusion must threaten the commercial interests of the owner of the mark," *see id.* § 20 cmt. b. In other words, one's use of a similar trademark presents a significant risk to the sales or good will of the trademark owner. *Id.*

1. Strength of the COMMERCIAL marks.

[27] [28] [29] "The strength of a mark measures the degree of distinctiveness for the ***331** purpose of determining the likelihood of confusion resulting from another's use of a similar mark." *Id.* § 21 cmt. i. The more distinctive a mark is, the stronger it is, and the greater the likelihood of confusion and scope of protection. *See Madison Reprographics,* 552 N.W.2d at 446. Thus, fanciful or arbitrary marks, such as the trademark EXXON, are considered "strong" marks because they have a high degree of distinctiveness and are thus protected to a greater extent than are "weak" or descriptive designations that are less distinctive. *See* Restatement § 21 cmt. i. Unlike trademarks that are considered suggestive or arbitrary/fanciful, a descriptive mark is not inherently distinctive and thus is not considered to be a strong mark. *See id.* § 13 cmt. e.

As noted above, we conclude that plaintiff has acquired secondary meaning with respect to the mark COMMERCIAL. While we believe that the name COMMERCIAL is sufficiently distinctive such that consumers in the eight-county area would identify the mark with banking goods and services provided by plaintiff, we do not believe that the mark is so strong or distinctive that defendant's use of the name COMMERCIAL FEDERAL is likely to cause confusion among consumers.

2. Similarity between the parties' marks.

Clearly, there is a noticeable similarity in the business names of plaintiff and defendant in that both use the word COMMERCIAL. However, the respective business logos used by the parties are substantially different.

The record suggests that Commercial Savings has developed a strong business reputation since it began business in 1917. We believe that Commercial Savings' strong reputation is a factor that lessens any confusion due to the similarity in the names.

3. Competitive proximity of products.
Neither party disputes the fact that both banks provide similar products and services and that they directly compete in the eight-county area. We thus need not further examine this factor.

4. Intent to confuse.
The district court found no evidence of intent on the part of Commercial Federal of trying to pass off its services as those of the plaintiff. Commercial Savings does not dispute this finding, but instead argues that intent is not a relevant factor in the analysis, relying on previous decisions by this court. We believe that intent is a relevant factor with respect to the issue of whether defendant's use of a similar mark is likely to cause confusion. We also agree with the district court's finding that there is no evidence of intent or bad faith concerning Commercial Federal's adoption and use of the COMMERCIAL mark.

5. Evidence of actual confusion.
[30] "[W]hen determining whether there exists a likelihood of confusion, weight is given to the number and extent of instances of actual confusion." *Life Technologies, Inc. v. Gibbco Scientific, Inc.,* 826 F.2d 775, 777 (8th Cir.1987). The test under this factor is "whether any consumers have actually been confused by the products or services bearing the allegedly confusing marks." *See KAT Video v. KKCT–FM Radio,* 584 N.W.2d 844, 848 (N.D.1998) (citations omitted).

Commercial Savings points to the evidence in the record concerning the letters and telephones calls it received as proof of actual confusion. These incidents of confusion, however, must be viewed in context. *See Madison Reprographics,* 552 N.W.2d at 449 (citing 1 J. Thomas McCarthy, *Trademarks and Unfair Competition* § 23.02(2)(a) (3d ed.1996)). First, the majority of mistakes concerning mail and delivery of documents were made by other entities doing business with Commercial Savings, not by actual customers. For the most part, it seems that these mistakes can be attributed to inattentiveness on the part of the caller or sender rather than actual confusion.

We note that the incidents of confusion occurred during, or soon after, the time Commercial Federal assumed operation of Hawkeye Federal which diminishes the significance of the incidents. *See First Nat'l Bank, Sioux Falls,* 153 F.3d at 890 ("Isolated evidence of some actual confusion occurring ***332** initially upon the creation of a potentially confusing mark is not itself sufficient to establish a likelihood of confusion."). We also note that plaintiff presented no additional evidence concerning incidents of actual confusion following the October 31, 1996 hearing and the December 19, 1996 ruling denying a temporary injunction to plaintiff and the entry of the agreed final decree almost four months later. Thus, plaintiff's evidence on this factor can more accurately be characterized as short-lived confusion by non-customers rather than lasting confusion by actual customers. *See Safeway Stores Inc. v. Safeway Discount Drugs,* 675 F.2d 1160, 1167 (11th Cir.1982) (noting that "kinds of persons confused and degree of confusion" are factors that affect the weight and relevance afforded instances of confusion).

Based on the minimal incidents of actual confusion by customers, we believe the district court properly determined that the similarity in the names is not such that an appreciable number of ordinary purchasers are likely to be misled as to the source of plaintiff's products and services.[8]

6. Degree of care reasonably expected of potential customers.
[31] In applying this factor, we consider the degree of care expected of a "reasonably prudent purchaser" or "ordinary consumer using ordinary care." *See* Restatement § 20 cmt. h. "If the goods or services are normally purchased only after considerable attention and inspection, greater similarity between the designations may be permitted than when the goods or services are purchased casually or impulsively." *Id.* § 21 cmt. h.

Courts have noted that bank customers exercise a greater degree of care than do customers of other businesses. *See First Nat'l Bank, Sioux Falls,* 153 F.3d at 889 (noting that bank customers tend to exercise a relatively high degree of care in selecting banking services); *Empire Nat'l Bank of Traverse v. Empire of America,* 559 F.Supp. 650, 656 (W.D.Mich.1983). We believe that consumers in the eight-county area in which plaintiff does business would use the same degree of care in banking business and

would be able to distinguish between the services and products provided by plaintiff and defendant. We do not believe that an ordinary consumer would be misled in banking decisions simply because two banks in the area have similar names. We believe this to be especially true in this case where Commercial Savings has developed a strong reputation concerning its products and services.

C. Summary.

In summary, we agree with the district court's decision that plaintiff has failed to make the requisite showing of likelihood of confusion between the use of its business names, COMMERCIAL, COMMERCIAL BANK, and COMMERCIAL SAVINGS BANK, and the use of defendant's business name, COMMERCIAL FEDERAL. Although the strength of the trademark COMMERCIAL SAVINGS, the similarity of the names and goods and services favor a likelihood of confusion, the rest of the factors do not: degree of care exercised by customers, minimal evidence of actual confusion by customers, lack of intent to deceive. Additionally, we believe that given plaintiff's solid reputation in the eight-county area, that it is not likely that any negative comments concerning defendant's bank will affect plaintiff's bank. The fact that there is another bank in the area at which customers may choose to do business is not sufficient to enjoin defendant's ***333** use of that name in its business. We do not believe that the similarity between the business names used by plaintiff and defendant will cause a likelihood of confusion such that customers of Commercial Savings will be so confused that they will inadvertently do their banking business with Commercial Federal.

V. Disposition.

We conclude that plaintiff Commercial Savings has a protectable trademark in the name COMMERCIAL in its banking products and services. However, we conclude that plaintiff failed to show that defendant Commercial Federal's use of a similar business name is likely to cause confusion among consumers concerning banking products and services provided by plaintiff and defendant. Commercial Savings therefore failed to show its common-law trademark in the name COMMERCIAL was infringed and therefore is not entitled to injunctive relief. Accordingly, we affirm the judgment of the district court.

AFFIRMED.

All Citations

592 N.W.2d 321

Footnotes

1 Commercial Savings' trademark infringement claim is therefore not based on the existence of a registered trademark under state law, *see* Iowa Code section 548.113 (1995), or under federal law, *see* 15 U.S.C. § 1115(a) (1994) ("registration ... of a mark registered ... and owned by a party to an action shall be admissible in evidence and shall be prima facie evidence of the validity of the registered mark"). Iowa Code chapter 548 sets forth the requirements in Iowa concerning registration of trademarks with the secretary of state. Iowa Code section 548.116 states that nothing in chapter 548 "affect[s] the rights or the enforcement of rights in marks acquired in good faith at any time at common law."

2 Section 15(1) of the Restatement defines a generic designation as one that describes the general category, type, or class of goods, services or business. A generic term is not entitled to protection. *See First Bank,* 84 F.3d at 1045. Examples of generic terms include "camera" as a type of good, "computer programming" for a type of service, and "bank" for a type of business. *See* Restatement § 15 cmt. a.

3 A suggestive designation is one that is suggestive of the nature or characteristics of the product or business without being clearly descriptive, such as HERCULES for girders. *See* Restatement § 13 cmt. c., illus. 3. Suggestive marks or names need not acquire secondary meaning to be protected. *See Gulf Coast Bank,* 652 So.2d at 1314.

4 A fanciful designation is a term having no meaning other than identifying the source. *See* Restatement § 13 cmt. c. An example of a fanciful designation is the word EXXON. *See id.* § 14 cmt. a. An arbitrary designation, such as the trademark SHELL for petroleum products, is an existing word whose dictionary meaning has no apparent application to the particular product or service. *See id.* § 13 cmt. c. Arbitrary or fanciful marks are considered inherently distinctive and are accorded protection without having to prove secondary meaning. *See id.; First Bank,* 84 F.3d at 1045.

5 Although *Motor Accessories* involved a claim based on unfair competition, not a common-law trademark infringement claim, *see* 167 Iowa at 206–07, 149 N.W. at 186 ("The disposition of this case does not involve the question of trade-names or trademarks, nor the rights which obtain to patented articles."), we believe the above-quoted statements are likewise applicable to a trademark

claim.

6 Pertinent language of the Lanham Act states that a person who "colorably imitate[s] a registered mark" such that the use is "likely to cause confusion ... shall be liable in a civil action." 15 U.S.C. § 1114(1)(b); *see also* 15 U.S.C. § 1125(a)(1)(A).

7 Section 20 of the Restatement (Third) of Unfair Competition states in pertinent part:
STANDARD OF INFRINGEMENT

(1) One is subject to liability for infringement of another's trademark, trade name, collective mark, or certification mark if the other's use has priority under the rules stated in section 19 and in identifying the actor's business or in marketing the actor's goods or services the actor uses a designation that causes a *likelihood of confusion:*
(a) that the actor's business is the business of the other or is associated or otherwise connected with the other; or
(b) that the goods or services marketed by the actor are produced, sponsored, certified, or approved by the other; or
(c) that the goods or services marketed by the other are produced, sponsored, certified, or approved by the actor.
....

(Emphasis added.)

8 *See First Nat'l Bank,* 153 F.3d at 889 (defendant, First National Bank, South Dakota, was enjoined from using the marks "First National" or "First National Bank" within a ten-mile radius of plaintiff, First National Bank, Sioux Falls, because those marks were likely to cause confusion among customers, but defendant was allowed to continue using its full business name); *First Savings Bank, F.S.B.,* 101 F.3d at 647 ("FirstBank" service mark not confusingly similar to "First Bank System"); *Sun Banks of Florida v. Sun Fed. Sav. & Loan,* 651 F.2d 311, 319 (5th Cir.1981) (no likelihood of confusion between service marks "Sun Federal Savings" and "Sun Banks"; fifteen incidents of actual confusion in three years is negligible); *but cf. First Federal,* 929 F.2d at 384 (evidence of misdirected telephone calls, mail and business was sufficient evidence to support district court's finding that defendant's name, First Federal Savings and Loan Association of Lincoln, was sufficiently similar to plaintiff's name, First Federal Savings and Loan Association of Council Bluffs, so as to create a likelihood of confusion).

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2005 TTAB LEXIS 117

Trademark Trial and Appeal Board

March 09, 2005, Mailed

Opposition No. 91118366 to application Serial No. 75434680 filed on February 17, 1998

Reporter
2005 TTAB LEXIS 117

Coverall North America, Inc. v. Cover-All, Inc.

Disposition: [*1]

Decision: The opposition is sustained on the Section 2(d) claim and registration to applicant is refused.

Core Terms

coveralls, clean, floor, fame, registration, likelihood of confusion, install, customer, famous, floor covering, channel, carpet, commercial building, residential, hearsay, caller, janitorial service, franchise, misdirect, telephone, register, overlap

Counsel

Michael A. Grow, Christopher Grigorian of Arent Fox PLLC for Coverall North America, Inc.

Thomas I. Rozsa of Rozsa & Chen for Cover-All, Inc.

Panel: Before Quinn, Chapman and Bucher, Administrative Trademark Judges.

Opinion By: Quinn, Jeffrey

Opinion

THIS DECISION IS NOT CITABLE AS PRECEDENT OF THE TTAB

Opinion by Quinn, Administrative Trademark Judge:

An application was filed by Cover-All, Inc. to register the mark COVER-ALL for ″installation of floor coverings. ″ [1]

Coverall North America, Inc. opposed registration on the ground of likelihood of confusion pursuant to Section 2(d) of the Trademark Act. Opposer alleged that applicant's mark, when used in connection with applicant's services, so resembles opposer's previously used and registered COVERALL marks for maintenance and cleaning services, as to be likely to cause confusion. Opposer has pleaded the following previously registered marks: COVERALL for ″maintenance and cleaning **[*2]** of offices and commercial buildings″; [2] COVERALL CLEANING CONCEPTS for ″maintenance and cleaning of offices and other commercial buildings″; [3]

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[1] Application Serial No. 75434680, filed February 17, 1998, alleging first use anywhere and first use in commerce on January 2, 1996.

[2] Registration No. 2178521, issued August 4, 1998; Section 8 affidavit accepted, Section 15 affidavit acknowledged.

[3] Registration No. 2075333, issued July 1, 1997; Section 8 affidavit accepted, Section 15 affidavit acknowledged.

for ″maintenance and cleaning of offices and commercial buildings″; [4]

for ″maintenance and cleaning of offices and commercial buildings″; [5] SINGLE SOURCE BY COVERALL for ″arranging for repair and maintenance services, namely, janitorial cleaning, pressure cleaning, pest control, lawn maintenance, painting, carpentry, drywall, parking lot maintenance, snow removal, fire and flood restoration, and HVAC, duct and filter service″; [6] and

[*3]

for ″cleaning preparations, namely floor cleaners; commercial floor maintenance services; and application of specialty chemicals to granite, marble, ceramic and other surfaces.″ [7]

In addition to the likelihood of confusion claim, opposer also pleaded that applicant's mark falsely suggests a connection with opposer or its related companies pursuant to Section 2(a) of the Trademark Act.

Applicant, in its answer, denied the salient allegations in the notice of opposition. Applicant further set forth several allegations captioned as ″affirmative defenses.″

The record consists of the pleadings; the file of the involved application; trial testimony, with related exhibits, taken by both parties; status and title copies of opposer's pleaded registrations, copies of **[*4]** third-party registrations, portions of a discovery deposition and related exhibits, and applicant's responses to certain of opposer's interrogatories, all introduced by way of opposer's notices of reliance; and opposer's responses (original and amended) to applicant's interrogatories and request for production, made

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[4] Registration No. 2252554, issued June 15, 1999. The word ″cleaning″ is disclaimed apart from the mark.

[5] Registration No. 2337703, issued April 4, 2000. The word ″cleaning″ is disclaimed apart from the mark. The stippling shown in the drawing is for shading purposes only and is not intended to indicate color.

[6] Registration No. 2533774, issued January 29, 2002.

[7] Registration No. 2718891, issued May 27, 2003. The words ″floorsystems″ and ″division″ are disclaimed apart from the mark. The lining is a feature of the mark and does not indicate color. The registration includes the following description: ″The mark consists of a shield with three footprints inside the shield.″

of record by applicant's notice of reliance. Both parties filed briefs. [8] An oral hearing was not requested.

Evidentiary Objections **[*5]**

Opposer objected to certain portions of applicant's trial testimony on the ground that these portions contain inadmissible hearsay. In each of the nine subject depositions, the witness was asked whether he/she ever received telephone calls wherein the caller had confused applicant with opposer, or whether any employee of applicant ever informed the witness that the employee had received telephone calls from someone asking for opposer. In each instance, the witness testified that he/she had not received any such calls nor had any employee informed him/her that the employee had received any misdirected calls.

Applicant, for its part, objected to certain portions of opposer's trial testimony on the ground of inadmissible hearsay. In each of the portions of eight depositions objected to by applicant, the witness was asked if he/she ever received telephone calls wherein the caller had confused opposer with applicant and, in each case, the witness testified that he/she had received such calls.

Each party argues that the subject testimony is relevant, of course, to the nature and extent of any actual confusion. Opposer relies on its testimony to show that there have been instances of **[*6]** actual confusion, while applicant relies on its testimony to show the absence of any actual confusion.

Hearsay is an out-of-court statement offered to prove the truth of the matter asserted. Fed. R. Evid. 801(c). Courts have responded to the hearsay objection in varying ways. See generally, J.T. McCarthy,McCarthy on Trademarks and Unfair Competition, § 23:15 (4<th> ed. 2004).

The parties' respective objections are overruled, and we have considered each party's testimony in the present case. Opposer's testimony is not hearsay for it is accepted not for the truth of the statements made by the non-witnesses to opposer's deponents or the reasons therefor, but rather for the fact that the statements referred to in their testimony were, in fact, made to them. In a similar fashion, applicant's witnesses' statements of what others told them, that is, that no one has asked whether opposer and applicant were related, is not hearsay. See Toys ″R″ *Us, Inc. v. Lamps R Us, 219 USPQ 340, 346 (TTAB 1983);* and *Finance Co. of America Corp., 205 USPQ 1016, 1035 (TTAB 1979).*

Although the testimony is admissible, the probative value **[*7]** is discussed infra.

The Parties

Opposer has been engaged in the commercial cleaning business since 1982. Opposer's cleaning and janitorial services include floor care services such as vacuuming, dust mopping, stripping and waxing, buffing, shampooing, deep cleaning and other carpet and hard floor services. The services are rendered through a nationwide network of franchisees. According to Marci Kleinsasser, opposer's director of marketing, opposer has grown into one of the world's largest commercial cleaning franchises, with over 7,000 franchise owners (and 85 regional support centers) providing services to more than 22,000 accounts. Account types include commercial office buildings, retail

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[8] Opposer's motion to extend its time to file a reply brief, to which applicant consented, is granted. The reply brief was timely filed.

Opposer, in its briefs, has made references to and relied upon prior Board opinions marked, as is the present opinion, ″This disposition is not citable as precedent of the TTAB.″ Decisions that are so designated are not citable authority and will not be considered by the Board. Opposer should refrain in the future from citation to ″unpublished″ Board opinions. See In re A La Vielle Russie Inc., 60 USPQ2d 1895, 1897 n. 2 (TTAB 2001); and In re Polo International Inc., 51 USPQ2d 1061, 1063 n. 3 (TTAB 1999). See generally TBMP §§ 101.03 and 1203.02(f) (2d ed. rev. 2004).

stores, hospitals and medical offices, government buildings, warehouses, and the common areas of apartment and condominium buildings. Revenues in 2002 were approximately $ 200 million. Opposer promotes its services both nationally and locally through television and radio, the Internet, magazines, newspapers, brochures, Yellow Pages directories, and appearances at trade shows. Advertising expenditures in 2002 exceeded $ 2.2 million. Opposer also has been the beneficiary of unsolicited **[*8]** favorable publicity, and has been identified in recent years as one of the country's top 500 franchises (ranked # 10 by Entrepreneur Magazine).

Applicant has been engaged, since 1996, in the installation of flooring and flooring products, such as carpet, wood, vinyl, ceramic, and tile. These installation services are rendered to residential customers through large chain retailers like Home Depot, Sears and Costco. The services are marketed through brochures and business cards, listings in the Yellow Pages and the Internet. Applicant's advertising expenditures in 1996 and 1997 were approximately $ 7,200 and $ 9,500, respectively.

Priority

In view of opposer's ownership of valid and subsisting registrations, there is no issue regarding opposer's priority. *King Candy, Inc. v. Eunice King's Kitchen, Inc., 496 F.2d 1400, 182 USPQ 108 (CCPA 1974).* Thus, the only issue to decide herein is likelihood of confusion (see discussion regarding mootness of Section 2(a) claim,infra).

Likelihood of Confusion

Our determination under Section 2(d) is based on an analysis of all of the facts in evidence that are relevant to the factors bearing on the likelihood **[*9]** of confusion issue. *In re E. I. du Pont de Nemours & Co., 476 F.2d 1357, 177 USPQ 563 (CCPA 1973).* In any likelihood of confusion analysis, two key considerations are the similarities or dissimilarities between the marks and the similarities or dissimilarities between the goods and/or services. *Federated Foods, Inc. v. Fort Howard Paper Co., 544 F.2d 1098, 192 USPQ 24 (CCPA 1976).* These, and other du Pont factors deemed pertinent in the proceeding now before us, are discussed below.

The Marks

Opposer's typed mark COVERALL, of all of opposer's pleaded marks, is closest to applicant's typed mark COVER-ALL. Opposer owns prior rights in the mark COVERALL standing alone, both by virtue of its prior use and prior registration. This mark is virtually identical in appearance to applicant's mark COVER-ALL, the only difference being a hyphen in applicant's mark. The marks are absolutely identical in sound. See *Giant Food, Inc. v. Nation's Foodservice, Inc., 710 F.2d 1565, 218 USPQ 390, 395 (Fed. Cir. 1983).*

As to meaning, the marks COVERALL and COVER-ALL are arbitrary and distinctive, although they convey slightly different connotations. **[*10]** Both are somewhat suggestive, opposer's mark suggesting that its services cover all facets of cleaning and maintenance of offices and commercial buildings, and applicant's mark being suggestive of its installation of all types of floor coverings.

The virtual identity in the marks' appearance and the identity in sound outweigh any slight difference in connotation. As to overall commercial impression, the marks convey essentially the same impression.

Further, applicant's mark is similar to each of opposer's other COVERALL marks. Although each of these marks includes other matter, the dominant portion of the marks registered in Registration Nos. 2075333, 2252554 and 2337703 is COVERALL. In opposer's typed mark COVERALL CLEANING CONCEPTS, the first

word in the mark is the one most likely to be remembered by purchasers, and the term COVERALL will likely be used in calling for the services. Opposer's logo marks are dominated by the term COVERALL; as shown in the drawings, the COVERALL portion is prominently displayed. In the logo marks, the literal portion COVERALL CLEANING CONCEPTS dominates over the design features, and, in turn, the literal portion is dominated by COVERALL. See *In re Appetito Provisions Co., 3 USPQ2d 1553 (TTAB 1987);* **[*11]** and *Inter-State Oil Co., Inc. v. Questor Corp., 209 USPQ 583 (TTAB 1980).* In comparing these marks with applicant's mark, we must consider, of course, the marks in their entireties. In doing so, however, there is nothing improper in according more weight to the suggestive, distinctive literal element of these marks, namely the term *COVERALL. Cunningham v. Laser Golf Corp., 222 F.3d 943, 55 USPQ2d 1842, 1845 (Fed. Cir. 2000);* and *In re National Data Corp., 753 F.2d 1056, 224 USPQ 749, 751 (Fed. Cir. 1985).*

In comparing applicant's mark to opposer's mark SINGLE SOURCE BY COVERALL shown in Registration No. 2533774, we find that the virtual identity between COVERALL and COVER-ALL outweighs the differences between these two marks. In considering likelihood of confusion between these marks, we also are mindful of the fame of the mark COVERALL (see discussion,infra).

Lastly, we turn to opposer's mark shown in Registration No. 2718891. Clearly, the AEGIS portion thereof dominates this logo mark. Again, however, in considering this mark, we are mindful of the fame of COVERALL. Although we find that this mark and applicant's mark are sufficiently **[*12]** similar for purposes of likelihood of confusion, we readily concede that this mark is least close to applicant's mark in terms of overall commercial impression.

In attempting to distinguish the marks, applicant presses the point that opposer's COVERALL mark and applicant's mark, as actually used in commerce, often appear with other wording. In this connection, applicant points to advertisements of record showing that opposer uses ″COVERALL Cleaning Concepts″ while applicant utilizes ″COVER-ALL Flooring Services. Sales. Installation. ″ Applicant's point is irrelevant for purposes of our likelihood of confusion analysis in that the additional words used by applicant do not appear in the drawing of the mark showing the mark sought to be registered. It is the mark shown in the drawing that must be compared to opposer's marks. See *Blue Cross and Blue Shield Association v. Harvard Community Health Plan Inc., 17 USPQ2d 1075, 1077 (TTAB 1990),* citing *Frances Denney v. Elizabeth Arden Sales Corp., 263 F.2d 347, 120 USPQ 480, 481 (CCPA 1959).*

Opposer, in addition to its other marks, has established prior rights in the mark COVERALL standing alone. Thus, the critical **[*13]** comparison for us to make in the present case is to compare applicant's mark to the mark of opposer that is closest to it, namely, COVERALL versus COVER-ALL.

The facts that COVERALL and COVER-ALL are identical in sound and virtually identical in appearance and overall commercial impression ″weighs heavily against applicant.″ *In re Martin's Famous Pastry Shoppe, Inc., 748 F.2d 1565, 223 USPQ 1289, 1290 (Fed. Cir. 1984).*

The Services

Applicant's argument that its installation of floor coverings services are different from opposer's commercial maintenance and janitorial services is at the center of its contention that confusion is unlikely to occur between the marks COVERALL and COVER-ALL.

In addition to its maintenance, cleaning and janitorial services, opposer sells floor cleaners. However, we have focused our attention, as have the parties, on the services rendered by each. See

Tuxedo Monopoly, Inc. v. General Mills Fun Group, Inc., 648 F.2d 1335, 209 USPQ 986 (CCPA 1981) [finding of likelihood of confusion may be based on relatedness of any one item in the involved identifications of goods/services].

With respect to the services, it is well **[*14]** established that the services of the parties need not be similar or competitive, or even that they are offered through the same channels of trade, to support a holding of likelihood of confusion. It is sufficient that the respective services of the parties are related in some manner, and/or that the conditions and activities surrounding the marketing of the services are such that they would or could be encountered by the same persons under circumstances that could, because of the similarity of the marks, give rise to the mistaken belief that they originate from the same source. See *Hilson Research, Inc. v. Society for Human Resource Management, 27 USPQ2d 1423 (TTAB 1993);* and *In re International Telephone & Telephone Corp., 197 USPQ 910, 911 (TTAB 1978).* The issue is not whether purchasers would confuse the services, but rather whether there is a likelihood of confusion as to the source of the services. *In re Rexel Inc., 223 USPQ 830 (TTAB 1984).*

The nature and scope of a party's services must be determined on the basis of the services recited in the application and/or registration. See, e.g., *Hewlett-Packard Co. v. Packard Press Inc., 281 F.3d 1261, 62 USPQ2d 1001 (Fed. Cir. 2002);* **[*15]** *Octocom Systems Inc. v. Houston Computer Services Inc., 918 F.2d 937, 16 USPQ2d 1783 (Fed. Cir. 1990);* and *Canadian Imperial Bank v. Wells Fargo Bank, 811 F.2d 1490, 1 USPQ2d 1813 (Fed. Cir. 1987).*

In comparing the services, we initially note that where virtually identical marks are involved, as is the case here, the lesser the degree of similarity between the parties' services that is required to support a finding of likelihood of confusion. *In re Shell Oil Co., 992 F.2d 1204, 26 USPQ2d 1687, 1688-1689 (Fed. Cir. 1993); Time Warner Entertainment Co. v. Jones, 65 USPQ2d 1650, 1661 (TTAB 2002);* and *In re Opus One Inc., 60 USPQ2d 1812 (TTAB 2001).* See generally 3 J.T. McCarthy,McCarthy on Trademarks and Unfair Competition, § 23:20.1 (4th ed. 2004).

Opposer's recitations of services encompass the maintenance and cleaning of floors and floor coverings. Moreover, the record shows that opposer's maintenance, cleaning and janitorial services are comprehensive in nature, and include floor care services. These services include stripping, waxing, sweeping, carpet shampooing and vacuuming. Ms. Kleinsasser testified that **[*16]** opposer invests substantial resources in training programs for its employees and franchisees. An element of their training relates to specialized skills in caring for carpets and floors. Opposer's "Hard Floor Care Certification Program" involves training in buffing, stripping and waxing of such floors, and the "Carpet Cleaning Certification Program" provides training in techniques and use of carpet cleaning equipment and chemicals.

Opposer also offers a non-slip floor treatment service through its Aegis Floorsystems division. This treatment removes surface particles of the silica sand in floor tiles, thereby providing improved traction on the floor. The treatment is designed to reduce the number of slip-and-fall accidents, and it has been marketed primarily to fast-food franchises. According to Thomas Clark, the director of operations of this division, this treatment is an alternative to floor covering replacement and competes directly with the types of services offered by applicant. Mr. Clark testified that customers of this service made a specific choice between treating their existing floors and replacing the floors.

Although the cleaning and maintenance of floors and floor coverings **[*17]** on the one hand, and the installation of floor coverings on the other, are specifically different services, we find, based on

the record before us, that the parties' services are commercially related. The services are related to the extent that a prospective purchaser may make a choice to maintain existing flooring (using opposer's services) or to install new flooring (using applicant's services).

Applicant installs the same types of floor coverings that opposer cleans and maintains. In finding that the parties' services are related, we considered the several third-party registrations covering both floor cleaning and maintenance services and carpet/floor installation services. Third-party registrations, which individually cover different goods and/or services and which are based on use in commerce, serve to suggest that the listed goods and/or services are of a type that may emanate from a single source. See *In re Albert Trostel & Sons Co., 29 USPQ2d 1783 (TTAB 1993).*

The relatedness of the parties' services weighs in opposer's favor.

Trade Channels

The evidence of record reveals that opposer's services are rendered to commercial accounts, and this trade **[*18]** channel is reflected in the recitations of services in the pleaded registrations. The record shows that opposer's accounts include residential apartments and condominiums where it cleans common areas (including floors and carpets) , but not the individual units. The record also reveals that applicant's services are rendered primarily to residential customers. In saying this, however, it is important to note that applicant has installed, in the past, floors and floor coverings for commercial customers. Although applicant has not focused on the commercial market, Gad Leshem, applicant's chief executive officer and president, testified that "I'm providing installation of flooring services and it will be open to whoever needs my services." [12/16/03 dep., p. 56]. Indeed, Mr. Leshem identified restaurants, hospitals and the armed services branches of the federal government as prior customers.

As indicated above in discussing the similarity between the parties' services, applicant's services, as identified in the involved application, are not limited to residential use or to any other trade channel. Where the services in an involved application or registration are broadly described and **[*19]** there are no limitations in the identification of services as to their nature, type, channels of trade or classes of purchasers, it is presumed that the scope of the identification encompasses all services of the nature and type described, that the identified services are offered through all channels of trade that would be normal therefor, and that the services would be purchased by all of the usual potential customers. Thus, here, in the absence of any limitation, we must presume that applicant's services are rendered through all reasonable channels of trade, including both residential and commercial markets. *CBS, Inc. v. Morrow, 708 F.2d 1579, 218 USPQ 198 (Fed. Cir. 1983); Schieffelin & Co. v. Molson Companies Ltd., 9 USPQ2d 2069, 2073 (TTAB 1989);* and *Morton-Norwich Products, Inc. v. N. Siperstein, Inc., 222 USPQ 735, 736 (TTAB 1984).* In point of fact, as noted above, applicant has rendered its services to commercial customers. Accordingly, the trade channels overlap in the commercial arena.

Conditions of Sale and Classes of Purchasers

As indicated earlier, applicant points to the evidence of record in an attempt to distinguish **[*20]** the customers for its services (homeowners) from opposer's customers (building managers and commercial property owners). As was the case with trade channels, however, applicant's identification of services similarly does not include any limitations on purchasers for its services. Thus, we must presume that all potential purchasers, including both residential homeowners as well as commercial accounts, buy the floor installation services. In light of this presumption, there is an overlap in the classes of purchasers for the services.

There is competition between the parties and an overlap in customers in that, as noted earlier, a customer may decide either to replace a floor covering (using applicant's services) or to refurbish an existing floor (using opposer's services).

We recognize that the respective services may be costly and may require an informed purchasing decision. Nonetheless, given the virtual identity between the marks COVERALL and COVER-ALL, and the relatedness of the services rendered thereunder, even a discriminating purchaser would not be immune from confusion. *In re Decombe, 9 USPQ2d 1812 (TTAB 1988).*

Fame

The fifth du Pont factor **[*21]** requires us to consider evidence of the fame of opposer's marks and, if established, fame plays a ″dominant″ role in determining likelihood of confusion. *Bose Corp. v. QSC Audio Products Inc., 293 F.3d 1367, 63 USPQ2d 1303 (Fed. Cir. 2002); Recot Inc. v. M.C. Becton, 214 F.3d 1322, 54 USPQ2d 1894 (Fed. Cir. 2000);* and *Kenner Parker Toys, Inc. v. Rose Art Industries, Inc., 963 F.2d 350, 22 USPQ2d 1453 (Fed. Cir. 1992).* As the Federal Circuit stated in Bose Corp. v. QSC Audio Products Inc.,supra at 1305:

> Fame of an opposer's mark or marks, if it exists, plays a ″dominant role in the process of balancing the duPont factors,″ *Recot, 214 F.3d at 1327, 54 USPQ2d at 1456,* and ″famous marks thus enjoy a wide latitude of legal protection.″Id. This is true as famous marks are more likely to be remembered and associated in the public mind than a weaker mark, and are thus more attractive as targets for would-be copyists.Id. Indeed, ″[a] strong mark . . . casts a long shadow which competitors must avoid.″ *Kenner Parker Toys, 963 F.2d at 353, 22 USPQ2d at 1456.* A famous mark is one ″with extensive **[*22]** public recognition and renown.″Id.

The record establishes that opposer has enjoyed considerable success with its services (annual sales exceeding $ 200 million), and that its marks have been nationally promoted (annual advertising costs exceeding $ 2.2 million). Opposer is one of the most successful franchises in the country according to printed publications in the field. In the face of this evidence, applicant essentially conceded the fame of opposer's COVERALL mark, with the caveat that this fame is confined ″strictly and solely for use in conjunction with providing janitorial and cleaning services and not for anything else.″ (Brief, p. 38). Applicant emphasizes its point that ″opposer's fame is strictly and solely [confined to] the providing of janitorial and cleaning services through its franchisees to specific commercial buildings″ and that ″there is no fame and no brand recognition whatsoever of Opposer's mark for the installation of flooring services of any kind whatsoever and no brand recognition and fame of the Opposer's mark for use in conjunction with providing services of any type to consumers in their homes.″Id.

Although applicant attempts to limit the **[*23]** fame of opposer's COVERALL mark, this attempt impermissibly undercuts the legal standard of protection for famous marks. Famous marks are accorded more protection precisely because they are more likely to be remembered and associated in the public mind than a weaker mark. The fame of a mark may affect the likelihood purchasers will be confused inasmuch as less care may be taken in purchasing a product or service under a famous name. Recot Inc. v. M.C. Becton,supra at 1897.

Fame for confusion purposes arises as long as a significant portion of the relevant consuming public recognizes the mark as a source indicator. The proper legal standard for evaluating the fame of a mark under the fifth du Pont factor is the class of customers and potential consumers of the service, and not the general public. *Palm Bay*

Imports, Inc. v. Veuve Clicquot Ponsardin Maison Fondee en 1772, F.3d , 73 USPQ2d 1689 (Fed. Cir. 2005). As discussed above, the customers for the parties' respective services overlap and, thus, the fame of opposer's COVERALL mark plays an important role in this case.

In response to the type of argument set forth by applicant herein, our primary **[*24]** reviewing court has stated that a famous mark "can never be of little consequence'" and instructed:

> This reasoning applies with equal force when evaluating the likelihood of confusion between marks that are used with goods that are not closely related, because the fame of a mark may also affect the likelihood that consumers will be confused when purchasing these products. Indeed, it is precisely these circumstances which demand great vigilance on the part of a competitor who is approaching a famous mark, for, as the present case illustrates, the lure of undercutting or discounting the fame of a mark is especially seductive *See Recot*, slip op. at 19 ("It is applicant's position that opposer's marks are famous for a variety of human food products, but that the fame of opposer's marks does not extend beyond that field. . . ."). Accordingly, we hold that the fame of the mark must always be accorded full weight when determining the likelihood of confusion. When a famous mark is at issue, a competitor must pause to consider carefully whether the fame of the mark, accorded its full weight, casts a "long shadow which competitors must avoid." [citations omitted].
>
> * * *
>
> The **[*25]** Board also erred when it distinguished this court's precedent on the ground that our prior cases concerned products that were identical or closely related. Indeed, this court and its predecessor court have consistently stated that the fame of the mark is a dominant factor in the likelihood of confusion analysis for a famous mark, independent of the consideration of the relatedness of the goods. [citations omitted].

Recot Inc. v. M.C. Becton,supra at 1897-98.

Accordingly, we have accorded the conceded fame of opposer's COVERALL mark for cleaning and janitorial services its full measure of weight in our likelihood of confusion analysis. As we found above, the services herein are related; but even if we had been persuaded by applicant's contention that the services are not related, the fame of opposer's COVERALL mark would still weigh heavily in opposer's favor.

Third-Party Use

In connection with the strength of opposer's COVERALL mark, we also note that the record is devoid of evidence of any third-party uses or registrations of the same or similar marks for similar or related services.

Actual Confusion

As discussed above in ruling on the parties' **[*26]** evidentiary objections, each party introduced testimony bearing on this factor. Opposer took the testimony of individuals (employees and franchisees of opposer) who testified about their receipt of misdirected phone calls, and one misdirected written correspondence. Applicant countered with the testimony of its employees who testified that they neither had received any misdirected phone calls, nor were aware of any instance where anyone confused applicant with opposer relative to the source of the respective services.

Convincing evidence of significant actual confusion occurring under actual marketplace conditions is strong proof of a likelihood of confusion. In the present case, although the evidence of actual confusion (or the lack thereof) is admissible, we have given it limited probative value on the issue of likelihood of confusion.

We have considered opposer's evidence to the extent that it shows that the calls did occur and were misdirected to opposer. In the absence of corroborating evidence about the callers, however, we are reluctant to place significant weight on this evidence. Had the callers themselves been identified and made available for cross-examination, they could **[*27]** have explained their reasons for their questions as to the affiliation between opposer and applicant. While opposer's witnesses testified, not surprisingly, that the stated reason for the callers' confusion was the similarity between the marks and the services rendered thereunder, we would prefer to hear it from the callers themselves.

Thus, we have accorded only minimal weight to the parties' evidence on this factor. In any event, evidence of actual confusion is not essential to proving a case of likelihood of confusion. [9] *Giant Food, Inc. v. Nation's Foodservice, Inc.,supra.* Simply put, this du Pont factor is not critical in our analysis of the merits in this case.

Other Issues

Applicant has taken opposer to task for its failure to undertake a trademark confusion survey to gauge the subjective reactions of prospective purchasers to the marks at issue. As stated in the past, the Board, although receptive to surveys, does not require **[*28]** them in Board proceedings. See, e.g., *Miles Laboratories Inc. v. Naturally Vitamin Supplements Inc., 1 USPQ2d 1445 (TTAB 1986).* The Board appreciates the significant financial cost of surveys and, further, obviously recognizes the limited jurisdictional nature of Board proceedings, wherein only rights to federal registrability, not use, are determined. Thus, the Board does not draw any negative inferences from a party's failure to offer survey evidence in a proceeding before the *Board. Hilson Research Inc. v. Society for Human Resource Management, 27 USPQ2d 1423, 1435-36 (TTAB 1993).*

Applicant also argues that an absence of any likelihood of confusion may be presumed by the USPTO's publication of applicant's mark over opposer's registrations. This contention is ill founded. The Board reviews the issue based on the record evidence, most of which was not before the examining attorney during ex parte examination, and the Board is not bound or restricted in any way by the examining attorney's actions. *McDonald's Corp. v. McClain, 37 USPQ2d 1274, 1277 (TTAB 1995).*

Next, it is well settled that a newcomer has both the opportunity and the obligation **[*29]** to avoid confusion. Consequently, a party which knowingly adopts a mark similar to one used by another for the same or closely related goods or services does so at its own peril. All doubt on the issue of likelihood of confusion must be resolved against the newcomer. This is especially the case where the established mark is one that is famous. *TBC Corp. v. Holsa Inc., 126 F.3d 1470, 44 USPQ2d 1315 (Fed. Cir. 1997); Nina Ricci S.A.R.L. v. E.T.F. Enterprises Inc., 889 F.2d 1070, 12 USPQ2d 1901 (Fed. Cir. 1989);* and *Kimberly-Clark Corp. v. H. Douglas Enterprises, Ltd., 774 F.2d 1144, 227 USPQ 541 (Fed. Cir. 1985).*

Although we have resolved any doubt in favor of opposer, so as to be clear, we do not find any bad faith adoption by applicant. Indeed, as indicated above, applicant acted at its own peril in adopting a mark virtually identical to opposer's mark that was disclosed in a trademark search report. The record evidence is not of the caliber, however, upon which to base a finding of a bad faith adoption by applicant.

As a final point, applicant, in its brief, maintains that opposer's inaction, following the alleged instances of actual confusion, **[*30]** establishes laches. As pointed out by opposer, however, laches is not a viable defense in an opposition

[9] Even if we had ruled the other way in each of the parties' respective objections to evidence, none of the subject testimony is outcome determinative and, thus, we would reach the same result on the merits.

proceeding inasmuch as the delay is based on the time running from knowledge of the application for registration rather than from knowledge of use. *National Cable Television Association v. American Cinema Editors, Inc., 937 F.2d 1572, 19 USPQ2d 1424 (Fed. Cir. 1991).*

Conclusion

We have carefully considered all of the evidence pertaining to the relevant du Pont factors, as well as all of the parties' arguments with respect thereto (including any arguments not specifically discussed in this opinion), and we conclude that opposer has proved its Section 2(d) ground of opposition. Given the fame of opposer's COVERALL mark, the relatedness of the parties' services, and the overlap in trade channels and classes of purchasers, we find that applicant's mark COVER-ALL is essentially identical to opposer's mark COVERALL and is sufficiently similar to each of opposer's other COVERALL marks that confusion is likely.

We conclude that purchasers familiar with opposer's maintenance and cleaning services for commercial offices and buildings under its famous COVERALL **[*31]** mark would be likely to believe, upon encountering applicant's COVER-ALL mark for installation of floor coverings services, that the services originated with or were somehow associated with or sponsored by the same entity.

Having determined that opposer is entitled to prevail in this opposition based upon its Section 2(d) claim of likelihood of confusion, we need not reach the merits of opposer's claim of false suggestion of a connection under Section 2(a). See *American Paging Inc. v. American Mobilphone Inc., 13 USPQ2d 2036, 2039-40 (TTAB 1989),aff'd without opinion*, *17 USPQ2d 1726 (Fed. Cir. 1990).*

Graphic:

Illustration 1, no caption; Illustration 2, no caption; Illustration 3, no caption

No *Shepard's* Signal™
As of: October 12, 2015 6:43 PM EDT

2013 TTAB LEXIS 424

Trademark Trial and Appeal Board

July 29, 2013, Decided

Opposition No. 91198851

Reporter
2013 TTAB LEXIS 424

Ecolab Inc. v. Sumecht NA Inc. dba Sumer North America, Inc.

Disposition: [*1]

Decision: The opposition is sustained and registration to applicant is refused.

Core Terms

clean, washer, registration, likelihood of confusion, electric, cleaner, notice, interrogatory, detergent, dispenser

Counsel

Scott W. Johnston of Merchant Gould PC for Ecolab Inc.

Kenneth H. Johnson, Esq. for Sumecht NA Inc.

Panel: Before Zervas, Bergsman and Greenbaum, Administrative Trademark Judges.

Opinion By: Greenbaum, Cindy B.

Opinion

THIS OPINION IS NOT A PRECEDENT OF THE TTAB

Opinion by Greenbaum, Administrative Trademark Judge:

Applicant, Sumecht NA Inc. dba Sumer North America, Inc., seeks registration on the Principal Register of the standard character mark CLEANFORCE for "electric pressure washers" in International Class 7. [1] Opposer, Ecolab Inc., opposes registration of applicant's mark on the ground that, as applied to applicant's goods, the mark so resembles opposer's previously used and registered mark CLEAN FORCE for a wide array of janitorial supplies, including cleaning preparations and related dispensers, as to be likely to cause confusion under Section 2(d) of the Lanham Act, *15 U.S.C. § 1052(d)*. Opposer pleaded ownership of Registration No. 2719458 for the standard character mark CLEAN FORCE (CLEAN disclaimed) for:

> Cleaning preparations; namely, hand soaps, hand lotions, bathroom **[*2]** cleaners, drain cleaners, tile cleaners, all-purpose cleaners, glass cleaners, oven cleaners, degreasers and descalers; Floor finishing preparations; namely, floor cleaners, strippers, rejuvenators, sealers, finishes and buffing compounds; Laundry products; namely, detergents, bleaches, fabric softeners, water softeners and laundry sours; Detergents, rinse additives, and presoaks for use in manual and automatic ware washing machines, in International Class 3;
>
> Sanitizers for use in manual and automatic warewashing machines, in International Class 5; and

[1] Application Serial No. 76703357, filed June 14, 2010, claiming first use and first use in commerce in June 2009.

Soap dispensers and dispensers for commercial and institutional cleaning and sanitizing products, in International Class 21.

Applicant, in its answer, denied the salient allegations in the notice of opposition, and asserted several ″affirmative defenses″ which were not pursued at trial. The ″affirmative defenses″ are deemed to have **[*3]** been waived and are given no further consideration.

The Record

The record includes the pleadings and, by operation of Trademark Rule 2.122(b), *37 C.F.R. § 2.122(b)*, applicant's application file. Opposer submitted, with its notice of opposition, a printout of its pleaded registration from the USPTO Trademark Electronic Search System (TESS) which shows that the registration is valid, subsisting and owned by opposer. [2] Opposer also submitted a notice of reliance on third party registrations, applicant's answers to opposer's first set of requests for admissions, and excerpts from applicant's answers to opposer's first set of interrogatories. In addition, opposer submitted the testimony depositions, with accompanying exhibits, of Mary Pellegrom, opposer's Marketing Director, and Keith Backhaus, opposer's Senior Marketing Manager in the Institutional Division. [3]

[*4]

Applicant did not take any testimony or file a brief. However, applicant submitted a notice of reliance on printouts from opposer's website, The Power Washer Advisor website and the Global Sources website. [4]

The Parties

With more than $ 6 billion in global sales, and more than 26,000 associates worldwide, opposer provides cleaning, sanitizing, food safety and infection control products and services to industries including the food, energy, healthcare, institutional and hospitality markets in more than **[*5]** 160 countries. App. Notice of Reliance (NOR) . Since 1999, opposer has manufactured and sold a line of cleaning products under the mark CLEAN FORCE. Backhaus Dep., p. 10. These products generally are used to clean kitchens, restrooms, living areas and laundry. Backhaus Dep. Exh. 2. Since their introduction in 1999, the number of different cleaning products sold under the CLEAN FORCE mark has grown from approximately 8 to 12 to more than 150. Backhaus Dep., pp. 9-10, Exh. 2; Pellegrom Dep. Exh. 37. Opposer also manufactures and sells pressure washers under the RABURN and PORTA-WASHER marks. Backhaus Dep., pp. 21-22, Exhs. 8-9; App. NOR. In conjunction with its distribution partner, U.S. Foodservice, opposer provides CLEAN FORCE cleaning products and related equipment to between three and four hundred thousand customers nationwide each year. Backhaus Dep., p. 13.

Applicant has used the mark CLEANFORCE on electric pressure washers since June 2009. Applicant's Response to Interrogatory No. 4. Applicant first used the mark in commerce in May 2010, when it shipped an electric pressure washer from China to The Home Depot in Arizona. Applicant's Response to Interrogatory No. 5. Applicant **[*6]** only uses the CLEANFORCE mark in the United States in connection with electric pressure washers, and only sells them at The Home Depot and Northern Tools &

[2] Pleaded registrations may be made of record by attaching ″a current printout of information from the electronic database records of the UPTO showing the current status and title of the registration. ″ Trademark Rule 2.122(d)(1), 37 C.F.R. § 2.122(d)(1).

[3] Certain testimony and exhibits were designated as confidential, and we will discuss those portions of the record in general terms. In addition, while we only discuss certain portions of the record in the decision, we have considered the entire record in arriving at our determination.

[4] The January 3, 2013 Board order struck the remaining materials that applicant submitted under the same notice of reliance.

Equipment. Applicant's Responses to Interrogatory Nos. 22 and 18, respectively.

Standing/Priority

Because opposer has made the pleaded registration properly of record, opposer has established its standing to oppose registration of applicant's mark, and its priority is not in issue as to the goods in the registration. *See* *Jewelers Vigilance Committee, Inc. v. Ullenberg Corp., 823 F.2d 490, 2 USPQ2d 2021 (Fed. Cir. 1987)*; *Lipton Industries, Inc. v. Ralston Purina Co., 670 F.2d 1024, 213 USPQ 185 (CCPA 1982)*; and *King Candy Co., Inc. v. Eunice King's Kitchen, Inc., 496 F.2d 1400, 182 USPQ 108 (CCPA 1974)*.

Accordingly, we turn to the issue of likelihood of confusion under Section 2(d).

Likelihood of Confusion

Our likelihood of confusion determination under Section 2(d) is based on an analysis of all of the probative facts in evidence that are relevant to the factors set forth in *In re E.I. du Pont de Nemours & Co., 476 F.2d 1357, 177 USPQ 563 (CCPA 1973).* **[*7]** *See also* *In re Majestic Distilling Company, Inc., 315 F.3d 1311, 65 USPQ2d 1201 (Fed. Cir. 2003)*.

We begin with the strength of opposer's CLEAN FORCE mark in order to determine the scope of protection to be accorded opposer's mark. *Recot Inc. v. M.C. Becton, 214 F.3d 1322, 54 USPQ2d 1894, 1897 (Fed. Cir. 2000)*. Although opposer did not plead or argue that the CLEAN FORCE mark is famous, opposer contends that the mark is well known, and that "[t]he strength of the CLEAN FORCE mark is derived, in part, from its suggestive nature as well as from the extensive goodwill cultivated by Ecolab." Br., p. 14. In making this argument, opposer acknowledges that CLEAN FORCE is suggestive as to applicant's goods. As such, CLEAN FORCE would not be viewed as inherently strong. However, the record shows that opposer's mark is commercially strong due to opposer's extensive use on various cleaning products, and in connection with the sale of those products since 1999. See generally Backhaus and Pellegrom Deps.

The commercial strength of a mark "may be measured indirectly, among other things, by the volume of sales and advertising expenditures of the goods traveling **[*8]** under the mark, and by the length of time those indicia of commercial awareness have been evident." *Bose Corp. v. QSC Audio Products, Inc., 293 F.3d 1367, 63 USPQ2d 1303, 1305 (Fed. Cir. 2002)*. In addition, some context in which to place raw statistics may be necessary. *Id. at 1309*. To this end, Ms. Pellegrom's testimony confirms the sales success of CLEAN FORCE brand cleaning products, which she describes as "significant" (Pellegrom Dep., p. 13), and Mr. Backhaus testified as to the growth of the number of such products from 8 to 12 in 1999 to more than 100 currently. [5] Backhaus Dep. p. 9. While the advertising figures are not substantial, Mr. Backhaus testified that much of the promotion is done in conjunction with U.S. Foodservice (U.S. Foods), opposer's distributor partner, through which opposer provides CLEAN FORCE cleaning products and related equipment to approximately 300,000 to 400,000 customers throughout the United States each year. Backhaus Dep., p. 13. Mr. Backhaus also testified that he was unaware of any other third-party uses of CLEAN FORCE for cleaning preparations or cleaning equipment. Id., pp. 14-15.

[*9]

While the renown of opposer's mark does not rise to the level of a famous mark, we find that it is commercially strong and entitled to a broad scope of protection.

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[5] Opposer's confidential "US Foods/Clean Force Product Offering", submitted as Pellegrom Dep. Exh. 37, displays approximately 150 cleaning products.

We now turn to the similarity or dissimilarity of the marks CLEAN FORCE and CLEANFORCE when compared in their entireties in terms of appearance, sound, connotation and commercial impression. *See* *Palm Bay Imports, Inc. v. Veuve Clicquot Ponsardin Fondee En 1772, 396 F.3d 1369, 73 USPQ2d 1689, 1691 (Fed. Cir. 2005)*. Applicant admits that the involved marks are identical in sound. [6] The marks also are nearly identical in appearance and structure in that both begin with the word CLEAN followed by the word FORCE, and differ only by the space between the words in opposer's mark. Given the overall similarities in appearance and identity in sound, the presence or absence of a space between the words is insignificant, and does not distinguish the marks in meaning or commercial impression. The record confirms the insignificance of the presence or absence of the space in the parties' marks -- both parties actually display the marks in almost identical fashion, with the word CLEAN stacked over the word FORCE, and **[*10]** the word FORCE appearing in a slanted font. Backhaus Dep. Exh. 3.; Pellegrom Dep. Exh. 34. We therefore consider the marks to be virtually identical, and resolve this issue in favor of a finding of likelihood of confusion.

We now consider the goods, channels of trade and classes of purchasers. We must make our determination under these factors based on the goods as they are identified in the application and registration. *See* *Octocom Systems Inc. v. Houston Computer Services, Inc., 918 F.2d 937, 16 USPQ2d 1783 (Fed. Cir. 1990)*. The goods need not be identical or directly competitive in order for there to be a likelihood of confusion. Rather, the respective goods need only be related in some 6 Applicant's Response to Opposer's Request for Admission No. 24. manner or the conditions surrounding their marketing be such that they could be encountered by the same purchasers under circumstances that could give rise to the mistaken **[*11]** belief that the goods come from a common source. *Edwards Lifesciences Corp. v. VigiLanz Corp., 94 USPQ2d 1399, 1410 (TTAB 2010)*. Finally, where, as here, the respective marks are virtually identical, the relationship between the goods need not be as close to support a finding of likelihood of confusion as would be required in a case where there are differences between the marks. *In re Concordia Int'l Forwarding Corp., 222 USPQ 355 (TTAB 1983)*.

The record clearly shows that electric pressure washers and cleaning preparations are complementary items which consumers often use together. Backhaus Dep., pp. 13, 15-17, Exhs. 5-6. If similar marks appear on complementary goods, then there is a strong likelihood that buyers will think that there is some connection between the sources of such goods. *See, e.g.,* *In re Martin's Famous Pastry Shoppe, Inc., 748 F.2d 1565, 1567 (Fed. Cir. 1994)*; *Polo Fashions, Inc. v. La Loren, Inc., 224 USPQ 509, 511 (TTAB 1984)*.

In response to Request for Admission No. 13, applicant admitted that ″electric pressure washers are used with cleaning preparations at times.″ Similarly, in response to **[*12]** Interrogatory No. 22, which asks applicant to ″describe with specificity the features of Applicant's CLEANFORCE products and whether they can be used with cleaning detergents″ , applicant states ″the Applicant's CLEANFORCE products are electric pressure washers which can be used with cleaning detergents. ″

Many pressure washers, including applicant's, are designed with detergent bottle assemblies for dispensing cleaning solutions while the product is in use. Backhaus Dep., pp. 13, 26, 27, Exhs. 3 and 4. Products such as opposer's CLEAN FORCE

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[6] Applicant's Response to Opposer's Request for Admission No. 24.

cleaning preparations and PROFORCE [7] heavy degreasers can be used with applicant's CLEANFORCE pressure washers. Backhaus Dep., p. 13; App. NOR. Similarly, opposer's RABURN and PORTA-WASHER pressure washers, which are marketed in conjunction with the ECOLAB brand name, can be used with any type of pressure washer cleaning solution. Backhaus Dep., pp. 21-22, Exhs. 8-9; App. NOR.

[*13]

Although applicant does not recommend a particular brand of cleaning product for use with its CLEANFORCE power washers, most companies that sell pressure washers also sell associated cleaning products in ″kind of a razor blade/razor combination.″ Backhaus Dep., p. 27. The third-party registrations and internet materials of record, substantiated by Mr. Backhaus' testimony, further support that both types of products commonly are sold by the same company under the same mark. Mr. Backhaus testified as to 22 marks, including opposer's ECOLAB house mark, and third-party marks such as DIRT DEVIL, SIMONIZ, KARCHER and HOMELITE, that currently are used and/or registered in connection with pressure washers and cleaning preparations. Backhaus Dep., pp. 26-38, Exhs. 12-32. In this vein, opposer's ECOLAB CLEANING CADDY pressure washer system includes a spray wand for pressure washing and a lock-and-key product dispenser, which guarantees that consumers only use ECOLAB cleaning products in connection therewith. Backhaus Dep. pp. 16, 18, Exhs 5-7.

Because the goods are closely related and because there are no limitations in either the registrations or the subject application, we must presume that **[*14]** applicant's and opposer's goods will be sold in the same channels of trade that are normal for such items, such as hardware stores, home improvement stores, specialty tool stores and general merchandise stores (Backhaus Dep., pp. 23-25, Exhs. 10-13), and that they will be bought by the same classes of purchasers. *See Hewlett-Packard Co. v. Packard Press Inc., 281 F.3d 1261, 62 USPQ2d 1001 (Fed. Cir. 2002)*. The record confirms this presumption: Home Depot, Northern Tool & Equipment and Menards all display pressure washers and cleaning preparations in the same section and/or next to each other. Backhaus Dep., 15, 24, 25 and 40, Exhs. 10 and 11.

In view of the above, the *du Pont* factors of the similarity of the goods, the channels of trade and class of purchasers favor a finding of likelihood of confusion.

In conclusion, because opposer's mark is commercially strong, the marks are virtually identical, the goods are commercially related, complementary items, and the channels of trade and classes of consumers overlap, confusion is likely between opposer's mark CLEAN FORCE and applicant's mark CLEANFORCE.

Decision: The opposition is sustained and registration **[*15]** to applicant is refused.

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[7] Although opposer did not plead a family of FORCE marks, Mr. Backhaus testified as to opposer's ORANGE FORCE cleaning products. Backhaus Dep., p. 20. In addition, applicant's NOR includes printouts from Sam's Club displaying opposer's PURE FORCE cleaning products.

687 F.Supp.2d 811
United States District Court,
C.D. Illinois.

FLAGSTAR BANK, FSB, Plaintiff,
v.
FREESTAR BANK, N.A., Defendant.

Case No. 08–1278. | Nov. 13, 2009.

Synopsis
Background: Multi-state bank sued Illinois community bank, alleging trademark infringement under Illinois common law and Lanham Act and false designation of origin, false advertising, and trade dress infringement under Lanham Act. Parties cross-moved for summary judgment, and also moved to strike expert reports.

Holdings: The District Court, Michael M. Mihm, J., held that:

[1] expert's proffered testimony lacked reliability;

[2] expert's proffered testimony was unnecessary;

[3] multi-state bank's marks and community bank's mark were not confusingly similar;

[4] banks' services were not used concurrently in any area or manner;

[5] multi-state bank failed to establish strength of its marks for purposes of establishing likelihood of confusion, and

[6] likelihood of confusion did not exist, as required for multi-state bank to establish its claims.

Summary judgment for community bank.

West Headnotes (36)

[1] **Evidence**
Matters involving scientific or other special knowledge in general
Evidence
Necessity and sufficiency

157Evidence
157XIIOpinion Evidence
157XII(B)Subjects of Expert Testimony
157k508Matters involving scientific or other special knowledge in general
157Evidence
157XIIOpinion Evidence
157XII(D)Examination of Experts
157k555Basis of Opinion
157k555.2Necessity and sufficiency

Under rule governing expert testimony, court functions as a gatekeeper, allowing admission of expert testimony only if it rests on a reliable foundation and is relevant to the task at hand. Fed.Rules Evid.Rule 702, 28 U.S.C.A.

Cases that cite this headnote

[2] **Evidence**
Necessity and sufficiency

157Evidence
157XIIOpinion Evidence
157XII(D)Examination of Experts
157k555Basis of Opinion
157k555.2Necessity and sufficiency

Courts may consider numerous factors when determining the reliability of proposed expert testimony, including whether the theory or technique can be, and has been, tested, whether the theory has been subjected to peer review and publication, the technique's known or potential rate of error, whether the theory is generally accepted within the community, and whether the expert's preparation is of a kind that others in the field would recognize as acceptable. Fed.Rules Evid.Rule 702, 28 U.S.C.A.

Cases that cite this headnote

[3] **Evidence**
References to authorities on subject

157Evidence

157XIIOpinion Evidence
157XII(D)Examination of Experts
157k556References to authorities on subject

Expert's consultation of texts is acceptable, for purposes of determining admissibility of expert's testimony, if it leads to a report grounded in accepted theory or method applicable to the field. Fed.Rules Evid.Rule 702, 28 U.S.C.A.

Cases that cite this headnote

[4] **Evidence**
Necessity and sufficiency

157Evidence
157XIIOpinion Evidence
157XII(D)Examination of Experts
157k555Basis of Opinion
157k555.2Necessity and sufficiency

Proffered testimony of expert in "social" linguistics and rhetorical criticism, which opined that substantial population of bank customers were likely to confuse banks' "Flagstar Bank" and "Freestar Bank" marks if encountered in common marketplace, lacked reliability required for admission of testimony in action for, inter alia, trademark infringement; expert presented no proposal, theory, or technique justifying his conclusion, referenced no polls or qualitative research supporting his statement that patriotic metaphorical associations with words used by marks had become particularly re-energized, and failed to link such concept to likelihood of marketplace confusion. Lanham Act, § 32, 15 U.S.C.A. § 1114; Fed.Rules Evid.Rule 702, 28 U.S.C.A.

Cases that cite this headnote

[5] **Evidence**
Necessity and sufficiency

157Evidence
157XIIOpinion Evidence
157XII(D)Examination of Experts
157k555Basis of Opinion
157k555.2Necessity and sufficiency

Without data, process, theory, or any other testable methodology, expert testimony does not fall within *Daubert* admissibility standards. Fed.Rules Evid.Rule 702, 28 U.S.C.A.

Cases that cite this headnote

[6] **Evidence**
Construction of written instruments

157Evidence
157XIIOpinion Evidence
157XII(B)Subjects of Expert Testimony
157k518Construction of written instruments

Proffered testimony of expert in "social" linguistics and rhetorical criticism, who opined that substantial population of bank customers were likely to confuse banks' "Flagstar Bank" and "Freestar Bank" marks if encountered in common marketplace, was unnecessary in action for, inter alia, trademark infringement, warranting granting of motion to strike; trier of fact could draw upon his or her own understanding and evaluate meanings of words "free," "flag," and "star" included in marks, and expert's report offered no help to triers of fact, beyond their own comprehension abilities, in determining degree of similarity between marks and whether that level of similarity would likely lead consumers to be confused. Lanham Act, § 32, 15 U.S.C.A. § 1114; Fed.Rules Evid.Rule 702, 28 U.S.C.A.

Cases that cite this headnote

[7] **Evidence**
Matters of common knowledge or observation

157Evidence
157XIIOpinion Evidence
157XII(B)Subjects of Expert Testimony
157k507Matters of common knowledge or observation

Expert testimony is unnecessary, and may be excluded at the trial judge's discretion, if all the

primary facts can be accurately and intelligibly described to the jury, and if they, as men of common understanding, are as capable of comprehending the primary facts and of drawing correct conclusions from them as are witnesses possessed of special or peculiar training, experience, or observation in respect of the subject under investigation. Fed.Rules Evid.Rule 702, 28 U.S.C.A.

Cases that cite this headnote

[8] **Trademarks**
Persons entitled to sue

382TTrademarks
382TIXActions and Proceedings
382TIX(A)In General
382Tk1563Persons entitled to sue

Owner of registered trademarks for "Flagstar Bank" alleged injury-in-fact required for Article III standing in action for, inter alia, trademark infringement by asserting that another bank's continued use of its "Freestar Bank" mark violated owner's rights under Lanham Act and would cause harm to value of its registered marks. U.S.C.A. Const. Art. 3, § 2, cl. 1; Lanham Act, § 32(1), 15 U.S.C.A. § 1114(1).

Cases that cite this headnote

[9] **Trademarks**
Infringement

382TTrademarks
382TVIIIViolations of Rights
382TVIII(A)In General
382Tk1418Practices or Conduct Prohibited in General; Elements
382Tk1421Infringement

Plaintiff may recover for trademark infringement under the Lanham Act by establishing that (1) its mark is protectable and (2) a junior mark creates a likelihood of confusion in the minds of consumers. Lanham Act, § 32, 15 U.S.C.A. § 1114.

Cases that cite this headnote

[10] **Trademarks**
Factors considered in general

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1081Factors considered in general

To determine whether a likelihood of confusion exists for purposes of trademark infringement claim, court must analyze seven factors: (1) the similarity between the marks in appearance and suggestion, (2) the similarity of the products, (3) the area and manner of concurrent use, (4) the degree and care likely to be exercised by consumers, (5) the strength of plaintiff's mark, (6) any actual confusion, and (7) the intent of defendant to "palm off" his product as that of another. Lanham Act, § 32, 15 U.S.C.A. § 1114.

Cases that cite this headnote

[11] **Trademarks**
Factors considered in general
Trademarks
Actual confusion
Trademarks
Similarity or dissimilarity in general
Trademarks
Intent; knowledge of confusion or similarity

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1081Factors considered in general
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1083Nature of Confusion
382Tk1086Actual confusion
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1093Relationship Between Marks
382Tk1095Similarity or dissimilarity in general
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of

Confusion
382Tk1111Intent; knowledge of confusion or similarity

Court may apply varying weight to factors considered in determining whether likelihood of confusion exists for purposes of trademark infringement claim, depending upon the facts of the case; however, the similarity of the marks, defendant's intent, and actual confusion are of particular importance. Lanham Act, § 32, 15 U.S.C.A. § 1114.

Cases that cite this headnote

[12] **Trademarks**
Examination and comparison; construction as entirety

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1093Relationship Between Marks
382Tk1097Examination and comparison; construction as entirety

Court determining in trademark infringement action whether two marks are confusingly similar should consider the marks as a whole. Lanham Act, § 32, 15 U.S.C.A. § 1114.

1 Cases that cite this headnote

[13] **Trademarks**
Examination and comparison; construction as entirety

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1093Relationship Between Marks
382Tk1097Examination and comparison; construction as entirety

Court must evaluate marks in light of what happens in the marketplace, and not merely by looking at the two marks side-by-side, in determining whether two marks are confusingly similar for purposes of trademark infringement claims. Lanham Act, § 32, 15 U.S.C.A. § 1114.

Cases that cite this headnote

[14] **Trademarks**
Similarity or dissimilarity in general

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1093Relationship Between Marks
382Tk1095Similarity or dissimilarity in general

Question to be addressed in deciding whether two marks are confusingly similar for trademark infringement purposes is not whether the public would confuse marks, but whether viewer of accused mark would be likely to associate product or service with which it is connected with source of products or services with which earlier mark is connected. Lanham Act, § 32, 15 U.S.C.A. § 1114.

Cases that cite this headnote

[15] **Trademarks**
Similarity or dissimilarity in general

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1093Relationship Between Marks
382Tk1095Similarity or dissimilarity in general

Court deciding whether two marks are confusingly similar for purposes of trademark infringement claim should consider whether similarity of marks would lead a customer to believe that trademark owner sponsored, endorsed, or was otherwise affiliated with defendant's product. Lanham Act, § 32, 15 U.S.C.A. § 1114.

Cases that cite this headnote

[16] **Trademarks**
Examination and comparison; construction as entirety

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1093Relationship Between Marks
382Tk1097Examination and comparison; construction as entirety

Court must move beyond a side-by-side comparison of minor details when considering the similarity of marks in determining whether marks are confusingly similar for trademark infringement purposes. Lanham Act, § 32, 15 U.S.C.A. § 1114.

Cases that cite this headnote

[17] **Trademarks**
Appearance, sound, and meaning
Trademarks
Particular cases

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1093Relationship Between Marks
382Tk1098Appearance, sound, and meaning
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1117Trade Dress
382Tk1119Particular cases

Multi-state bank's registered "Flagstar" mark and community bank's "Freestar Bank" mark were not confusingly similar for purposes of multi-state bank's trademark infringement claims and claims for false designation of origin, false advertising, and trade dress infringement, given limited similarities between marks; "Flagstar" mark was not formatted and included no colors or graphics, whereas community bank's mark included italicized letters, identified registrant as a bank, included four-word slogan, "Life keeps getting better!," and had "A" in "star" appear in color green, with star-shape graphic in center of letter that invoked imagery of shooting star. Lanham Act, §§ 32, 43, 15 U.S.C.A. §§ 1114, 1125.

Cases that cite this headnote

[18] **Trademarks**
Appearance, sound, and meaning
Trademarks
Particular cases

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1093Relationship Between Marks
382Tk1098Appearance, sound, and meaning
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1117Trade Dress
382Tk1119Particular cases

Multi-state bank's mark, which depicted word "Flagstar" accompanied by slogan, "The new wave in banking," and graphic implying waves of a flag, was not confusingly similar for purposes of multi-state bank's claims for trademark infringement, false designation of origin, false advertising, and trade dress infringement to mark of community bank, which had "Freestar Bank" in all capital lettering, slogan "Life keeps getting better!," and green, star-shaped graphic on "A" in "star," even though both marks included words italicized in same direction and reference to banking business; marks featured completely different graphics, slogans that differed in both content and function, and different color-schemes. Lanham Act, §§ 32, 43, 15 U.S.C.A. §§ 1114, 1125.

Cases that cite this headnote

[19] **Trademarks**
Appearance, sound, and meaning
Trademarks
Particular cases

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1093Relationship Between Marks
382Tk1098Appearance, sound, and meaning

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1117Trade Dress
382Tk1119Particular cases

Similarities between multi-state bank's registered "Flagstar Bank" mark and "Freestar Bank" mark of community bank did not make marks confusingly similar for purposes of multi-state bank's claims for trademark infringement, false designation of origin, false advertising, and trade dress infringement, even though both marks included word "bank" in bottom right corner of mark and featured italicized lettering, where graphics were different and unrelated, one consisting of two thick, black, wavy lines and other a shooting star, capitalization of words was different, and community bank's mark included its slogan, along with color green. Lanham Act, §§ 32, 43, 15 U.S.C.A. §§ 1114, 1125.

Cases that cite this headnote

[20] **Trademarks**
Appearance, sound, and meaning
Trademarks
Particular cases

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1093Relationship Between Marks
382Tk1098Appearance, sound, and meaning
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1117Trade Dress
382Tk1119Particular cases

Although "Flagstar Bank" mark of multi-state bank appeared similar to "Freestar Bank" mark of community bank when compared side-to-side, in that each included italicized lettering, capital letters for all words, word "Bank" on lower right of mark, and star graphic in middle of letter "A" in "star," marks were not confusingly similar for purposes of multi-state bank's claims for trademark infringement, false designation of origin, false advertising, and trade dress infringement, since multi-state bank's mark had "wave" graphic, community bank's mark included slogan and "shooting" star graphic, and multi-state bank's marks, as used in the marketplace, featured color red prominently, while community bank's mark employed consistent use of black and green. Lanham Act, §§ 32, 43, 15 U.S.C.A. §§ 1114, 1125.

Cases that cite this headnote

[21] **Trademarks**
Knowledge, intent, and motive; bad faith
Trademarks
Trade dress

382TTrademarks
382TIXActions and Proceedings
382TIX(C)Evidence
382Tk1601Presumptions and Burden of Proof
382Tk1610Knowledge, intent, and motive; bad faith
382TTrademarks
382TIXActions and Proceedings
382TIX(C)Evidence
382Tk1601Presumptions and Burden of Proof
382Tk1611Trade dress

Inference that community bank intended to pass off its products as having come from multi-state bank could not be drawn in determining whether likelihood of confusion existed in multi-state bank's action for trademark infringement, false designation of origin, false advertising, and trade dress infringement where multi-state bank operated no banking centers or home loan centers in three Illinois counties in which community bank exclusively operated and advertised and multi-state bank offered no evidence regarding either a business or marketing presence in geographic area in which community bank's mark competed. Lanham Act, §§ 32, 43, 15 U.S.C.A. §§ 1114, 1125.

Cases that cite this headnote

[22] **Trademarks**
Knowledge, intent, and motives; bad faith

382TTrademarks
382TVIIIViolations of Rights
382TVIII(A)In General

382Tk1437Knowledge, intent, and motives; bad faith

Actual knowledge alone is not enough to prove intent on part of alleged trademark infringer to pass off its products as having come from trademark holder. Lanham Act, §§ 32, 43, 15 U.S.C.A. §§ 1114, 1125.

Cases that cite this headnote

[23] **Trademarks**
Actual confusion

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1083Nature of Confusion
382Tk1086Actual confusion

Evidence of actual confusion is not required to prove that a likelihood of confusion exists in trademark infringement action. Lanham Act, § 32, 15 U.S.C.A. § 1114.

Cases that cite this headnote

[24] **Trademarks**
Markets and territories; competition
Trademarks
Trade channels; sales, advertising, and marketing

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1100Relationship Between Goods or Services Underlying Marks
382Tk1104Markets and territories; competition
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1107Nature and Circumstances of Use of Marks
382Tk1110Trade channels; sales, advertising, and marketing

When evaluating, in trademark infringement action, element of likelihood-of-confusion test requiring court to evaluate area and manner of concurrent use of marks, court must determine whether there is a relationship in use, promotion, distribution, or sales between the goods or services of the parties, and primary considerations include geographic overlap, direct competition between products, and use of same marketing channels. Lanham Act, § 32, 15 U.S.C.A. § 1114.

Cases that cite this headnote

[25] **Trademarks**
Markets and territories; competition
Trademarks
Trade channels; sales, advertising, and marketing

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1100Relationship Between Goods or Services Underlying Marks
382Tk1104Markets and territories; competition
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1107Nature and Circumstances of Use of Marks
382Tk1110Trade channels; sales, advertising, and marketing

Services of multi-state bank and community bank were not used concurrently in any area or manner, for purposes of determining whether likelihood of confusion existed as to banks' "Flagstar Bank" and "Freestar Bank" marks in action for, inter alia, trademark infringement; parties' geographic markets did not overlap, there was no evidence that multi-state bank reasonably expected to expand into three Illinois counties in which community bank operated exclusively, and multi-state bank did not market its services via local radio stations, television advertisements, newspapers, and billboards used by community bank in three counties in which it operated. Lanham Act, §§ 32, 43, 15 U.S.C.A. §§ 1114, 1125.

Cases that cite this headnote

[26] **Trademarks**
"Initial interest" confusion
Trademarks
Persons confused; circumstances of sale

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1083Nature of Confusion
382Tk1088"Initial interest" confusion
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1112Persons confused; circumstances of sale

Initial interest confusion occurs, for purposes of element of likelihood-of-confusion test for trademark infringement claim requiring evaluation of degree of care exercised by consumers, when a consumer 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. Lanham Act, § 32, 15 U.S.C.A. § 1114.

Cases that cite this headnote

[27] **Trademarks**
"Initial interest" confusion
Trademarks
Particular cases

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1083Nature of Confusion
382Tk1088"Initial interest" confusion
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1117Trade Dress
382Tk1119Particular cases

Multi-state bank did not show initial interest confusion in seeking to establish likelihood of confusion between its "Flagstar Bank" marks and community bank's "Freestar Bank" mark to support its claims for trademark infringement, false designation of origin, false advertising, and trade dress infringement where there was no evidence that community bank lured multi-state bank's consumers to its products or website in any way, or that consumers would patronize community bank due to perception that it was linked with multi-state bank. Lanham Act, §§ 32, 43, 15 U.S.C.A. §§ 1114, 1125.

Cases that cite this headnote

[28] **Trademarks**
"Reverse" confusion
Trademarks
Persons confused; circumstances of sale

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1083Nature of Confusion
382Tk1089"Reverse" confusion
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1112Persons confused; circumstances of sale

Reverse confusion occurs, for purposes of element of likelihood-of-confusion test for trademark infringement claim requiring evaluation of degree of care exercised by consumers, where a large junior user saturates the market with a trademark similar or identical to that of a smaller, senior user, causing consumers to begin to see the senior user as the infringer. Lanham Act, § 32, 15 U.S.C.A. § 1114.

Cases that cite this headnote

[29] **Trademarks**
"Reverse" confusion
Trademarks
Particular cases

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1083Nature of Confusion
382Tk1089"Reverse" confusion
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1117Trade Dress

382Tk1119Particular cases

Reverse confusion did not exist to support multi-state bank's claims against community bank for trademark infringement, false designation of origin, false advertising, and trade dress infringement where neither party asserted that community bank had saturated central Illinois banking market in which it operated and there was no evidence that multi-state bank's expansion into central Illinois would be hampered because community bank had created strong association between its products and multi-state bank's marks. Lanham Act, §§ 32, 43, 15 U.S.C.A. §§ 1114, 1125.

Cases that cite this headnote

[30] **Trademarks**
Strength or fame of marks; degree of distinctiveness

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1090Nature of Marks
382Tk1092Strength or fame of marks; degree of distinctiveness

Court determining likelihood of confusion in trademark infringement action assesses strength of plaintiff's mark by evaluating overall economic and marketing strength of mark, which is measured by distinctiveness of mark, or, more precisely, its tendency to identify the goods sold under the mark as emanating from a particular source. Lanham Act, § 32, 15 U.S.C.A. § 1114.

2 Cases that cite this headnote

[31] **Trademarks**
Strength or fame of marks; degree of distinctiveness

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1090Nature of Marks
382Tk1092Strength or fame of marks; degree of distinctiveness

Evidence of the frequency of a mark's display and the amount of advertising dollars used to promote the mark are relevant factors when determining a mark's strength for purposes of determining likelihood of confusion in trademark infringement action. Lanham Act, § 32, 15 U.S.C.A. § 1114.

1 Cases that cite this headnote

[32] **Trademarks**
Strength or fame of marks; degree of distinctiveness
Trademarks
Particular cases

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1090Nature of Marks
382Tk1092Strength or fame of marks; degree of distinctiveness
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1117Trade Dress
382Tk1119Particular cases

Multi-state bank failed to establish strength of its marks for purposes of establishing likelihood of confusion supporting its claims against Illinois community bank for trademark infringement and for false designation of origin, false advertising, and trade dress infringement where bank's display of its marks in 175 banking centers in Michigan, Indiana, and Georgia and $12,300,000 advertising expenses in one year did not indicate mark bearing enormous economic and marketing strength nationwide, multi-state bank did not show that its marks had economic or marketing strength outside three states housing its banking centers, and multi-state bank was absent from three counties in central Illinois marketplace in which community bank did business. Lanham Act, §§ 32, 43, 15 U.S.C.A. §§ 1114, 1125.

Cases that cite this headnote

[33] **Trademarks**
Strength or fame of marks; degree of distinctiveness

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1090Nature of Marks
382Tk1092Strength or fame of marks; degree of distinctiveness

A mark cannot bear economic and marketing strength in a place where its holder does not do business and does not advertise for purposes of determining whether likelihood of confusion supports trademark infringement claim. Lanham Act, § 32, 15 U.S.C.A. § 1114.

Cases that cite this headnote

[34] **Trademarks**
Miscellaneous particular cases; determinations based on multiple factors
Trademarks
Particular cases

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1082Miscellaneous particular cases; determinations based on multiple factors
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1117Trade Dress
382Tk1119Particular cases

Likelihood of confusion did not exist between multi-state bank's "Flagstar Bank" marks and "Freestar Bank" mark of Illinois community bank, and therefore multi-state bank could not establish its claims for trademark infringement under Lanham Act and Illinois common law and for false designation of origin, false advertising, and trade dress infringement under Lanham Act, even though banks offered identical products and services and there were some similarities between marks, where banks' products and services were not offered concurrently in any area of country or marketed to overlapping consumer base, there was no evidence that multi-state bank would expand into three counties in which community bank operated exclusively, and there was no evidence of actual confusion or intent by community bank to palm its products off as being associated with products of multi-state bank. Lanham Act, § 32, 15 U.S.C.A. § 1114.

Cases that cite this headnote

[35] **Trademarks**
Alphabetical listing

382TTrademarks
382TXITrademarks and Trade Names Adjudicated
382Tk1800Alphabetical listing

Flagstar Bank.

Cases that cite this headnote

[36] **Trademarks**
Alphabetical listing

382TTrademarks
382TXITrademarks and Trade Names Adjudicated
382Tk1800Alphabetical listing

Freestar Bank.

Cases that cite this headnote

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***816** Fadi B. Rustom, Jordan A. Fifield, Kavanagh, Scully, Sudow, White & Frederick, PC, Peoria, IL, Kevin J. Heinl, Robert C. Tuttle, Chanille Carswell, Brooks & Kushman, Southfield, MI, for Plaintiff.

Robert A. Kearney, Law Office of Robert Kearney, Bloomington, IL, for Defendant.

ORDER

MICHAEL M. MIHM, District Judge.

This matter is now before the court on cross Motions for Summary Judgment as well as two *Daubert* Motions to Strike expert testimony. For the reasons set forth below, Plaintiff's Motion for Partial Summary Judgment on the "Likelihood of Confusion" Question [# 38] is DENIED. Defendant's Motion to Strike the Expert Report of Edward Lee Lamoureux [# 49] is GRANTED. The Court finds Plaintiff's Motion to Exclude the Expert Testimony of Ronald R. Butters, Ph.D. [# 59] MOOT. Defendant's Motion for Summary Judgment [# 57] is GRANTED.

JURISDICTION

The Court has jurisdiction over this matter pursuant to 15 U.S.C. § 1121 and ***817** 28 U.S.C. §§ 1331, as the complaint presents federal questions arising under the Lanham Act 15 U.S.C. §§ 1501, *et seq.* The Court has supplemental jurisdiction over the related state law claim pursuant to 28 U.S.C. § 1367.

FACTUAL BACKGROUND

Plaintiff, Flagstar Bank ("Flagstar"), Flagstar is a publicly traded, Michigan-based bank with 175 banking centers in Michigan, Indiana, and Georgia. There are no Flagstar banking centers located in Illinois.

Plaintiff is the owner of the following registered trademarks (with dates of registration in parenthesis):

- U.S. Trademark Registration No. 2,015,295 (11/12/1996):

FLAGSTAR

- U.S. Trademark Registration No. 2,123,471 (12/13/1997):

- U.S. Trademark Registration No. 3,188,184 (12/19/2006):

- U.S. Trademark Registration No. 3,593,602 (3/24/2009):

Flagstar offers checking and savings accounts, home mortgage loans, and money market accounts as a part of its banking services. Prospective customers must submit to a credit check prior to opening an account with Flagstar, who bases the approval of the new account on the prospective customer's financial history. According to its 2008 Annual Report, Flagstar has incurred $12.3 million in advertising costs over the course of the year. Registration No. 3,188,184 is the mark that Flagstar predominantly uses in commerce today. Joyce Depo. at ***818** 12. The "legacy mark" (Registration No. 2, 123,471) is Flagstar's original trademark and is still used in various parts of the organization. *Id.* at 11.

Flagstar also operates 104 home loan centers, including five within the state of Illinois. None of Flagstar's Illinois home loan centers are located in Champaign, Livingston, or McLean counties. Flagstar's home loan centers are engaged in mortgage origination; customers are not capable of making deposits or withdrawals at the home loan centers. The home loan centers are provided with Flagstar marketing materials and are allowed to independently decide how to utilize those materials in local advertising.

Freestar is a small community bank with 13 branches, all located within a three-county area of Central Illinois: Champaign, Livingston, and McLean. Defendant limits its advertising to that area. Freestar began operations in 1934 as "Pontiac National Bank" and "Peoples Bank," and adopted the "Freestar Bank" name in 2006 after consulting with The Tracy Edwards Company, a private branding and marketing consulting company. Freestar offers traditional banking services including checking and savings accounts as well as home mortgage loans.

For over three years, Freestar has used its mark in commerce. According to Freestar's designated representative, Freestar limits its advertising to the three-county area in which it operates banking centers via local radio stations, television broadcasts, newspapers, and billboards. Vogelsinger Aff. ¶ 20. On June 23, 2006, Defendant filed Application No. 78/915,706 to register the following mark:

The parties do not dispute the identical nature of their products and services. Both parties' banking centers offer personal and business savings accounts, personal and business checking accounts, money market accounts, certificates of deposit, home mortgage loans, home equity lines of credit, online banking and online mortgage applications. Flagstar's home loan centers are used for

mortgage origination, and customers are not able to make deposits or withdrawals at the home loan centers.

On October 15, 2008, Flagstar commenced this action against Freestar alleging trademark infringement under 15 U.S.C. § 1114 (Count One), false designation of origin, false advertising, and trade dress infringement under 15 U.S.C. § 1125 (Count Two), and Illinois state common law trademark infringement (Count Three). Plaintiff moved for Partial Summary Judgment on the "Likelihood of Confusion" Question. Flagstar argues that the evidence presented clearly proves that allowing competitive uses of FLAGSTAR BANK and FREESTAR BANK in the marketplace will create a likelihood of confusion. Flagstar points to the similarity of the marks, similarity of the products offered, and use of the same marketing channels directed toward a similar type of consumer to justify its position.

Freestar countered with its own Motion for Summary Judgment on all counts of Flagstar's Complaint. Freestar first claims that Flagstar lacks Constitutional ***819** standing to bring this lawsuit because it has failed to prove an actual or imminent injury giving rise to a justiciable case or controversy. Freestar asserts that the undisputed facts, as well as the evidence on the record, present no genuine issue of fact concerning the likelihood of confusion question. This matter is fully briefed, and this order follows.

DAUBERT MOTIONS

[1] Under Federal Rule of Evidence 702, witnesses "qualified as an expert by knowledge, skill, experience, training, or education" may testify as long as "scientific, technical, or other specialized knowledge will assist the trier of fact to understand the evidence or to determine a fact in issue". Fed.R.Evid. 702. The court functions as a gatekeeper, allowing the admission of expert testimony only if it "rests on a reliable foundation" and is "relevant to the task at hand". *Daubert v. Merrell Dow Pharmaceuticals, Inc.,* 509 U.S. 579, 597, 113 S.Ct. 2786, 125 L.Ed.2d 469 (1993).

[2] Courts may consider numerous factors when determining the reliability of proposed expert testimony, including: "whether the theory or technique ... can be (and has been) tested"; whether the theory "has been subjected to peer review and publication"; the technique's "known or potential rate of error"; if the theory is generally accepted within the community; and whether the expert's "preparation is of a kind that others in the field would recognize as acceptable". *Daubert,* 509 U.S. at 592–594, 113 S.Ct. 2786; *Kumho Tire Co., Ltd. v. Carmichael,* 526 U.S. 137, 151, 119 S.Ct. 1167, 143 L.Ed.2d 238 (1999).

I. Edward Lee Lamoureux

Dr. Edward Lee Lamoureux holds a Ph.D. from the University of Oregon in Rhetoric and Communication with an emphasis on conversation analysis, rhetoric, qualitative research methods, general speech, and interpersonal communication. He has been employed a professor in Bradley University's Department of Communication since 1985 and asserts that his expertise lies in the realm of "social" linguistics, as opposed to "formal" linguistics. Lamoureux Dep. at 33. Although Freestar disputes the relevancy of his qualifications, Dr. Lamoureux's educational background clearly qualifies him as an expert on "social" linguistics and rhetorical criticism.

Dr. Lamoureux has offered an expert report with two pages of analysis concerning the "Flagstar Bank" and "Freestar Bank" names. Lamoureux asserts that "flag," "free," and "star" are each "strongly associated with some of the most broadly shared values in American culture: Patriotism, loyalty, national identity, and individual rights". Briefly noting the "significant and overlapping metaphorical associations" of these words, Lamoureux goes on to state that "given post 9–11 emphases on patriotism and nationalism, we can expect that a substantial population of bank customers are likely to confuse" the parties' names if encountered in a common marketplace.

[3] [4] Freestar argues that Dr. Lamoureux's report is unreliable, not as a result of faulty methodology, but because Dr. Lamoureux employs no methodology at all. According to Dr. Lamoureux, his conclusions are based upon consultation of "classic texts" in the field of metaphorical association. The consultation of texts is acceptable if it leads to a report grounded in the accepted theory or method applicable to the field. However, as this court has stated before, "if [the expert] is unable to specify what type of methodology [he] employed in this case, it is impossible ... to evaluate the propriety of that methodology" ***820** . *Collier v. Bradley,* 113 F.Supp.2d 1235, 1244–1245 (C.D.Il.2000).

Dr. Lamoureux has not presented any proposal, theory, or technique justifying his conclusion that customers are likely to confuse the parties' marks. Dr. Lamoureux includes no footnotes and attaches no supplements which explain the theories offered by the "classic texts" he read. He includes no reference to or discussion of the classic

texts in his report. Thus, the court is left to speculate as to what the classic texts stated and how Dr. Lamoureux used those theories to reach the conclusions he articulates. Dr. Lamoureux proposes no theory which explains how one particular metaphor shared by three words becomes so dominant in customer's minds that it overcomes the many other metaphorical associations attributable to the words. Dr. Lamoureux asserts that all of these words are "God-terms," "Ideographs," and "Ultimate-terms"; however, he offers no explanation of the factors or process by which a word is evaluated and categorized as a "God-term". Further, Dr. Lamoureux offers no explanation of why words associated under the "God-term" category move beyond the realm of distinguishable similarity and into the world of confusion. His fleeting reference to "metaphorical markers" and similar meanings sets is accompanied by no stated theoretical underpinning which would explain the significance of these labels on consumer confusion in the marketplace.

[5] Further, Dr. Lamoureux references no polls or qualitative research supporting his statement that patriotic metaphorical associations "have become particularly 're-energized' and show an increase in both patriotic and nationalistic fervor since the events of September 11, 2001". R. 50, Ex. D: Dr. Lamoureux Expert Report. Without any references to back up this bare assertion, Dr. Lamoureux's statement is nothing more than conjecture. Is he asserting that "re-energized" patriotic metaphors reveal an increase in patriotic fervor? Does he base his conclusive findings on personal observation? Television reports? Dr. Lamoureux fails to establish any basis for a conclusion so important to his testimony. He also fails to discuss and quantify the phrase "particularly re-energized" or theoretically connect this concept with a likelihood of confusion in the marketplace. Have words bearing an association to patriotism become so "re-energized" that customers are not able to "meaningfully distinguish" between them? *Id.* Without data, process, theory, or any other testable methodology, expert testimony does not fall within the admissibility standards of *Daubert.*

The utter absence of a reliable theory is highlighted by Dr. Lamoureux's inability to express a theory or explain the procedure by which he could evaluate whether the words "freedom," "America," "liberty," and "patriot" fall under the same metaphorical umbrella of "patriotism" that also covers the terms "flag," "free," and "star". Lamoureux Dep. at 112–120 (Q: "Does patriot have a nationalistic or patriotic connotation to you?" A: "I don't have a professional opinion. I haven't studied it"). When questioned about his preparation process, Dr. Lamoureux stated that he was given the parties' names and subsequently "formulated sort of a plan of attack as to how I would work this out if I was going to make the argument". Lamoureux Dep. 111. Preparation by an expert which involves beginning with a goal (finding a similarity between the marks) and working backwards to meet the goal (evaluating only the given words, looking for a link) is the antithesis of reliable and scientific. *See Castellow v. Chevron USA,* 97 F.Supp.2d 780 (S.D.Tex.2000) (excluding expert testimony due to unreliable ***821** methodology which was "result-driven" and "anathema to both science and law").

[6] [7] In addition to a reliability inquiry, the court must evaluate the relevancy of the proffered testimony. Dr. Lamoureux's general expertise in the field of rhetorical criticism is relevant to a discussion of similarities in meanings between two words. However, expert testimony is unnecessary, and may be excluded at the trial judge's discretion, if

> "... all the primary facts can be accurately and intelligibly described to the jury, and if they, as men of common understanding are as capable of comprehending the primary facts and of drawing correct conclusions from them as are witnesses possessed of special or peculiar training, experience, or observation in respect of the subject under investigation." *Mercado v. Ahmed,* 974 F.2d 863, 870 (7th Cir.1992) (quoting *Salem v. United States Lines Co.,* 370 U.S. 31, 35 [82 S.Ct. 1119, 8 L.Ed.2d 313] (1962)).

In light of these standards, it is clear that the two page report submitted by Dr. Lamoureux is not particularly helpful because the trier of fact is able to draw upon his/her own understanding and evaluate the meanings of the words included in the parties' marks. First, the array of meanings and associations ascribable to the words "flag," "free," and "star" are easily discernable to "men of common understanding". When presented with the parties' marks, the average person is capable of concluding that all three words share a patriotic connotation. A person of average intelligence knows that the American flag features stars in the upper left corner and symbolizes, among many other concepts, the "Land of the Free". Conversely, the common juror is also capable of discerning the differences in meaning and association between the three words. A juror could conclude that a consumer hearing the word "star" would immediately think of outer space or a celebrity before thinking of the shape. It is entirely reasonable and conceivable, possibly even likely, that consumers could primarily associate the word "free" with an item or service requiring no payment. Considering the immense popularity of American football among American

citizens, a group of people brainstorming the meanings of these words could correctly note that a "flag" is also the yellow piece of cloth thrown during a football game after a penalty occurs on the field. Men of common understanding do not need assistance in comparing the similarities and differences of common English words such as "flag," "free" or "star". They need help in determining how the similarities of these words lead to confusion, or conversely, how the differences among the words may negate the likelihood of confusion. *See Patsy's Italian Restaurant, Inc. v. Banas,* 531 F.Supp.2d 483, 485 (E.D.N.Y.2008) (excluding expert testimony where the party has failed to show why the testimony would aid the jury on the likelihood of confusion question).

Lamoureux offers no reasoning, theory, or technique to aid the trier of fact in determining whether consumers are likely to link "flag," "free," and "star" to patriotism as opposed to the other associations listed above. Further, he offers no reasoning, theory, or technique to aid the trier of fact in assessing whether the patriotism associations are *confusingly* similar, as opposed to merely "similar". Thus, Dr. Lamoureux's expert report offers no help to the trier of fact, beyond their own comprehension abilities, in determining the degree of similarity between the marks and whether that level of similarity will likely lead consumers to be confused. Accordingly, the Motion to Strike is granted.

II. Dr. Ronald R. Butters

As the Court has determined that the expert report of Dr. Butters is not essential ***822** to ruling on the present Motions for Summary Judgment, the Court need not address the merits of Plaintiff's Motion to Strike. The Motion is therefore moot.

CROSS MOTIONS FOR SUMMARY JUDGMENT

Summary judgment should be granted where "the pleadings, depositions, answers to interrogatories and admissions on file, together with the affidavits, if any, show there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law." Fed.R.Civ.P. 56(c). The moving party has the responsibility of informing the Court of portions of the record of affidavits that demonstrate the absence of a triable issue. *Celotex Corp. v. Catrett,* 477 U.S. 317, 322, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986). The moving party may meet its burden of showing an absence of disputed material facts by demonstrating "that there is an absence of evidence to support the non-moving party's case." *Id.* at 325, 106 S.Ct. 2548. Any doubt as to the existence of a genuine issue for trial is resolved against the moving party. *Anderson v. Liberty Lobby, Inc.,* 477 U.S. 242, 255, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986); *Cain v. Lane,* 857 F.2d 1139, 1142 (7th Cir.1988).

If the moving party meets its burden, the non-moving party then has the burden of presenting specific facts to show that there is a genuine issue of material fact. *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.,* 475 U.S. 574, 586–87, 106 S.Ct. 1348, 89 L.Ed.2d 538 (1986). Federal Rule of Civil Procedure 56(e) requires the non-moving party to go beyond the pleadings and produce evidence of a genuine issue for trial. *Celotex,* 477 U.S. at 324, 106 S.Ct. 2548. In other words, the non-moving party "must do more than simply show there is some metaphysical doubt as to the material facts." *Matsushita,* 475 U.S. at 586, 106 S.Ct. 1348. Nevertheless, this Court must "view the record and all references drawn from it in the light most favorable to the [non-moving party]." *Holland v. Jefferson Nat. Life Ins. Co.,* 883 F.2d 1307, 1312 (7th Cir.1989). Summary judgment will be denied where a reasonable jury could return a verdict for the non-moving party. *Anderson v. Liberty Lobby, Inc.,* 477 U.S. at 248, 106 S.Ct. 2505; *Hedberg v. Indiana Bell Tel. Co.,* 47 F.3d 928, 931 (7th Cir.1995).

I. Standing to Sue

[8] Freestar begins its challenge by asserting that Flagstar does not have constitutional standing to bring this lawsuit because it has not suffered an "injury in fact" which is "actual or imminent, not conjectural or hypothetical". *Lujan v. Defenders of Wildlife,* 504 U.S. 555, 560, 112 S.Ct. 2130, 119 L.Ed.2d 351 (1992). This argument has no merit because Flagstar clearly asserts "an invasion of a legally protected interest". *Id.* Under Section 32(1) of the Lanham Act, a trademark "registrant" has standing to bring a lawsuit against "any person" who allegedly used an unauthorized "reproduction, counterfeit, copy, or colorable imitation" of the registrant's mark in commerce. 15 U.S.C. § 1114(1); *See 6 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 32:3 (4th ed. 2009)* ("if plaintiff is the owner of a federal mark registration, it may sue in federal court for infringement of that registered mark"). Flagstar is the undisputed owner of U.S. Trademark Registration No. 2,015,295, Registration No. 2,123,471, Registration No. 3,188,184, and Registration No. 3,593,602 and asserts that the continued use of Freestar's mark violates its rights under the Lanham Act and will cause harm to the value of its registered marks. This allegation represents an injury in

fact as defined in *Lujan,* and Freestar's argument to the contrary is unavailing.

***823 II. Likelihood of Confusion**

[9] A plaintiff may recover for trademark infringement under the Lanham Act by establishing that (1) its mark is protectable and (2) a junior mark creates a likelihood of confusion in the minds of consumers. *Eli Lilly & Co. v. Natural Answers Inc.,* 233 F.3d 456, 461 (7th Cir.2000). The first element of this inquiry, whether Flagstar's registered marks fall within the protection of the Lanham Act, is not at issue here as the Defendant has not challenged the validity of Plaintiff's registered trademarks or the right of the Plaintiff to use the marks. Thus, the only element at issue is the likelihood of confusion. The likelihood of confusion element is also necessary to prove the claims contained in Counts II and III of the Complaint. *Rust Environment & Infrastructure, Inc. v. Teunissen,* 131 F.3d 1210, 1214 (7th Cir.1997); *AHP Subsidiary Holding Co. v. Stuart Hale Co.,* 1 F.3d 611, 615 (7th Cir.1993); *Spraying Systems Co. v. Delavan, Inc.,* 975 F.2d 387, 392 (7th Cir.1992).[1] As a result, the only question now before the court is whether the evidence submitted on the likelihood of confusion issue is "so one-sided that there can be no doubt about how the question should be answered". *Packman v. Chicago Tribune Co.,* 267 F.3d 628, 637 (7th Cir.2001) (quoting *Door Sys., Inc. v. Pro–Line Door Sys., Inc.,* 83 F.3d 169, 171 (7th Cir.1996)).

[10] [11] To determine whether a likelihood of confusion exists, the court must analyze the following seven factors: (1) the similarity between the marks in appearance and suggestion; (2) the similarity of the products; (3) the area and manner of concurrent use; (4) the degree and care likely to be exercised by consumers; (5) the strength of the plaintiff's mark; (6) any actual confusion; and (7) the intent of the defendant to "palm off" his product as that of another. *AutoZone, Inc. v. Strick,* 543 F.3d 923, 929 (7th Cir.2008). The court may apply varying weight to each of these factors depending on the facts of the case; however, the similarity of the marks, defendant's intent, and actual confusion are of particular importance. See *Barbecue Marx, Inc. v. Ogden, Inc.,* 235 F.3d 1041, 1044 (7th Cir.2000); *Eli Lilly,* 233 F.3d at 461.

a. Similarity of the marks

[12] [13] [14] [15] When determining whether two marks are confusingly similar, the court should consider the marks as a whole. *AutoZone,* 543 F.3d at 929. The court must evaluate the marks "in light of what happens in the marketplace and not merely by looking at the two marks side-by-side". *Sullivan v. CBS Corp.,* 385 F.3d 772, 777 (7th Cir.2004) (citation omitted). The question to be addressed is "not whether the public would confuse the *marks,* but whether the viewer of an accused mark would be likely to associate the product or service with which it is connected with the source of products or services with which an earlier mark is connected". *AutoZone,* 543 F.3d at 930 (quoting *James Burrough Ltd. v. Sign of Beefeater, Inc.,* 540 F.2d 266, 275 (7th Cir.1976)). Stated more simply, the court should consider whether the similarity of the marks would lead a customer to believe that the trademark owner "sponsored, endorsed, or was otherwise affiliated with the [Defendant's] product". *AutoZone,* 543 F.3d at 930 (quoting *Nike, Inc. v. "Just Did It" Enters.,* 6 F.3d 1225, 1228–1229 (7th Cir.1993)).

Flagstar asserts that four registered marks, each containing the word "Flagstar" are infringed upon by Defendant's mark, which contains the word "Freestar". As a result, the similarities and differences ***824** between the words "Flagstar" and "Freestar" are applicable to all of the marks. To begin, both are two-syllable compound words beginning with the letter "F" and ending with the word "Star". Each word contains eight letters, the second letter a consonant and the third a vowel. However, the first word of each mark is distinctly different: "flag" and "free". Beyond the first letter, each word bears a distinct sound, utilizing different vowels (an "a" verses "e"), a different compound ("fl" verses "fr"), and a different ending ("ag" versus "ee").

[16] Courts, however, must move beyond a side-by-side comparison of minor details when considering the similarity of the marks. Accordingly, each of the following Flagstar marks will be compared to the Freestar mark based on overall impression.

i. U.S. Trademark Registration No. 2,015,295

FLAGSTAR

FREESTAR BANK
"Life keeps getting better!"

[17] The similarities between the two marks shown above are few. Plaintiff's mark is not formatted and includes no colors or graphics. Defendant's mark includes italicized letters, identifies the registrant as a bank, and includes the four word slogan: "Life keeps getting better!". Further, the "A" in "star" is the color green, with a star-shape graphic in the center of the letter. The points of the star extend into the "T" and "R" in the word "star," invoking the imagery of a shooting star.

A consumer looking at these two marks could not be reasonably confused as to their source. A reasonable person, based on the lack of similarity between these marks, would have no reason to believe that Flagstar sponsored the services being marketed by the owner of Defendant's mark. When taken as a whole, a genuine issue of material fact concerning whether or not these marks are confusingly similar simply does not exist.

ii. U.S. Trademark Registration No. 3,593,602

Flagstar
The new wave in banking

FREESTAR BANK
"Life keeps getting better!"

[18] The two marks above bear some similarities, but are not confusingly similar. Both marks include words italicized in the same direction. They also include a reference to the nature of their business: banking, as well as slogans located under the name of the bank.

In Flagstar's mark, the first letter of the word "Flagstar" is capitalized, followed by lower-case lettering. The slogan, "The new wave in banking," is located below the name, with a graphic comprised of two thick, black, curved lines underneath it. This graphic implies the waves of a flag. Joyce Dep. pg. 24.

***825** Freestar's mark is comprised of all capital lettering. It includes the word "Bank" on the lower right of the mark below the word "Star". The slogan, "Life keeps getting better!", is included on the third line of the mark. Finally, the mark includes the color green and has a star-shaped graphic on the "A" in "star".

The slogans included in each of the marks are very distinct and do not utilize any of the same words. Flagstar's slogan is a statement describing the innovative nature of Flagstar's services. In contrast, Freestar's slogan is an exclamatory quotation intended to focus the reader on himself and the nature of life with Freestar as his banking provider.

The differences between these marks are not "minor stylistic differences" between two marks with identical names. *Meridian Mut. Ins. Co. v. Meridian Ins. Group, Inc.,* 128 F.3d 1111, 1115 (7th Cir.1997). The marks at issue feature completely different graphics (two black curved bars and a star), slogans which differ in both content and function, and different color-schemes. When considered as a whole, these marks are clearly indicative of two separate entities and pose no likelihood of confusion.

iii. U.S. Trademark Registration No. 3,188,184

[19] The similarities between the marks above would not lead a consumer to become confused about the origin of defendant's mark. Both marks include the word "Bank" in the bottom right corner of the mark and feature italicized lettering. However, the graphics are different and unrelated (two thick, black, wavy lines in Flagstar's mark as opposed to a shooting star in Freestar's mark), the capitalization of the words is different, and Freestar's mark includes its slogan along with the color green.

Flagstar submitted photographs of its mark as it appears in the marketplace. As shown below, Flagstar's mark prominently features the color red when displayed in the marketplace. Freestar's pending registration for its mark singles out the colors black, green, and white as a feature of the mark. When the marks are considered as a whole, the colors featured on each mark, coupled with the graphical differences in their representation, the differences in name, and Freestar's slogan, overcome the minimal similarities of the marks and render them clearly distinguishable in the marketplace.

***826**

***827 iv. U.S. Trademark Registration No. 2,123,471, ("Legacy mark")**

[20] Of the four marks at issue, the Plaintiff's "Legacy mark," displayed below, bears the most similarity with Freestar's mark. The visual similarities between these two marks include: italicized lettering, capital letters for all words, the word "Bank" on the lower right of the mark, and a star graphic in the middle of the letter "A" in "Star". The differences include: the "wave" graphic in Flagstar's mark, the presence of Freestar's slogan in its mark, and Freestar's use of a "shooting" star as its graphic.

As discussed in the section above, Flagstar's use of its marks in the marketplace features the color red prominently while Freestar employs a consistent use of black and green. The marks, as used in the marketplace are displayed below:

***828**

Once again, Freestar's mark is clearly distinguishable from Flagstar's mark as it appears in the marketplace despite the similarities of the marks when compared side-by-side. The similarities between these two marks would not lead a reasonable fact finder to conclude that consumers would attribute these marks to the same ***829** source. A customer is not likely to be confused between the origin of marks with different names and completely different colors and slogans. Further, the graphics of the marks evoke different imagery: a waving flag as opposed to a shooting star. When considered holistically and as used in the marketplace, reasonable minds can reach only one conclusion: that these marks are indicative of completely separate, but possibly competing, entities.

b. Intent to "palm off"

[21] [22] The record contains no evidence pertaining to Freestar's intent to "pass off [its] products as having come from the plaintiff". *Packman,* 267 F.3d at 644 (quoting *Liquid Controls Corp. v. Liquid Control Corp.,* 802 F.2d 934, 940 (7th Cir.1986)). However, Flagstar nevertheless contends that if Freestar acted with due diligence during its rebranding process, it would have discovered the existence of the Flagstar marks. Flagstar also points out that its registrations are constructive notice to any subsequent registrant of Flagstar's prior rights and registrations of its marks under 15 U.S.C. § 1072. Defendant has denied any prior, actual knowledge of Flagstar's marks. However, even if Freestar had prior actual or constructive knowledge of the Flagstar marks, the legal weight of this issue is negligible in this instance

because actual knowledge alone is not enough to prove intent. *Barbecue Marx,* 235 F.3d at 1046.

Flagstar relies on *AutoZone* in urging the Court to infer intent based on the similarities of the marks. However, the *AutoZone* ruling is clear that intent can be inferred based on similar marks only where "the senior mark has attained great notoriety" and is "nearly ubiquitous in the geographic area where the junior mark competes". *AutoZone,* 543 F.3d at 934. Flagstar operates no banking centers or home loan centers in the three counties where Freestar exclusively operates and advertises. Additionally, Flagstar has submitted no evidence regarding either a marketing or a business presence in the geographic area where the junior mark competes. As a result, the Court cannot infer intent based on either the facts of this case or the evidence in the record.

c. Actual confusion

[23] Evidence of actual confusion is not required to prove that a likelihood of confusion exists. *CAE, Inc. v. Clean Air Engineering, Inc.,* 267 F.3d 660, 685 (7th Cir.2001); *Barbecue Marx,* 235 F.3d at 1045. However, in the interest of thoroughness, the Court notes the complete absence of evidence related to any actual consumer confusion between any of Flagstar's marks and Freestar's mark.

d. Area and manner of concurrent use

[24] [25] When evaluating this element, the Court must determine "whether there is a relationship in use, promotion, distribution, or sales between the goods or services of the parties". *Ty, Inc. v. Jones Group, Inc.,* 237 F.3d 891, 900 (7th Cir.2001) *quoting Forum Corp. of North America v. Forum, Ltd.,* 903 F.2d 434, 442 (7th Cir.1990). Primary considerations include: geographic overlap, *see AutoZone,* 543 F.3d at 932; direct competition between the products, *see Smith Fiberglass Prods., Inc. v. Ameron, Inc.,* 7 F.3d 1327, 1330 (7th Cir.1993); and the use of the same marketing channels, *see Nike, Inc.,* 6 F.3d at 1230. The undisputed facts of this case, along with evidence submitted by both parties, clearly show that Flagstar and Freestar's services are not utilized concurrently in any area or manner.

To begin, the parties' geographic markets do not overlap. Freestar's banks are located exclusively within three Central Illinois counties: Champaign county, Livingston county, and McLean county. Flagstar operates no banking or home loan centers in these counties. Similarly, ***830** Freestar operates no banking centers in Flagstar's primary areas of operation: Michigan, Indiana, and Georgia. The disparate geographic presence of the parties weighs against finding an overlap in consumer base. An Illinois consumer seeking to open a bank account would need to drive across state lines before encountering a Flagstar banking center. A person seeking a home loan cannot "cruise down the street" and become confused by the presence of a Flagstar home loan center and a Freestar banking center because he or she will not encounter both of these entities within the same *county,* let alone city. *Compare AutoZone,* 543 F.3d at 930 (where both parties sold and promoted their goods and services in the Chicago area, one mile separated the parties' businesses, and a consumer "cruising down the street ... after driving past both parties' businesses" could believe the parties' businesses were affiliated). How can customers be confused by marks which they do not encounter during their everyday lives, and conceivably, do not even know exist?

Further, Flagstar has presented no evidence that remotely suggests an expansion into Champaign, Livingston, and McLean counties is reasonably expected. On the contrary, Flagstar stated in SEC filings for the 2007 fiscal year that the company's "expansion strategy consists principally of adding new bank locations in Michigan and Georgia growth areas". R. 58, Exhibit to Defendant's Motion for Summary Judgment at App 000221. Flagstar has not submitted any business plans, emails, internal memoranda, or deposition testimony to support a finding that Flagstar is reasonably expecting to enter into the Illinois banking landscape or expecting to open home loan centers in Champaign, Livingston, or McLean counties. The record is devoid of evidence of any link between these two businesses beyond the hypothetical possibility that Flagstar may open a branch somewhere in the state of Illinois one day. The Plaintiff must submit evidence beyond speculation if it expects to survive summary judgment, and no such evidence of any concurrent use exists here. Nor has Flagstar presented any evidence of direct competition between the products or an overlap in the consumer base.

Finally, Flagstar has offered no evidence of overlapping marketing channels. Freestar limits its advertising to the local radio stations, television advertisements, newspapers, and billboards which serve the three-county Central Illinois area in which it operates. Vogelsinger Aff. ¶ 20. Flagstar has offered no evidence proving that it markets its services via the same Central Illinois channels.

Flagstar points to the presence of five home loan centers located in Illinois as evidence that it advertises in the same area as Freestar. However, Flagstar does not assert, and offers no evidence establishing, that it advertises in Champaign, Livingston or McLean counties, while Freestar limits its advertising solely to these three counties. Additionally, Flagstar's corporate model allows the centers to devise their own marketing plan. As a result, Flagstar is unable to confirm that these home loan centers actually use the Flagstar advertising materials given to them to advertise the Flagstar name within the state of Illinois. Flagstar includes screenshots of both parties' websites in an effort to show that both parties utilize the internet as a marketing channel. However, Flagstar has presented no authority stating that the maintenance of two independent websites, which are not linked in any way,[2] constitutes an overlapping ***831** marketing channel for purposes of this discussion. In sum, the record contains no evidence showing that the companies have marketed and sold their goods or services to the same customers, *CAE,* 267 F.3d at 682; advertized in similar magazines, *Ty, Inc.,* 237 F.3d at 901; marketed their goods and services concurrently via the same websites, *Id.* at 901; or intentionally linked otherwise independent websites, *Eli Lilly,* 233 F.3d at 460.

The parties do not operate businesses which overlap in geographic location. Additionally, Flagstar has offered no evidence showing that both parties use the same marketing channels or that the products and services offered by these companies serve the same consumers, or that the parties are in direct competition. As a result, no genuine issue of fact exists as to whether a likelihood of confusion will arise on this element.

e. Degree of care exercised by consumers

When the products and services offered by the parties are widely accessible and inexpensive, consumers will likely exercise "a lesser degree of care and discrimination in their purchases" *AutoZone,* 543 F.3d at 933 (quoting *CAE, Inc.,* 267 F.3d at 683). The products and services offered by banks are widely accessible; however, banking customers engage in a profoundly different process than consumers of other widely accessible products such as cans of cooking spray in the grocery aisle[3] or oil change services.[4] Potential Flagstar customers must submit to credit checks before they are able to open a new bank account and must submit to intrusive questioning about personal finances as a part of the home loan process. Freestar Bank requires prospective customers to speak with a bank loan officer before obtaining a home loan. The services offered by the parties' banks subject prospective customers to invasive and prolonged inquiries before the services are rendered. Customers do not carelessly sign themselves up for such investigative procedures, indicating that banking customers exercise an elevated degree of care.

Flagstar relies on the testimony of Freestar's designated representative, who stated that customers vary in their degree of care, in its effort to show that a genuine issue of fact exists. However, this testimony is mere speculation, the kind of "metaphysical doubt" which does not survive the summary judgment analysis. *Matsushita,* 475 U.S. at 586, 106 S.Ct. 1348. Flagstar has offered no evidence justifying its assertion that banking customers are likely to be confused because they generally lack sophistication. Thus, a genuine issue of fact beyond mere speculation does not exist on the degree of care element.

[26] [27] Flagstar also points the Court's attention to two sub-issues in the degree of care analysis, arguing that, even if banking customers are sophisticated and discerning, they are susceptible to initial interest confusion and reverse confusion resulting from the simultaneous use of the parties' marks. Initial interest confusion occurs when a consumer 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 Industries, Ltd. v. Equitrac Corp.,* 300 F.3d 808, 812 (7th Cir.2002). In *Promatek,* the defendant used the plaintiff's mark as a metatag on its website, directly linking defendant's website to plaintiff's mark. As a result, when consumers entered plaintiff's mark into a search engine, defendant's website would appear. Here, the evidence on record offers no proof that Freestar lured Flagstar's ***832** consumers to its products or website in any way or that consumers will patronize a Freestar bank because they perceive the name to be linked with Flagstar bank. Flagstar has only offered its own self-serving speculation on this matter, which is plainly insufficient to survive summary judgment.

[28] [29] Reverse confusion occurs when "a large junior user saturates the market with a trademark similar or identical to that of a smaller, senior user". *Sands, Taylor & Wood Co. v. Quaker Oats Co.,* 978 F.2d 947, 957 (7th Cir.1992). As a result, consumers may begin to see the senior user as the infringer. This scenario is most likely if "the senior user were to attempt to expand into the precise field where the junior user has created a strong association between *its* product and the senior user's mark". *Sands,* 978 F.2d at 958. The facts presented in this case simply do not support a finding of reverse confusion. Neither party asserts that Freestar, which in our case is

clearly a small bank, has saturated the Central Illinois banking market. Additionally, the record is barren of evidence proving that Flagstar's expansion into Central Illinois would be hampered because Freestar has created a "strong association" between its product and the Flagstar mark. Reverse confusion does not apply to this case.

f. Strength of the plaintiff's mark

[30] [31] [32] The Court assesses "strength" by evaluating the overall economic and marketing strength of Plaintiff's mark. *AutoZone,* 543 F.3d at 933. Economic and marketing strength is measured by "the distinctiveness of the mark, or more precisely, its tendency to identify the goods sold under the mark as emanating from a particular ... source". *Eli Lilly,* 233 F.3d at 464 (citations omitted). The only ways to directly prove the public's evaluation of a mark are via customer testimony and consumer surveys. *Gimix Inc. v. JS & A Group Inc.,* 699 F.2d 901, 907 (7th Cir.1983). However, evidence of the frequency of a mark's display and the amount of advertising dollars used to promote the mark are relevant factors when determining a mark's strength. *See AutoZone,* 543 F.3d at 933.

[33] Flagstar displays its marks in 175 banking centers in Michigan, Indiana, and Georgia and spent $12.3 million in advertising in 2008. These numbers are not indicative of a mark bearing enormous economic and marketing strength nationwide. *Compare AutoZone,* 543 F.3d at 933 (citing the mark's display in over 3,000 stores nationwide and use in "hundreds of millions of dollars worth of advertising" as indicators of national economic and marketing strength). Additionally, Flagstar cannot verify that its marks have any economic or marketing strength outside of the three states which house its banking centers because it has no knowledge of how the home loan centers advertise. Obtaining even a small piece of evidence regarding advertising in Illinois would have been simple, yet Flagstar filed for summary judgment before placing a single call to one of its five Illinois home loan centers in order to find out if and when it has used Flagstar materials in advertising. Coupled with Flagstar's absence from the Central Illinois marketplace where Freestar does business, the record is clear: Flagstar has not met its burden to produce actual facts and evidence beyond speculation and argument which raise a genuine issue of fact regarding the strength of its mark. A mark cannot bear economic and marketing strength in a place where it does not do business and does not advertise.

g. Similarity of the products

The parties do not dispute the identical nature of their products and services. ***833** Both parties are banks. In the areas where they have banking centers, they offer the same products and services, including personal and business savings accounts, personal and business checking accounts, money market accounts, certificates of deposit, home mortgage loans, home equity lines of credit, online banking and online mortgage applications. Although Defendant notes that the products and services offered in Illinois are not identical, as Plaintiff offers only home loan-related services rather than full service banking centers, any further discussion of this point conflates similarity of the products with area and manner of concurrent use.

No issue of fact exists as to the similarity of the products offered by the parties, a factor which weighs in favor of Flagstar.

III. Weighing the factors

[34] Although no single factor of the seven-part likelihood of confusion test is dispositive, the 7th Circuit has acknowledged that the similarity of the marks, intent to palm off and actual confusion are generally important factors. *AutoZone,* 543 F.3d at 929. Nevertheless, courts "may assign varying weights to each of the factors depending on the facts presented". *Packman,* 267 F.3d at 643. The facts and evidence presented by the parties show that Flagstar and Freestar's products and services, although identical, are not offered concurrently in any area of this country, nor are they marketed to an overlapping consumer base. This fact clearly distinguishes this case from the preeminent 7th Circuit decisions relied upon by the parties and warrants weighing the area and manner of concurrent use element heavily. Consumers cannot become confused by a mark they will never encounter in the marketplace.

Although Flagstar's "Legacy mark", in particular, and Freestar's mark bear many similarities when compared side-by-side, a reasonable fact-finder comparing the marks as a whole could not conclude that these similarities will lead to customer confusion as to the marks' origin or affiliation. The other identified marks bear no significant similarity and could create no likelihood of confusion. Even if reasonable fact-finders could disagree over confusion resultant from the similarities of the marks, the record is still extremely one-sided when the other *AutoZone* factors are also considered. Flagstar has presented no evidence confirming that these two marks are used in the same

state, let alone county, city, neighborhood or street. Flagstar has also submitted no evidence of imminent expansion into the counties where Freestar exclusively operates. The absence of any concurrent or overlapping distribution and marketing of services negates the relevance of the parties' identical services for purpose of the likelihood of confusion analysis.

Concerning the strength of the Plaintiff's mark, reasonable minds could not consider a $12.5 million advertising expenditure for 2008 to be evidence of a strong mark when Flagstar has presented no evidence that a single dollar of that amount was directed toward Illinois. Neither party has submitted strong evidence of customer sophistication beyond speculation. However, because the parties submit prospective customers to credit checks and interviews, the evidence on the record favors considering banking customers sophisticated for purposes of this analysis. Finally, the record contains no evidence of actual confusion or Freestar's intent to palm off its product as being associated with Flagstar's.

In order to resolve cross Motions for Summary Judgment, the court must evaluate the undisputed facts and evidence submitted to determine whether a genuine ***834** issue of material fact exists. Concerning whether Freestar's use of its mark creates a likelihood of confusion with Flagstar's registered marks, no such issue exists. Accordingly, because no reasonable trier of fact could find in favor of Flagstar on this issue, Freestar is therefore entitled to judgment as a matter of law. Flagstar's request for summary judgment is therefore denied.

CONCLUSION

For the foregoing reasons, Flagstar's Motion [# 38] is DENIED. Defendant's Motion to Strike [# 49] is GRANTED, and Plaintiff's Motion to Strike [# 59] is MOOT. Freestar's Motion for Summary Judgment [# 57] is GRANTED. This matter is now TERMINATED. All deadlines are vacated, and all other pending motions are MOOT.

All Citations

687 F.Supp.2d 811, 81 Fed. R. Evid. Serv. 27

Footnotes

1 Both parties acknowledge that the likelihood of confusion analysis applies to all claims contained within the Complaint. See R. 39 at 25; R. 58 at 36.

2 *Compare Eli Lilly,* 233 F.3d at 460 (where Defendant intentionally used Plaintiff's mark as a metatag on its website, resulting in the diversion of people searching for Plaintiff's mark to Defendant's website)

3 *AHP,* 1 F.3d at 616–617.

4 *AutoZone,* 543 F.3d at 931–932.

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952 F.Supp. 1084
United States District Court,
D. New Jersey.

HARLEM WIZARDS ENTERTAINMENT BASKETBALL, INC., Plaintiff,
v.
NBA PROPERTIES, INC.; National Basketball Association; and, Capital Bullets Basketball Club, Inc., Defendants.

Civ. No. 96–3001 (WHW). | Jan. 27, 1997.

Show basketball team that used mark "WIZARDS" and "HARLEM WIZARDS" brought trademark infringement action against professional basketball team that planned to change its name to the "Washington Wizards." The District Court, Walls, J., held that parties' concurrent use of "WIZARDS" mark did not create likelihood of confusion among basketball fans as required for permanent injunctive relief.

Complaint dismissed.

West Headnotes (11)

[1] **Trademarks**
"Reverse" confusion

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1083Nature of Confusion
382Tk1089"Reverse" confusion
(Formerly 382k334.1 Trade Regulation)

"Reverse confusion" occurs when larger, more powerful junior user infringes on trademark of smaller, less powerful senior user causing confusion as to source of senior user's goods and services; because junior user saturates markets with promotion of mark as its own, senior user loses its trademark value and its ability to expand into new markets because customers assume that junior user's goods or services are those of junior user or that senior user is infringing party.

1 Cases that cite this headnote

[2] **Injunction**
Actual success on merits

212Injunction
212IInjunctions in General; Permanent Injunctions in General
212I(B)Factors Considered in General
212k1034Actual success on merits
(Formerly 212k9)

Standard for granting permanent injunction is nearly identical to that of preliminary injunction except that movant must show actual success on merits rather than simply likelihood of success on merits.

3 Cases that cite this headnote

[3] **Injunction**
Grounds in general; multiple factors

212Injunction
212IInjunctions in General; Permanent Injunctions in General
212I(B)Factors Considered in General
212k1032Grounds in general; multiple factors
(Formerly 212k9)

In determining whether to grant permanent injunction, court must consider: whether moving party has demonstrated success on merits; probability of irreparable injury to moving party; potential for harm to nonmoving party; and public interest if applicable.

1 Cases that cite this headnote

[4] **Trademarks**
Infringement

382TTrademarks
382TVIIIViolations of Rights

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382TVIII(A)In General
382Tk1418Practices or Conduct Prohibited in General; Elements
382Tk1421Infringement
(Formerly 382k332 Trade Regulation)

Analysis for trademark infringement under New Jersey common law is same as under Lanham Act. N.J.S.A. 56:4–1; Lanham Trade-Mark Act, § 43(a)(1), as amended, 15 U.S.C.A. § 1125(a)(1).

9 Cases that cite this headnote

[5] **Trademarks**
"Reverse" confusion
Trademarks
Nature, Extent, and Disposition of Rights

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1083Nature of Confusion
382Tk1089"Reverse" confusion
(Formerly 382k331 Trade Regulation)
382TTrademarks
382TVINature, Extent, and Disposition of Rights
382Tk1180In general
(Formerly 382k331 Trade Regulation)

Lanham Act protects owner's interest in trademark by keeping public free from confusion as to source of goods and ensuring fair competition, and extends to protect trademark owners against reverse confusion trademark infringement. Lanham Trade-Mark Act, § 43(a)(1), as amended, 15 U.S.C.A. § 1125(a)(1).

Cases that cite this headnote

[6] **Trademarks**
Infringement

382TTrademarks
382TVIIIViolations of Rights
382TVIII(A)In General
382Tk1418Practices or Conduct Prohibited in General; Elements
382Tk1421Infringement
(Formerly 382k331 Trade Regulation)

To prevail on trademark infringement claim under Lanham Act, plaintiff must establish that: mark is valid and legally protectible; plaintiff owns mark; defendant's use of mark to identify goods or services is likely to create confusion concerning origin of such goods and services. Lanham Trade-Mark Act, § 43(a), as amended, 15 U.S.C.A. § 1125(a).

4 Cases that cite this headnote

[7] **Trademarks**
Descriptive Terms or Marks
Trademarks
Acquired distinctiveness; secondary meaning

382TTrademarks
382TIIMarks Protected
382Tk1035Descriptive Terms or Marks
382Tk1036In general
(Formerly 382k14 Trade Regulation)
382TTrademarks
382TIIMarks Protected
382Tk1035Descriptive Terms or Marks
382Tk1037Acquired distinctiveness; secondary meaning
(Formerly 382k14 Trade Regulation)

"Descriptive mark" immediately conveys characteristic, ingredient or quality of article or service it identifies and acquires protected status only if plaintiff can demonstrate that goods or services have achieved secondary meaning.

2 Cases that cite this headnote

[8] **Trademarks**
Arbitrary or fanciful terms or marks

382TTrademarks
382TIIMarks Protected
382Tk1039Arbitrary or fanciful terms or marks
(Formerly 382k24 Trade Regulation)

"Arbitrary mark" employs terms that do not describe or suggest any attribute of goods or services sold and "fanciful mark" uses

unfamiliar language coined expressly for purpose of trademark protection.

Cases that cite this headnote

[9] **Trademarks**
Suggestive terms or marks
Trademarks
Arbitrary or fanciful terms or marks

382TTrademarks
382TIIMarks Protected
382Tk1038Suggestive terms or marks
(Formerly 382k25 Trade Regulation)
382TTrademarks
382TIIMarks Protected
382Tk1039Arbitrary or fanciful terms or marks
(Formerly 382k25 Trade Regulation)

Mark "WIZARDS" used by show basketball team was suggestive, rather than arbitrary or fanciful, in determining whether it was entitled to trademark protection; term asked consumer to use his or her imagination to connect idea of magic and supernatural with show basketball.

2 Cases that cite this headnote

[10] **Trademarks**
"Reverse" confusion
Trademarks
Strength or fame of marks; degree of distinctiveness
Trademarks
Particular goods and services, relationship between

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1083Nature of Confusion
382Tk1089"Reverse" confusion
(Formerly 382k350.1 Trade Regulation)
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1090Nature of Marks
382Tk1092Strength or fame of marks; degree of distinctiveness
(Formerly 382k350.1 Trade Regulation)
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1100Relationship Between Goods or Services Underlying Marks
382Tk1103Particular goods and services, relationship between
(Formerly 382k350.1 Trade Regulation)

Concurrent use of "WIZARDS" mark by show basketball team that called itself the "Harlem Wizards" and professional basketball team that intended to change its name to the "Washington Wizards" did not create likelihood of confusion among basketball fans, as required for permanent injunctive relief in show basketball team's reverse confusion action; show team performed comedy routines and fancy tricks during its games and did not play competitive basketball at level of the professional team, which competed in the National Basketball Association (NBA), and show team's mark, although inherently distinctive, was weak commercially. Lanham Trade-Mark Act, § 43(a), as amended, 15 U.S.C.A. § 1125(a).

3 Cases that cite this headnote

[11] **Trademarks**
Similarity or dissimilarity in general

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1100Relationship Between Goods or Services Underlying Marks
382Tk1102Similarity or dissimilarity in general
(Formerly 382k345.1 Trade Regulation)

Even when two products or services fall within same general field, it does not mean that two products or services are sufficiently similar to create likelihood of confusion for purposes of trademark infringement claim. Lanham Trade-Mark Act, § 43(a), as amended, 15 U.S.C.A. § 1125(a).

12 Cases that cite this headnote

Attorneys and Law Firms

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1086** ***AMENDED OPINION

WALLS, District Judge.

Plaintiff, Harlem Wizards Entertainment Basketball, Inc. ("Harlem Wizards") is a theatrical basketball organization that performs "show basketball" in the tradition established by the world famous Harlem Globetrotters. Defendant, the Capital Bullets Basketball Club, commonly known as the "Washington Bullets," is a member team of the National Basketball Association ("NBA"), the world's preeminent professional basketball league, also a named defendant in this action. The third defendant is NBA Properties, Inc. ("NBA Properties"), the entity which holds the licensing rights of the names of NBA member teams.

On February 22, 1996, the Washington Bullets publicly announced that beginning the 1997–1998 NBA season, the team would formally change its name to the "Washington Wizards." Soon after, Harlem Wizards filed this lawsuit against the Washington Bullets and the other mentioned defendants, alleging that the proposed name change infringed its trademark in violation of Section 43 of the Lanham Act, The New Jersey Trademark Act, N.J.S.A. 56:4–1 and common law. Plaintiff seeks a permanent injunction enjoining these defendants from using the trademark WIZARDS and various damage awards.[1]

[1] At the outset, plaintiff acknowledges that the issues raised in this action do not conform to the traditional pattern of trademark infringement. Plaintiff, for example, does not allege that if the Washington Bullets team becomes the Washington Wizards a significant number of basketball fans will be confused into believing that the Washington team is actually the Harlem Wizards. Nor does plaintiff assert that it has already lost income as a result of the name change or that the Washington Bullets have, as of yet, earned any profits from their adoption and use of the mark WIZARDS. Instead, plaintiff frames this action as a classic case of "reverse confusion," a theory of trademark infringement recently recognized by this circuit. *See Fisons Horticulture, Inc. v. Vigoro Industries, Inc.,* 30 F.3d 466, 31 U.S.P.Q.2d 1592 (3d Cir.1994). Reverse confusion occurs when a larger, more powerful junior user infringes on the trademark of a smaller, less powerful senior user causing confusion as to the source of the senior user's goods and services. *Id.* Because the junior user saturates the market with promotion of the mark as its own, the senior user loses its trademark value and its ability to expand into new markets because consumers assume that the senior user's goods or services are those of the junior user or that the senior user is the infringing party. *Fisons,* 30 F.3d at 474–75, 31 U.S.P.Q.2d at 1598 (citing *Ameritech, Inc. v. American Information Technologies Corp.,* 811 F.2d 960, 964 (6th Cir.1987)). This opinion analyzes the trademark infringement claims pressed by plaintiff in light of the reverse confusion doctrine, other applicable law and the evidence.

THE RECORD

At the bench trial, plaintiff offered seven fact witnesses and one expert witness: Todd Davis, president of the Harlem Wizards since 1980 and son of the team's founder; Sam Worthen, assistant coach of the Harlem Wizards and a former NBA player; Dwion Brown, Jay Griffin, Claude Henderson, and Sean Tartt, all current members of the Harlem Wizards; Stephanie Ebron, executive director of the Perry School Community Center in Washington, D.C., who hired Plaintiff to perform at a fundraising event in Washington earlier this year; and Dr. Michael Rappeport, who conducted a consumer survey on behalf of plaintiff and gave expert testimony.

Defendants presented six fact witnesses and one expert witness: Stephen Board, manager of interactive events for the NBA; Paula Hanson, vice president of team services for the NBA; Susan O'Malley, president of the Washington Bullets' franchise; George Mitchell, owner of the Harlem Rockets, a show basketball team; Glen Morrill, assistant director of customer service for Washington Sports and Entertainment, the organization which owns the Washington ***1087** Bullets and the Washington Capitals hockey team; Wesley Unseld, general manager of the Washington Bullets; and an expert witness, Dr. Jacob Jacoby, who conducted a consumer survey.

The following are the relevant facts of this controversy. In this case, because such evidence is uncontroverted, its credibility and that of the witnesses from whom it was adduced is absent. However, the parties vigorously challenge the legal significance of this evidence, which the Court reviews together with its findings in the *Discussion* section of this opinion.

From its founding in 1962, Harlem Wizards has promoted itself as a show basketball team. In its advertisements and promotional materials, Harlem Wizards frequently compares itself to the better known Harlem Globetrotters, which developed and popularized the show basketball genre. For example, Harlem Wizards bills itself as the "Avis of comedy basketball," the Harlem Globetrotters clearly being Hertz, and also as the "grassroots version of the Harlem Globetrotters." Although Harlem Wizards' biggest market is in the Northeast, the team has traveled throughout the United States and, to some extent, internationally. For the past three years, Harlem Wizards has actually consisted of two teams: one team which actively tours the country and a local team which performs mostly in the New York City metropolitan area.

Harlem Wizards generally performs at high schools, colleges, summer camps, and charitable events. Plaintiff has no home arena where it regularly plays before fans who can regularly attend its games nor does it participate in any formalized basketball league competitions. Unlike a traditional professional competitive sports team, plaintiff does not advertise its services directly to consumers through the media, but instead promotes itself through direct mail solicitation to its typical customers—schools, camps and charities, at trade shows for performance acts, and in "amusement business" trade magazines such as the "Cavalcade of Acts and Attractions." Schools and other organizations can purchase plaintiff's services for a flat fee of $3,500.00 and travel expenses, although plaintiff will sometimes accept a smaller fee in exchange for a portion of game proceeds.

In a typical Harlem Wizards "game," plaintiff plays against a "team" selected by the organization which purchased the team's services. Opposing team members are not professional athletes but ordinary citizens such as plumbers, teachers, police officers, coaches, politicians and students. A resulting game combines competitive basketball, trick basketball and comedic basketball entertainment. During the first and third quarters of the game, the Harlem Wizards mostly play competitive basketball against their opponents, moderating its level of competitiveness to the opposing team's athletic prowess. During the second and fourth quarters, the team players engage in comedic antics such as passing the ball between their legs, throwing water at their opponents, rolling down their opponents' socks and befuddling the other team's members by handing them the ball and then quickly snatching it away. In addition to these game performances, Harlem Wizards makes frequent paid appearances at fairs, festivals, parties, school assembly programs, pep rallies, and bar mitzvahs. Over the years, the Harlem Wizards team has on at least two occasions played during the half-time intermissions of NBA basketball games.

In connection with its games and appearances, plaintiff sells a variety of merchandise bearing the team's name. There, spectators can purchase t-shirts, sweatshirts, caps, basketballs, posters, banners, and pictures as souvenirs but none of the merchandise is available in retail stores. Plaintiff has used both the marks HARLEM WIZARDS and WIZARDS as its logo on merchandise and team uniforms. During the mid–1980s, the team used WIZARDS on its uniforms and it plans to use WIZARDS as its mark during its 1996–1997 season. Plaintiff does not have specific color scheme or a design that it uses continuously as part of its logo.

At trial, plaintiff sought to emphasize that show basketball is only part of Harlem Wizards' repertoire. The record, however, clearly demonstrates that over the last thirty-five years, the team has played few competitive ***1088** basketball games without any comedic entertainment, and almost always during international tours. According to Todd Davis, the team has not played a competitive game on American soil since the late 1970s or early 1980s. Plaintiff's witness Claude Henderson, who first joined the Harlem Wizards in 1967, testified that the team played its last fully competitive game in 1979.

Washington Bullets is a NBA member team owned and operated by Capital Bullets Basketball Club. Founded in 1961, the franchise originated in Chicago, where it was first known as the Chicago Packers and later, the Chicago Zephyrs. It then moved to Baltimore, Maryland in 1963 and became known as the Baltimore Bullets. In 1973, the team moved to Washington, D.C. and changed its name to the Capital Bullets. The following year, the team adopted the name the Washington Bullets.

The NBA, which celebrates its fiftieth anniversary this year, is made up of twenty-nine member teams that play annually against each other from November until June. The league is divided into two conferences, Eastern and Western, and four divisions, Atlantic, Midwest, Central and Pacific. The NBA has strict rules governing the

games as well as player conduct on and off the court. As an NBA franchise, the Bullets play eighty-two games—forty-one at "home" and forty-one "away"—against other NBA member teams from November until mid-April. Games are divided into four twelve minute quarters. Following regular season play, sixteen teams compete in the NBA championship playoffs.

Fans can regularly attend Washington Bullets games or watch them on television. NBA basketball is promoted directly to its fans through television advertisements, regular television programming such as "Inside Stuff" and "Inside NBA," and other media sports coverage. The NBA also has a series of grants, licenses to manufacturers to produce various products bearing the NBA logo and those of its twenty-nine member teams. Specific labeling and tagging is used to identify all NBA and NBA team products; the NBA logo of a ball-dribbling player appears on all of its products. NBA merchandise is widely available for sale in retail outlets throughout the United States.

For the past few years, Abe Pollin, owner of the Washington Bullets, had been considering changing the name of the franchise out of concern that the term "Bullets" had a negative connotation. In January 1995, the Washington Bullets first informed the NBA that it was considering changing the team name, logo and uniform beginning the 1997–1998 season. In August 1995, Susan O'Malley, president of the Washington Bullets, sent the NBA's Paula Hanson a letter which listed eight possible new names for the team, including the name WIZARDS. Hanson forwarded the letter to Kathryn Barrett, the NBA's in-house trademark counsel, and requested that she arrange for a preliminary trademark search to determine if for any reason any of the names listed were not be available for use. A few days later Hanson forwarded the preliminary search results to O'Malley. The use of WIZARDS was not interdicted.

Along with its name change, the Washington Bullets unveiled a new anti-violence initiative that concentrated on Washington, D.C. junior high and middle schools. To publicize the name change and anti-violence initiative, the Washington Bullets staged a contest in conjunction with Boston Market Restaurants, "The Washington Post," NBC4, the local NBC affiliate and other media sponsors, inviting fans to take part in the name-change process. The contest, called "Boston Market Renames the Bullets," occurred in two phases. From November 1, 1995 until December 15, 1995, fans could suggest new names for the team by completing entry ballots at Boston Market restaurants. Then, from early February until February 22, 1996, fans could vote on one of five names selected from the earlier submissions selected by a "Blue Ribbon Panel" by calling a 900 telephone number. The contest culminated with a live network announcement of the winning name by Abe Pollin on February 22, 1996.

By January 1996, the Blue Ribbon Panel had selected five names out of approximately 3,000 to be included during the second phase of the contest: Washington Dragons, Washington Express, Washington Sea Dogs, ***1089** Washington Stallions, and Washington Wizards. O'Malley forwarded these five names to Hanson. Hanson then sent these names to Barrett who arranged for full trademark searches to be conducted on every name except the Washington Dragons, a mark for which the NBA had previously filed a trademark application in anticipation that another NBA team might want to adopt it. Full trademark applications were filed for Washington Sea Dogs, Washington Stallions, Washington Express, and Washington Wizards. The firm of Thompson and Thompson conducted the trademark searches on January 29, 1996 and mailed them to the NBA on February 2, 1996. The trademark search for the mark WIZARDS retrieved 575 potential references and sixty-three were included for the NBA's review. Harlem Wizards was among those entities listed and plaintiff's services were described as professional sports. None of the names submitted by defendants was discarded as the result of the trademark searches.

After the Washington Bullets announced that its new name would be the Washington Wizards on February 22, 1996, the NBA in-house creative services designed several different potential logos for the team. As of yet, no final decision has been made regarding a final logo but defendants claim that the final logo will be unique, and like all other NBA logos, have a distinct color scheme. On February 8 and February 29, 1996, Plaintiff filed trademark applications first for HARLEM WIZARDS and then WIZARDS.

Plaintiff elicited testimony that sought to prove that defendants adopted the name Washington Wizards in bad faith. For example, Stephen Board, Manager of Interactive Events for the NBA, hired Sean Tartt, a Harlem Wizards' player, to participate in a slam dunk exhibition in San Antonio, Texas earlier this year. Tartt testified that he told Board that he played for the Harlem Wizards. Board acknowledged that he spoke with Todd Davis who identified himself as Tartt's coach at the Harlem Wizards and who asked him whether he wanted to hire any other Harlem Wizards' players. Plaintiff also introduced testimony that Davis had contacted Glenn Morrill in 1993 and 1994 to see if he would be interested in hiring Harlem Wizards to perform at NBA half-time

programs and elicited testimony from Wesley Unseld, General Manager of the Washington Bullets, that he had first heard of the Harlem Wizards during the late 1960s or early 1970s.

Evidence of Actual Confusion and Likelihood of Confusion

1. ***Individual Testimony***

At trial, plaintiff offered testimony by two current Harlem Wizards' players regarding incidents that purportedly showed the existence of actual consumer confusion between the Harlem Wizards and Washington Wizards. Dwion Brown testified that while he was in Baltimore, Maryland and Washington, D.C. strangers approached him because they thought that the Harlem Wizards' shirt that he was wearing was actually a Washington Wizards' shirt. Claude Henderson testified regarding several incidents of actual confusion. First, he testified that in April 1996, four people told him that they thought he was a member of the Washington Wizards when he played at the Perry School Community Service Center fundraiser at Gonzaga High School in Washington, D.C. In July 1996, when he made an appearance at a children's camp with Terry Harris, a Harlem Wizards' player who happens to be seven feet and five inches tall, several young campers remarked to him that they did not realize that the Washington Bullets had two of the tallest players in the NBA. Henderson also testified that when he played at another community center several youngsters asked him whether the Wizards would be playing in the NBA in the coming year. Stephanie Ebron, Executive Director of the Perry School Community Service Center, an organization that hired plaintiff to perform at a fundraising event on April 29, 1996 in Washington, D.C., testified that more than twenty people who attended or expressed interest in attending the fundraiser had thought that the Washington Bullets were playing and not the Harlem Wizards. Before plaintiff performed, Ebron told Todd Davis about the confusion and he brought along questionnaires that were distributed at the game in order to document incidents of actual confusion.

1090 2.** ***Survey Evidence

Both parties commissioned consumer surveys and presented their results at trial. Plaintiff offered results from two related surveys conducted by Dr. Michael Rappeport of RL Associates in May 1996 to support its assertion that the Washington Bullets' name change would result in the likelihood of confusion between the Harlem Wizards and the Washington Wizards. Dr. Rappeport conducted one survey in Northern New Jersey and the other in the Washington, D.C. area. Combined, the 309 respondents who participated in both studies were aged eighteen or older and had either attended a basketball event or watched a televised basketball event at least twice in the past year. The two surveys were a shirt study and a name study. The shirt study involved showing respondents a series of four shirts: (1) a red Chicago Bulls' number 23 shirt, (2) a white "Champion" shirt, (3) a blue New York Knicks' shirt and (4) a Harlem Wizards' shirt. Upon showing a respondent each shirt, the interviewer asked the respondent whether she or he had ever seen or heard of the team before. If the respondent answered affirmatively, the interviewer then asked the respondent what, if anything, she or he knew about the team.

Six of the fifty-nine New Jersey respondents who participated in the shirt survey recognized the Harlem Wizards' shirt as the new name of the Washington Bullets. Six or seven New Jersey respondents identified the shirt as belonging to the Harlem Wizards. Out of 100 Washington D.C. respondents to the shirt survey, fifty-nine identified the Harlem Wizards' shirt as the new name of the Washington Bullets. None of the Washington, D.C. respondents identified the shirt as belonging to the Harlem Wizards.

For the name survey, seventy-five respondents were interviewed in Northern New Jersey and seventy-five respondents were interviewed in the Washington, D.C. area. During each interview, an interviewer showed each respondent one of five cards marked with the following names printed in capital letters: Orlando Magic, Harlem Magic, Harlem Rockets, Harlem Wizards and Washington Wizards. The interviewer then asked the respondent whether he or she had heard of or ever seen this team and, if they had, what, if anything, did they know about it. If the respondent was unfamiliar with the team, the interviewer asked the respondent what he or she thought a team with such a name would be like. None of the respondents identified the cards marked Harlem Wizards.

In addition, Dr. Rappeport concluded, based on the survey results, that the service mark WIZARDS was not descriptive because the majority of people interviewed were unable to look at the mark and discern that it represented a basketball team. Dr. Rappeport also commented that defendants' survey also supported a finding that the service mark WIZARDS is not descriptive since so few people were able to associate WIZARDS with basketball.

Defendants commissioned their own survey by Dr. Jacob Jacoby to prove that no likelihood of confusion exists between the two teams and that none is likely in the future. Defendants' survey interviewed 365 respondents in sixteen cities across the country. All of the respondents were aged fourteen or older and had watched an NBA, college, high school or some other type of organized basketball game or exhibition during the last twelve months. Respondents were randomly separated into three groups and each group viewed nine t-shirts. Eight of the t-shirts were the same for each group. The only difference across the groups was that Group One saw a "Harlem Wizards" t-shirt, Group Two saw a "Wizards" t-shirt and Group Three saw a "Harlem" t-shirt. All respondents were then asked questions to determine to what extent, if any, they recognized these names. Those who recognized the names were asked follow-up questions to determine if they might be confused between the Harlem Wizards and the Washington Wizards.

Only three to five percent of all people questioned associated the mark WIZARDS with plaintiff. Survey results also established that less than two percent of the public were confused between the marks HARLEM WIZARDS and WASHINGTON WIZARDS and that less than three percent were confused ***1091** between the marks WIZARDS and WASHINGTON WIZARDS.

DISCUSSION

Standard for Injunctive Relief

[2] [3] The "grant of injunctive relief is an extraordinary remedy which should be granted only in limited circumstances." *FM 103.1, Inc. v. Universal Broadcasting of New York, Inc.,* 929 F.Supp. 187, 193 (D.N.J.1996) (quoting *Frank's GMC Truck Center, Inc. v. General Motors Corp.,* 847 F.2d 100, 102 (3d Cir.1988)); *Church & Dwight Co., Inc. v. S.C. Johnson & Son, Inc.,* 873 F.Supp. 893, 903 (D.N.J.1994) (same). The standard for granting a permanent injunction is nearly identical to that of a preliminary injunction except that the movant must show actual success on the merits rather than simply the likelihood of success on the merits. *Church & Dwight Co.,* 873 F.Supp at 903. In determining whether to grant a permanent injunction, a court must consider (1) whether the moving party has demonstrated success on the merits, (2) the probability of irreparable injury to the moving party, (3) the potential for harm to the non-moving party; and (4) the public interest if applicable. *See Church & Dwight Co.,* 873 F.Supp. at 903; *Fechter v. HMW Indus., Inc.,* 879 F.2d 1111, 1116 (3d Cir.1989).

I

Trademark Infringement

[4] Plaintiff claims trademark infringement under Section 43(a) of the Lanham Act, The New Jersey Trademark Act (N.J.S.A. 56:4–1) and common law. N.J.S.A. 56:4–1 is the statutory equivalent of Section 43(a)(1) of the Lanham Act and the analysis for trademark infringement under New Jersey common law is the same as under Section 43(a)(1). *See, e.g., FM 103.1, Inc. v. Universal Broadcasting of New York, Inc.,* 929 F.Supp. 187, 198 (D.N.J.1996). Thus, the Court's discussion with respect to plaintiff's Section 43(a) claim addresses its state law claims as well.

Plaintiff relies on the reverse confusion theory of trademark infringement first recognized by the Third Circuit Court of Appeals in *Fisons Horticulture, Inc. v. Vigoro Industries, Inc.,* 30 F.3d 466, 474–75, 31 U.S.P.Q.2d 1592, 1598 (3d Cir.1994). In an ordinary trademark infringement case, the alleged trademark infringer takes advantage of the reputation and good will of a senior trademark owner by adopting a similar or identical mark. *Id.* at 473–74, 31 U.S.P.Q.2d at 1597–1598. In contrast, reverse confusion arises when a larger, more powerful entity adopts the trademark of a smaller, less powerful trademark user and thereby causes confusion as to the origin of the senior trademark user's goods or services. *See, e.g., Sands, Taylor & Wood Co. v. Quaker Oats Co.,* 978 F.2d 947 (7th Cir.1992), *cert. denied,* 507 U.S. 1042, 113 S.Ct. 1879, 123 L.Ed.2d 497 (1993) (finding that Quaker Oats Co.'s use of "Thirst Aid" for its product Gatorade infringed on the registered "Thirst–Aid" trademark owned and formerly used by small Vermont beverage company); *Banff, Ltd. v. Federated Dep't Stores, Inc.,* 841 F.2d 486 (2d Cir.1988) (enjoining Bloomingdales Department stores from using mark "B–Wear" on clothing and in its stores because it infringed on the unregistered trademark "Bee–Wear" belonging to smaller women's clothing marketer). Because the junior user is a larger company with greater financial ability and trademark recognition in the marketplace, it can easily overwhelm the senior user by flooding the market with promotion of its similar trademark. *Fisons,* 30 F.3d at 474–75, 31 U.S.P.Q.2d at 1598. The strength of the junior user's promotional campaigns leads consumers to believe that the senior user's products derive from that of the junior user or that the senior user is actually the trademark infringer. *Id.* As a result, the 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. American Information Technologies Corp.,* 811 F.2d 960, 964 (6th Cir.1987)). The federal courts and legal commentators have observed that failure to recognize reverse confusion would essentially immunize from unfair competition liability companies that have well established trade names and the financial ability to advertise a senior mark taken from smaller, less powerful ***1092** competitors. *See id; Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.,* 561 F.2d 1365, 1372 (10th Cir.1977).

[5] The Lanham Act protects "an owner's interest in its trademark by keeping the public free from confusion as to the source of goods and ensuring fair competition," and extends to protect trademark owners against reverse confusion trademark infringement. *Fisons,* 30 F.3d at 474–75, 31 U.S.P.Q.2d at 1598 (internal quotations omitted). Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) provides that:

> 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—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.

15 U.S.C. § 1125(a)(1).

[6] Federal Courts have long recognized that Section 43(a)(1) "protects unregistered service marks in the same manner and to the same extent as registered marks" out of acknowledgement that trademark rights emanate from use and not only registration. *FM 103.1, Inc.,* 929 F.Supp. at 194. *See Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. 763, 768, 112 S.Ct. 2753, 2757, 120 L.Ed.2d 615, *reh'g denied,* 505 U.S. 1244, 113 S.Ct. 20, 120 L.Ed.2d 947 (1992); *accord Time Mechanisms, Inc. v. Qonaar Corp.,* 422 F.Supp. 905, 911 (D.N.J.1976). To prevail on a trademark infringement claim under Section 43(a) of the Lanham Act, a plaintiff must establish that: (1) the mark is valid and legally protectable; (2) the plaintiff owns the mark; and (3) the defendant's use of the mark to identify goods or services is likely to create confusion concerning the origin of such goods and services. *Fisons,* 30 F.3d at 472–73, 31 U.S.P.Q.2d at 1596. *Ford Motor Co. v. Summit Motor Products, Inc.,* 930 F.2d 277, 291 (3d Cir.), *cert. denied sub nom., Altran Corp. v. Ford Motor Co.,* 502 U.S. 939, 112 S.Ct. 373, 116 L.Ed.2d 324 (1991) (citing *Opticians Ass'n of America v. Independent Opticians of America,* 920 F.2d 187, 192 (3d Cir.1990)).

A plaintiff demonstrates that a mark is valid and legally protectable when a mark is federally registered and "has become 'incontestible' under the Lanham Act." 15 U.S.C. §§ 1058 and 1065. *Fisons,* 30 F.3d at 472–73, 31 U.S.P.Q.2d at 1596. However, if the mark has not been federally registered, or if a registered mark has not achieved incontestability, then the mark is valid and legally protectable "if the public recognizes it as identifying the claimant's 'goods or services and distinguishing them from those of others.' " *A.J. Canfield Co. v. Honickman,* 808 F.2d 291, 296 (3d Cir.1986) (quoting 1 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 15.1 at 657 (2d ed. 1984)). Such identification first depends on whether a plaintiff can establish that an unregistered mark is inherently distinctive or has achieved secondary meaning—consumer recognition that the mark identifies the product as originating from a particular source. *See Fisons,* 30 F.3d at 472–73, 31 U.S.P.Q.2d at 1596; *Ford Motor Co.,* 930 F.2d at 291.

[7] [8] Trademark law evaluates marks along a continuum of distinctiveness, from the nondistinctive to the inherently distinctive: Marks are (1) generic, (2) descriptive, (3) suggestive or (4) arbitrary, or fanciful. A generic term functions as the common descriptive name of a class of products and are generally not legally protectable. *See, e.g., A.J. Canfield,* 808 F.2d at 292 ("chocolate fudge" is generic when used in connection with chocolate fudge flavored soda); *Kellogg Co. v. National Biscuit Co.,* 305 U.S. 111, 59 S.Ct. 109, 83 L.Ed. 73, 29 U.S.P.Q.2d 296 (1938) ("shredded wheat" is generic term when used for a breakfast cereal). A

descriptive mark immediately conveys a characteristic, ***1093** ingredient or quality of the article or service it identifies and acquires protected status only if the plaintiff can demonstrate that the goods or services have achieved secondary meaning. *See, e.g., Transfer Print Foils, Inc. v. Transfer Print America, Inc.,* 720 F.Supp. 425, 12 U.S.P.Q.2d 1753 (D.N.J.1989) ("Transfer Print" is descriptive for surface decorating machines, related technical machines, material and related technical services to distributors and manufacturers who require designs or words placed on their products). Suggestive, arbitrary and fanciful marks are afforded the highest level of trademark protection. *See AMF Inc. v. Sleekcraft Boats,* 599 F.2d 341, 349 (9th Cir.1979). A suggestive mark requires the consumer to use imagination, thought, or perception to determine the character of the goods or service. *A.J. Canfield,* 808 F.2d at 297. *See, e.g., Taj Mahal Enterprises, Ltd. v. Trump,* 745 F.Supp. 240 (D.N.J.1990) ("Taj Mahal" suggestive of an Indian restaurant). An arbitrary mark employs terms that do not describe or suggest any attribute of goods or services sold and a fanciful mark uses unfamiliar language coined expressly for the purpose of trademark protection. *See Sunenblick v. Harrell,* 895 F.Supp. 616, 624 (S.D.N.Y.1995), *aff'd,* 101 F.3d 684 (2d Cir.1996), *cert. denied,* 519 U.S. 964, 117 S.Ct. 386, 136 L.Ed.2d 303 (1996).

[9] As a threshold matter, this Court must determine whether the mark WIZARDS is inherently distinctive, that is, whether it can be defined as suggestive, arbitrary or fanciful. At the outset, the Court acknowledges that assessing a mark's distinctiveness is not an "exact science" and that the subtle distinctions between these categories can be slippery and elusive. *Banff Ltd,* 841 F.2d at 489. Nonetheless, a mark elicits a particular and quantifiable consumer reaction. Plaintiff asserts that the mark WIZARDS is an arbitrary or fanciful term and thus subject to the highest level of trademark protection. According to plaintiff, the term WIZARDS has no specific meaning when used in connection with basketball services, apparel, or related merchandise. In opposition, defendants advance several arguments. First, defendants argue that plaintiff's mark, to the extent that it has acquired one, consists only of the term HARLEM WIZARDS in its entirety. Defendants stress that the term "Harlem" is an essential element of plaintiff's mark and identity as a show basketball team. In support of this argument, they note that several show basketball teams have sought to capitalize on the genre established by the Harlem Globetrotters by adopting "Harlem" as part of their appellation. Defendants also argue that plaintiff, since its inception, has only sporadically used the term WIZARDS alone as a mark and then only in contexts where the consumer already knows that such materials pertain to the Harlem Wizards. Second, defendants claim that the mark WIZARDS is not inherently distinctive because it describes the nature of plaintiff's services, the "trickery," "wizardry" and "magic" of its basketball performances. As a descriptive mark, plaintiff would have to demonstrate that it has achieved secondary meaning, an unlikely proposition because its consumer recognition level is virtually nonexistent as evidenced by the survey results presented by both parties.

This Court finds that although plaintiff has used the mark HARLEM WIZARDS more consistently than the mark WIZARDS over the years, its use of the mark WIZARDS has nevertheless been sufficient to establish trademark rights. The Court, however, finds that plaintiff's mark is suggestive rather than, as plaintiff asserts, arbitrary or fanciful. The term WIZARDS does not describe accurately plaintiff's services because regardless how talented plaintiff's team members may be, they do not perform magic or even magically. Rather, the mark WIZARDS is accurately defined as suggestive because it asks the consumer to fantasize, to use his or her imagination to connect the idea of magic and the supernatural with show basketball. Because the Court finds that the mark WIZARDS is inherently distinctive, it now turns to the question of whether a likelihood of confusion exists between both parties' use of the mark.

II

[10] Plaintiff bears the burden of establishing that defendants' concurrent use of the ***1094** mark WIZARDS will create a likelihood of confusion among basketball fans between the Harlem Wizards and the Washington Wizards. The showing of proof necessary for a plaintiff to prevail depends upon whether the goods or services offered by the trademark owner and alleged infringer are competitive or noncompetitive. *Fisons Horticulture, Inc. v. Vigoro Industries, Inc.,* 30 F.3d 466, 472–73, 31 U.S.P.Q.2d 1592, 1596 (3d Cir.1994). If the action involves competing goods, "the court need rarely look beyond the mark itself." *Interpace Corp. v. Lapp, Inc.,* 721 F.2d 460, 462 (3d Cir.1983). In such cases, the court simply analyzes whether the similarity of the marks engenders confusion. *Fisons,* 30 F.3d at 472–73, 31 U.S.P.Q.2d at 1596; *Country Floors, Inc. v. Partnership Composed of Gepner and Ford,* 930 F.2d 1056, 1063 (3d Cir.1991). In actions where the goods are non-competing, "the similarity of the marks is only one of a number of factors the court must examine to determine the likelihood

of confusion." *Fisons,* 30 F.3d at 473, 31 U.S.P.Q.2d at 1596. If the goods or services are noncompeting,

> the court must look beyond the trademark to the nature of the products themselves, and to the context in which they are marketed and sold. The closer the relationship between the products, and the more similar their sale contexts, the greater the likelihood of confusion. Once a trademark owner demonstrates the likelihood of confusion, it is entitled to injunctive relief.

Id. (quoting *Lapp,* 721 F.2d at 462 (citations omitted)).

Likelihood of confusion exists if the consuming public assumes upon viewing a mark that the products or service represented by the mark is associated with a different product or service represented by a similar mark. *See* 3 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 2301[1] (1992). To measure the likelihood of confusion in a reverse confusion case, a court applies the same test developed to assess the likelihood of confusion in direct confusion cases. The Court of Appeals for the Third Circuit has identified ten factors to be considered in determining whether a likelihood of confusion exists in the marketplace regarding the source of a product or service. *Fisons,* 30 F.3d at 473–74, 31 U.S.P.Q.2d at 1597; *Dranoff–Perlstein Assoc. v. Sklar,* 967 F.2d 852, 862–863 (3d Cir.1992); *Ford Motor Co. v. Summit Motor Products, Inc.,* 930 F.2d 277, 293 (3d Cir.), *cert. denied sub nom., Altran Corp. v. Ford Motor Co.,* 502 U.S. 939, 112 S.Ct. 373, 116 L.Ed.2d 324 (1991); *Lapp,* 721 F.2d at 463; *Scott Paper Co. v. Scott's Liquid Gold, Inc.,* 589 F.2d 1225, 1229 (3d Cir.1978). These factors are:

> (1) the degree of similarity between the owner's mark and the alleged infringing mark;
>
> (2) the strength of owner's mark;
>
> (3) the price of the goods and others factors indicative of the care and attention expected of consumers when making a purchase;
>
> (4) the length of time the defendant has used the mark without evidence of actual confusion arising;
>
> (5) the intent of the defendant in adopting the mark;
>
> (6) the evidence of actual confusion;
>
> (7) whether the goods [or services], though not competing, are marketed through the same channels of trade and advertised through the same media;
>
> (8) the extent to which the targets of the parties sales efforts are the same;
>
> (9) the relationship of the goods [or services] in the minds of consumers because of similarity of function; and
>
> (10) other facts suggesting that the consuming public might expect the defendant's market, or that he is likely to expand into that market.

Lapp, 721 F.2d at 463 (citing *Scott Paper Co.,* 589 F.2d at 1229). In determining whether a likelihood of confusion exists, courts must weigh each factor separately. *Fisons,* 30 F.3d at 481–82, 31 U.S.P.Q.2d at 1604.

1. *Similarity of Services*

The Court first addresses whether the services offered by the parties are similar because in its view, this factor is the most dispositive regarding the existence of any likelihood of confusion. Courts have held that where the goods and services offered by ***1095** the plaintiff and defendant are dissimilar or non-competitive, consumer confusion is less likely to occur. *See, e.g., Taj Mahal,* 745 F.Supp. at 250; *Sunenblick,* 895 F.Supp. at 629. In *Taj Mahal,* the court held that the differences in services offered by plaintiff, a restaurant serving Indian cuisine, and those of defendant, a hotel and casino, were sufficiently different as to contribute significantly to a finding that no trademark infringement had occurred or would occur. *Id.* at 250. Notably, the Ninth Circuit recently held that where "a court determines as a matter of law from the pleadings that the goods [or services] are unrelated and confusion is unlikely, the complaint should be dismissed." *Murray v. Cable Nat'l Broadcasting Co.,* 86 F.3d 858, 860 (9th Cir.1996), *cert. denied sub nom, Robert Murray d/b/a American Speaks v. Cable National Broadcasting d/b/a America's Talking,* 519 U.S. 1058, 117 S.Ct. 689, 136 L.Ed.2d 613 (1997).

[11] This case presents dissimilarity between services comparable to those presented in *Taj Mahal.* Plaintiff would have this Court simply lump the services of plaintiff and defendants under the heading of basketball or entertainment and, on that basis alone, find that the parties engage in confusingly similar services. Numerous cases, however, illustrate that even when two products or services fall within the same general field, it does not mean that the two products or services are sufficiently

similar to create a likelihood of confusion. Meaningful differences between the products and services are often cited as a factor tending to negate reverse confusion, even when the products are superficially within the same category. For example, in *Sunenblick,* the court found no reverse confusion between jazz records and hip-hop records sold under the identical mark UPTOWN RECORDS because although the recordings were both musical products, they were marketed to different consumers and sold in separate sections of record stores. *Id.* at 629. In *Swanson v. Georgetown Collection, Inc.,* No. 94–CV–1283, 1995 WL 72717 (N.D.N.Y. Feb. 14, 1995), the court held that reverse confusion was unlikely between the mark FARAWAY FRIENDS for porcelain dolls and FAR AWAY FRIENDS for cloth dolls. *Id.* at *12. Similarly, in *W.W.W. Pharmaceutical Co., Inc., v. Gillette Co.,* 984 F.2d 567 (2d Cir.1993), another reverse confusion case, the mark RIGHT GUARD, SPORT STICK for a deodorant was found not to be in competitive proximity with the mark SPORTSTICK used for a lip balm, even though "both [may be] generally defined as personal care products." *Id.* at 573–74. In *Lang v. Retirement Living Publishing Co. Inc.,* 949 F.2d 576 (2d Cir.1991), the court held that defendant's use of NEW CHOICES FOR THE BEST YEARS for a magazine and plaintiff's use of NEW CHOICES PRESS for a publishing house was not likely to cause reverse confusion. *Id.* at 582–83.

The show basketball performed by plaintiff is markedly distinct from NBA competitive basketball in myriad ways. As a show basketball team, plaintiff simply does not play NBA level competitive basketball. Even accepting plaintiff's contention that it has on many occasions played genuinely competitive basketball during the first and third quarters of its games, it is undisputed that the remaining quarters are reserved for comedy routines and fancy tricks. It is inconceivable that the NBA would adopt such a "show" format. Plaintiff also plays against any team put together by the organization that purchases its services. Consequently, its competition is ordinary citizens and not serious NBA level athletes. Furthermore, as a show basketball team, plaintiff does not play in a league, whereas in the NBA, league competition is an intrinsic element of the sport. Also in contrast to the NBA, a large proportion of plaintiff's performances are non-game appearances such as school assembly programs. And with respect to plaintiff, there is no proof that the athletic quality of its average player is similar to that of an NBA team member. These are but a few examples of the dissimilarity between the parties' services. Therefore, the court finds that when every aspect of the two teams is compared, there is glaring dissimilarity. Any similarity between the two teams is superficial and the result of creating overinclusive categories that are irrelevant to the likelihood of confusion.

1096 2. *Channels of Trade and Target Audience

The similarities between the channels of trade and target audiences of the two teams are closely related and therefore, the Court considers these two factors together. The channels of trade that plaintiff uses are not similar to those used by defendants. Plaintiff established that it targets event organizers at high schools, colleges, and charitable organizations and advertises through direct mail solicitation, participation at trade shows, and trade magazines. Plaintiff does not advertise on television, radio or in the popular print media. Plaintiff's merchandise is only available as souvenirs at its games and appearances. In contrast, the Washington Bullets, as a NBA member team, advertises its services directly to sports fans through television and print media and its merchandise is widely available in retail stores. Moreover, as a show basketball team, plaintiff competes with other show and comedy basketball teams for customers and not with the NBA. For example, plaintiff frequently refers to the Harlem Globetrotters in its advertisements and promotional material because it is seeking to reach that more famous team's audience. Therefore, the Court finds that plaintiff has failed to establish that it shares the same channels of trade and target audience as defendants.

3. *Similarities Between the Marks*

In considering the similarity between two marks, the court "must compare the appearance, sound and meaning of the marks, as well as the manner in which they are used." *Taj Mahal,* 745 F.Supp. at 247 (citing *Caesars World, Inc. v. Caesar's Palace,* 490 F.Supp. 818, 824 (D.N.J.1980)). When "making such a comparison, the relevant factor is 'the overall impression created by the mark as a whole rather than simply comparing the individual features of the marks.' " *Id.* (quoting *John H. Harland Co. v. Clarke Checks, Inc.,* 711 F.2d 966, 975 (11th Cir.1983)). Marks "are confusingly similar if ordinary consumers would likely conclude that ... [the products or services] share a common source, affiliation, connection or sponsorship." *Fisons,* 30 F.3d at 477, 31 U.S.P.Q.2d at 1600. In trademark actions that involve picture or design marks, similarity of appearance is controlling. 3 J. McCarthy, McCarthy on Trademarks and Unfair Competition § 23.07. However, "[s]imilarity is not limited to the eye or ear. The mental impact of a similarity of meaning may be so pervasive as to outweigh any visual or phonetic

differences." *Id.* at § 23.08. If two marks create essentially the same overall impression, it is highly probable that the two marks are confusingly similar. *See id* at 477–79, 31 U.S.P.Q.2d at 1601; *Ford Motor Co.,* 930 F.2d at 293; *Opticians Ass'n of America,* 920 F.2d at 195. Nevertheless, "[s]imilarity of the marks is merely one of the relevant factors, and it is not dispositive on the issue of likelihood of confusion." *Taj Mahal,* 745 F.Supp. at 247.

The Court finds that the evidence presented establishes that plaintiff uses the mark HARLEM WIZARDS with great frequency and uses the mark WIZARDS with sufficient regularity on its uniforms and merchandise. Defendants have used and plan to continue using the marks WASHINGTON WIZARDS and WIZARDS. The Court finds that when compared in their entirety, the marks HARLEM WIZARDS and WASHINGTON WIZARDS are similar and use by the parties of the mark WIZARDS alone is obviously identical.

The use of a design as part of a mark minimizes any likelihood of confusion. 3 J. McCarthy, McCarthy on Trademarks and Unfair Competition § 23.15[5]. Because defendants have not yet selected a logo, it is impossible to consider the similarities in logo design and merchandise. Nonetheless, the Court notes that the Washington Bullets' logo when selected will presumably have a unique logo and color scheme and will contain the NBA's distinctive tagging and logo of a ball-dribbling player. In contrast, plaintiff lacks a consistent logo and distinctive colors. Therefore, it is highly unlikely that merchandise offered by the parties will result in the likelihood of confusion among consumers. The Court also concludes that the linguistic similarity between the contested marks will not result in the likelihood of confusion because the services offered are ***1097** markedly dissimilar and the parties do not target the same audience.

4. *Strength of Plaintiff's Mark*

Traditionally, "the term strength as it applies to trademarks refers to the distinctiveness of the mark, or more precisely, its tendency to identify the goods sold under the mark as emanating from a particular, although a possible anonymous source." *Taj Mahal,* 745 F.Supp. at 248. The degree of distinctiveness attributed to a mark is, in part, determined by its placement on the continuum of distinctiveness discussed in Part II. *See Sunenblick,* 895 F.Supp. at 626; *Plus Products v. Plus Discount Foods, Inc.,* 722 F.2d 999, 1005 (2d Cir.1983). Classification of a mark as suggestive, however, "is not necessarily dispositive on the issue of its strength, which must finally be determined in reference to its commercial context." *Sunenblick,* 895 F.Supp. at 626. It is possible that a mark "may be conceptually strong and yet commercially weak if it lacks the requisite 'origin-indicating' quality in the eyes of the consumer." *Id.*

In *Fisons,* the Third Circuit observed that "in a case of reverse confusion, the evidence of commercial strength is different from what we expect in a case of forward confusion." *Id.* at 479, 31 U.S.P.Q.2d at 1602. It noted that "an aggressive junior user may thereby achieve greater commercial strength in a short period of time than the senior user has after years of marketing its product" because "the junior user is typically a wealthier, more powerful company [that] can overwhelm the market with advertising." *Id.* The Third Circuit in *Fisons* criticized the district court's heavy emphasis on the plaintiff's failure to demonstrate that it had developed consumer awareness of its mark and its product through substantial investment and failure to consider the distinctiveness of plaintiff's mark. *Id.* Nonetheless, while the Third Circuit ruled that a mark's inherent distinctiveness is of great importance, it also recognized that commercial strength remains a factor that must be considered. *Id.*

This Court has already determined that the mark WIZARDS is suggestive and therefore, inherently distinctive. Nonetheless, this categorization of plaintiff's mark does not in and of itself establish that plaintiff's mark is strong and that the likelihood of confusion exists. Although plaintiff's mark is distinctive, it is undeniably commercially weak. Plaintiff's own survey results reveal the weakness of its mark: in Northern New Jersey, plaintiff's strongest market, only six out of fifty-nine people associated the mark WIZARDS with plaintiff. In defendants' survey, only four percent of people across the nation associated the mark with plaintiff. This weakness is of course understandable because plaintiff admittedly does not advertise its mark directly to consumers. In evaluating this likelihood-of-confusion factor, the Court does not hold plaintiff to the same standard as defendants who have the financial ability to expend large sums of money on promotion and advertising. Nonetheless, the Court finds that the inherent distinctiveness of plaintiff's mark does not override its marked commercial weakness, even when this factor is weighed more heavily. Because the mark is weak it fails to identify plaintiff's services with a particular source. Therefore, the Court finds that this factor favors the defendants.

5. *Factors Indicative of the Care and Attention Expected of Consumers When Making a Purchase*

It is widely accepted as true that consumers are less likely to be confused about the origin of specific goods or

services if such goods are expensive because the amount of care and attention expended by consumers increases proportionately as the price of the desired goods or services increases. *Taj Mahal,* 745 F.Supp. at 248–249; *Restaurant Lutece, Inc. v. Houbigant, Inc.,* 593 F.Supp. 588, 595 (D.N.J.1984). Plaintiff's goods and services include games, appearances and merchandise. Harlem Wizards' tickets typically sell for between five and eight dollars while NBA tickets are significantly more expensive, requiring somewhat of an inheritance as a paying source. It is not surprising therefore, that the average NBA fan earns about $60,000 a year. Given the disparity between ticket prices of the plaintiff and the NBA alone, it is unlikely that likelihood ***1098** of confusion exists between the parties' services. Moreover, NBA fans are generally sophisticated and knowledgeable of their sport; they read about their favorite teams in the sports pages or listen to sports reporting and commentary on television and radio. Therefore, the Court finds it unlikely that consumers will attend a Harlem Wizards' game expecting to see NBA basketball or purchase NBA tickets expecting to see the Harlem Wizards perform show basketball.

In addition, likelihood of confusion is also unlikely to occur with regard to the range of merchandise sold by both parties. Although the Court did not hear testimony establishing the pricing of merchandise marketed by both parties, the Court notes that much of it is probably similar in price and quality. However, because the parties sell their merchandise in completely different channels of trade—the NBA sells its merchandise at retail outlets and games and plaintiff sells its merchandise only at its games and appearances—it is unlikely that likelihood of confusion will occur between parties' merchandise regardless of similarities in price.

6. ***Evidence of Actual Confusion***

It is well established that in a trademark infringement action, a plaintiff need not present evidence of actual confusion and need only show that a likelihood of confusion exists. *Ford Motor Co.,* 930 F.2d at 292. However, "evidence of actual confusion, where shown, is highly probative of the likelihood of confusion." *Sunenblick,* 895 F.Supp. at 629. As evidence of actual confusion, plaintiff relies on individual testimony regarding actual incidents of confusion between the marks, consumer survey results and expert testimony. First, plaintiff offered testimony by current Harlem Wizards' players who recounted incidents when they wore Harlem Wizards' shirts or jackets and strangers misidentified the garments as belonging to the Washington Wizards or asked the players if they played for the Washington Wizards. The Court finds that these examples are too weak and few to establish actual confusion. Actual confusion is not the same as clear mistake or misidentification on the part of consumers, many of whom it turns out were children. Moreover, there is no evidence that these purported instances of actual confusion could have any effect on consumer purchasing decisions.

Survey evidence can sometimes demonstrate evidence of actual confusion but only to the extent "that the survey mirrors the real world setting which can create an instance of actual confusion." 3 J. McCarthy, McCarthy on Trademarks and Unfair Competition § 23.01[3][a]. A party introducing a consumer survey bears the burden of establishing that it was conducted in accordance with accepted principles of survey research, i.e., that (1) a proper universe was examined; (2) a representative sample was drawn from that universe; (3) the mode of questioning the interviewees was correct; (4) the persons conducting the survey were recognized experts; (5) the data gathered was accurately reported; and (6) the sample design, the questionnaire and the interviewing were in accordance with generally accepted standards of procedure and statistics.
National Football League Properties, Inc. v. New Jersey Giants, Inc., 637 F.Supp. 507, 513–514 (D.N.J.1986).

This Court is wary to draw conclusions from the survey results introduced by both parties, because of the small samples used. Nonetheless, the survey results introduced by both parties clearly demonstrate that consumer recognition of plaintiff is almost nonexistent. Consequently, the Court finds that plaintiff has failed to prove the occurrence of actual confusion.

7. ***Defendants' Intent in Adopting the Mark***

Ordinarily, the relevant intent inquiry in a trademark infringement case involves determining "whether the defendant adopted a mark with the intent of promoting confusion and appropriating the prior user's good will." *Fisons,* 30 F.3d at 479, 31 U.S.P.Q.2d at 1602 (internal quotations omitted). In *Fisons,* the Court of Appeals held that although this relevant intent inquiry is both important and appropriate in traditional cases of direct confusion, such an inquiry serves no purpose in a reverse confusion case. *Id.* In reverse confusion cases, the junior user simply does ***1099** not attempt to take advantage of the senior user's good will and reputation; instead the junior user seeks to overwhelm it. *Id.* The Court of Appeals then identified as a more appropriate inquiry whether the defendant was careless in conducting its trademark name

search and in considering the likelihood of confusion with other companies that used similar marks. *Id.*

Defendants produced testimony and exhibits indicating that they had arranged for trademark searches to be done before and during the name-change contest. It appears that defendants did not engage in additional investigation after it learned that plaintiff used the federally unregistered mark HARLEM WIZARDS and provided sports entertainment services. Nonetheless, there is no evidence that defendants adopted the mark WIZARDS in bad faith. None of the employees involved in narrowing the names to a final selection of five names had previously heard of plaintiff. Although two Washington Bullets employees were familiar with plaintiff before the "name contest", neither of them was involved in the preparation, promotion or name selection before or during the event. Moreover, defendants had sought the advice of counsel before adopting the new name. Therefore, the Court finds that there is no proof that defendants were careless in the selection of WIZARDS as the new mark for the Washington Bullets and in considering the likelihood of confusion with similar marks of other companies.

8. ***Likelihood of Expansion***

Whether there is a likelihood that plaintiff will expand into a market where a defendant already actively participates is a crucial factor in cases involving non-competitive goods and services because one of the "chief reasons for granting a trademark owner protection in a market not his own is to protect his right someday to enter that market." *Lapp,* 721 F.2d at 464 (citation omitted). Therefore, when it appears likely that a trademark owner will soon enter the defendant's field, this factor weighs in favor of injunctive relief. *Fisons,* 30 F.3d at 473–74, 31 U.S.P.Q.2d at 1597. It is very unlikely that the Harlem Wizards will expand its services to include purely competitive basketball. Plaintiff has offered no evidence that it entertains any expansion plans to begin playing NBA-level basketball. Rather, the expansion plans alluded to in its five-year business plans center around emerging as the second greatest show basketball team in the country. Hence, because there is no likelihood that plaintiff plans to play professional competitive basketball, this factor weighs against injunctive relief.

9. ***Other Factors that Suggest that the Public Would Expect the Plaintiff Offer a Similar Service.***

Based on the evidence presented, the Court finds that there are no other factors that would lead consumers to believe that plaintiff offers services similar to the NBA. For nearly thirty-five years, plaintiff has limited its services to show basketball, a service that is separate and distinct from NBA basketball. Plaintiff has not shown that it plans to chart a new course by entering the world of professional competitive basketball. The evidence presented inevitably leads to the conclusion that under these circumstances, a wizard is not a wizard. Therefore, for the reasons stated, the Court finds that the Washington Bullets' adoption of the Washington Wizards as its new name poses no likelihood of injury to the Harlem Wizards in the marketplace and dismisses plaintiff's federal and state law claims.

CONCLUSION

For the reasons stated in this Court's Opinion; It is on this 27th day of January 1997; ORDERED that the complaint is hereby dismissed.

All Citations

952 F.Supp. 1084

Footnotes

1 The Court bifurcated plaintiffs damages claims; at this bench trial, the Court only considered whether plaintiff is entitled to a permanent injunction.

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Cited
As of: October 12, 2015 6:43 PM EDT

2007 TTAB LEXIS 140

Trademark Trial and Appeal Board

July 25, 2006, Oral Hearing ; June 07, 2007, Decided

Opposition No. 91159617 Cancellation No. 92043288

Reporter
2007 TTAB LEXIS 140

iMedica Corporation v. Medica Health Plans
Medica Health Plans v. iMedica Corporation

Disposition: **[*1]**

DECISION: The petition for cancellation is granted and iMedica's Registration No. 2834742 shall be cancelled in due course. iMedica's opposition to MHP's application Serial No. 76370729 is dismissed with prejudice.

Core Terms

imedica, registration, healthcare, likelihood of confusion, customer, cancel, commerce, advertize, notice, clinic, health maintenance organization, bona fide intent, healthcare plan, health plan, sophisticate, fame, expenditure, electronic, consuming, user, computer network, third-party, deposition, global, patient records, geographic, underwrite, ownership, channel, prepaid

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Panel: Before Quinn, Holtzman and Zervas, Administrative Trademark Judges

Opinion By: Zervas, Albert

Opinion

THIS OPINION IS NOT A PRECEDENT OF THE T.T.A.B.

Opinion by Zervas, Administrative Trademark Judge:

This consolidated case involves (i) an opposition proceeding brought by iMedica Corporation (″iMedica″) against the registration of application Ser. No. 76370729 (″the '729 application″) filed by Medica Health Plans (″MHP″); and (ii) a cancellation proceeding brought by MHP against the continued registration of Registration No. 2834742 (″the '742 registration″) owned by iMedica.

In the opposition, iMedica has opposed registration of the mark IMEDICA (in typed form) in the '729 application, filed February 13, 2002 under Section 1(b) of the Trademark Act, *15 U.S.C. § 1051(b)*, for the following services, as **[*2]** amended:

> ″physician, hospital, clinic and pharmacy referral services provided via a global computer network″ in International Class 35;
>
> ″providing on-line messaging among computer users concerning health and medical information; transmission of secure messaging between doctors, nurses, medical staff and patients and other computer users; providing on-line transmission of medical and insurance records″ in International Class 38; and

> ″providing a web site on a global computer network featuring medical, drug and health information, namely, diagnostic advice, symptoms, conditions, treatment, prevention, medical news, tips and advice on health topics, health risks, nutrition and immunization; health care in the nature of a health maintenance organization via a global computer network″ in International Class 44. [1]

In the notice of opposition, iMedica claims ownership of application Serial No. 75774749 (″the ’749 application″) for the mark IMEDICA (in typed form), which ultimately registered as the ’742 registration and which is the subject of MHP’s petition to cancel. [2] iMedica filed the ’749 application on August 13, 1999, and the mark registered on April 20, 2004 for **[*3]** the following services:

> ″online ordering of medical supplies; providing information in the field of medical office management via a global computer network; providing medical office administrative records via a global computer network″ in International Class 35; and
>
> ″providing information in the fields of medicine, clinical practice and patient care to others via a global computer network; providing medical and patient records to others via a global computer network″ in International Class 42.

The registration claims first use anywhere and first use in commerce on February 8, 2001 for the services in both International Classes. iMedica further asserts in the notice of opposition that it has used the mark IMEDICA in interstate commerce at least as early as February 15, 2000, which is prior to the filing date of MHP’s application; and that MHP’s use and registration of its mark is likely to cause confusion, mistake or deception that MHP’s services are those of iMedica or are otherwise endorsed, sponsored or approved by iMedica under Sections 2(a) and 2(d) of the Trademark Act, *15 U.S.C. §§ 1052(a)* and *1052(d)*. MHP has filed an answer admitting **[*4]** that the parties’ marks are identical, answer at P 6, but denying other salient allegations of the notice of opposition.

In the cancellation proceeding in which MHP seeks to cancel the ’742 registration for IMEDICA, MHP has asserted ownership of numerous registrations and applications consisting of, or containing the term MEDICA for various services; that it has a family of MEDICA marks; that it has prior use since at least as early as February 12, 1991; and that confusion is likely to be caused by iMedica’s use of its registered mark. [3] MHP filed status and title copies of various registrations with its petition to cancel. iMedica, in its answer, has **[*5]** denied the salient allegations of the petition to cancel, but has admitted that the trade channels of MHP’s IMEDICA mark which is the subject of the opposition are identical to those of its mark.

Both parties have filed briefs in both the opposition and the cancellation. The Board held an oral hearing on July 25, 2006.

Background

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[1] iMedica has not opposed the International Class 36 services in the ’729 application, i.e., ″administration of prepaid healthcare plans, healthcare plan administration services, underwriting healthcare plan[s]; underwriting insurance for prepaid healthcare. ″

[2] We deem the notice of opposition to have been amended to allege the ’742 registration.

[3] Because neither party has briefed the Section 2(a) claim, the Section 2(a) claim is moot.

MHP also alleged dilution under the Federal Dilution Act, ***15 U.S.C. § 1125(c)***, in the petition to cancel, but withdrew its claim at p. 7 of its first brief. We hence give MHP’s dilution claim no further consideration.

Further, MHP has alleged that iMedica filed false requests for extension of time to file a statement of use on five separate occasions. Petition to cancel at P 14. To the extent that MHP is alleging fraud, because the parties have not briefed MHP’s fraud claim, we consider it to have been waived by MHP.

MHP is both an insurance company and a managed **[*6]** care organization that does business in Minnesota, western Wisconsin, North Dakota and South Dakota. Its customer membership is approximately 1.2 million members and it has about 50 percent market share in the Minneapolis/St. Paul metropolitan area.

iMedica is a technology company that provides electronic record management products and services for physicians to better manage their practices. iMedica's sole product is PhysicianSuite, comprised of software and hardware that allows physicians to work more efficiently by allowing patient records to be prepared and managed electronically instead of with pen and paper. With PhysicianSuite, medical staff within an office may communicate via instant messaging and allow doctors to access information via the Internet and review referral letters. iMedica has had fewer than 25 customers and those customers are located in several states in the United States including Minnesota, but not Wisconsin, Iowa and North and South Dakota.

The Record

In addition to the pleadings and the status and title copies of the pleaded registrations submitted with the petition to cancel, the record contains MHP's first and second notices of reliance which include, **[*7]** inter alia, iMedica's discovery responses; and iMedica's first notice of reliance which includes, inter alia, MHP's discovery responses. The record also contains the testimony, with exhibits, of (i) iMedica's two witnesses, namely, Dr. Charles Koo, iMedica's founder, former president and CEO, and current chief technology officer; and Dr. Michael Sullivan of Freeman Sullivan and Company, iMedica's expert witness; and (ii) MHP's three witnesses, namely, John A. Bunge, president of Legal Market Research, Inc., MHP's expert witness; Robert Longendyke, MHP's senior vice president of marketing and communications; and Scott Booher, MHP's chief information officer (″CIO″) and senior vicepresident. Additionally, the parties have stipulated to the admission of certain evidence, namely, TARR copies of certain registrations and an advertisement for iMedica's services.

Preliminary Matters

Motion to Amend Notice of Opposition

On August 10, 2005, the Board denied iMedica's contested motion (filed May 23, 2005) to amend its notice of opposition to add a claim of no bona fide intent to use MHP's mark in commerce to the extent that the motion seeks relief under Fed. R. Civ. P. 15(a), **[*8]** but deferred consideration of the motion to the extent that it seeks relief under Fed. R. Civ. P. 15(b). Approximately three months after the Board's order, i.e., on November 1, 2005, MHP questioned its witness Mr. Booher in his testimonial deposition regarding MHP's bona fide intent to use the mark in commerce, asking among other questions ″… at the time the IMEDICA trademark application was filed on February 13, 2002, did Medica Health Plans have a bona fide intent to use the mark in commerce in the United States ...?″ Booher dep. at p. 12. In view of MHP's questioning of Mr. Booher, which occurred after the Board's August 10, 2005 order, we find that the issue of no bona fide intent to use the mark in commerce was tried by the implied consent of the parties. We accordingly grant iMedica's motion to amend and consider the notice of opposition amended to include a claim of no bona fide intent to use the mark in commerce.

Evidentiary objections

Both parties have raised objections to some of the evidence submitted by the other party. Each objection is discussed below.

1. MHP objects to iMedica's attempted ″correction″ of Dr. Koo's testimony. Dr. Koo testified as follows: **[*9]**

> Q. Okay, sitting here today, do you know if there, in your opinion, would be any confusion

if Medical Health Plans was to use the name iMedica as part of their business?

Mr. Leonard: Object to the extent that it calls for a legal conclusion. You can answer, Charlie.

The Witness: No.

Mr. Paulsrud: Q. You don't have any opinion?

A. No, I don't think it causes any confusion.

Koo dep. at pp. 59-60. iMedica has filed a ″correction sheet″ to the deposition transcript in which Mr. Koo sought to change his answer to the first question above from ″no″ to ″yes″ and the second question from ″No, I don't″ to ″Yes, I do.″ The Board does not permit any changes to a testimony deposition which are substantive in nature and which, in effect, changes the testimony after the fact. *See* *Marshall Field & Co. v. Mrs. Field's Cookies, 25 USPQ2d 1321 (TTAB 1992)*, citing *Cadence Industries Corp. v. Kerr, 225 USPQ 331 (TTAB 1985)*; *Entex Industries, Inc. v. Milton Bradley Co., 213 USPQ 1116 (TTAB 1982)*. Because iMedica's proposed changes are substantive, MHP's objection is well taken and is sustained. Dr. Koo's testimony remains **[*10]** as he originally stated in his testimonial deposition.

2. iMedica has objected under *Fed. R. Evid. 602* to Mr. Booher's testimony on the ground that he does not have personal knowledge of the subject matter of his testimony as it concerns MHP's contention that it has a bona fide intention to use IMEDICA in commerce; and that ″the testimony improperly calls for a legal conclusion.″ iMedica's opposition brief at p. 7. According to iMedica, Mr. Booher testified that he was not responsible for the decision to file an application and is not aware of the status of MHP's trademark. Booher dep. at pp. 27, 28 and 33. However, Mr. Longendyke testified that the ultimate decision to adopt IMEDICA as a trademark was made by a team consisting primarily of Mr. Longendyke and the CIO. Longendyke dep. at p. 37. Mr. Booher testified that he was the CIO; that he was involved, although ″on the periphery″; and further that he ″was part of that decision [but] not the ultimate decisionmaker.″ Booher dep. at pp. 27 and 33. In view of this testimony, we find that iMedica's objection on the basis that Mr. Booher did not have personal knowledge is not well taken and overrule its objection on this basis. **[*11]**

With respect to iMedica's objection that the questioning of Mr. Booher was conclusory in that Mr. Booher merely repeated ″Yes, we do″ in response to leading questions on bona fide intent, and that the questions asked for a legal conclusion, we overrule these objections. We construe the questions as asking ″did MHP intend to use the mark in commerce when it filed its application?″ Also, iMedica's attorney only objected to one of such questions at trial, and did not object at all to the leading nature of the questions during trial.

However, mindful of iMedica's objections, we give Mr. Booher's testimony the weight it is due on the question of MHP's bona fide intent to use IMEDICA in commerce.

3. iMedica objects to Mr. Bunge's expert report (Exhibit A to Mr. Bunge's deposition) involving a likelihood of confusion survey based on the *Eveready* protocol that Mr. Bunge conducted and his opinion testimony regarding the survey. iMedica maintains that the survey is unreliable and inadmissible and that Mr. Bunge's testimony fails to meet the standards required by *Fed. R. Evid. 702*. In the survey, Mr. Bunge identified the relevant universe for his survey as ″medical professionals in medical **[*12]** offices who are responsible for making decisions on which medical services to purchase for their practices,″ and contacted all 917 physician offices in the Minneapolis/St. Paul, Minnesota area. Fifty-seven respondents participated in his survey. They were shown ″a packet of two advertising materials for iMedica Corporation, obtained from iMedica's internet web site, (a two page, 4-color piece titled iMedica PhysicianSuite(R) describing iMedica

Corporation and an 8 page, color piece that describes PhysicianSuite) ....″ Exhibit A to Bunge dep. at p. 2. Eight respondents, or about 14 percent, indicated ″that the company that puts out those products or services also puts out insurance products, or that the company that puts out those products or services is associated with Medica Health Plans or that the company was authorized by Medica Health Plans to put out the products or services.″ *Id*.

We find that the small number of survey participants, i.e., slightly greater than six percent, raises a question as to the overall validity of the survey results. Mr. Bunge has acknowledged that the number of participants was small. However, MHP maintains that the survey is proper because Mr. Bunge **[*13]** took the effort to verify that the sample size was representative of the population surveyed. [4] According to his testimony, the respondents represented sixteen different medical fields; and Mr. Bunge had ″no reason to believe that any other specialty would perceive these issues any differently than those we surveyed.″ Bunge dep. at p. 24. For this reason, we do not find that the survey has no probative value in view of the small number of survey participants; rather, we find that it is not entitled to great weight. See R. Leighton, *Using Daubert-Kumho Gatekeeping to Admit and Exclude Surveys in Lanham Act Advertising and Trademark Cases, 92 TMR 743, 777 (200)* (″In the end, however, there is no magic minimum number of respondents that will make a sample per se reliable with respect to any particular survey. Sample sizes as low as 32 respondents have been found to have some probity, but not ’great weight.’″)

[*14]

We also find that the survey results are questionable because the survey did not fairly sample the universe of possible respondents and is biased in MHP’s favor. See 3A *Callman on Unfair Competition, Trademarks & Monopolies*, Section 21.67 (4th ed. 1983) (″The universe cannot be chosen in such a way as to bias the results in favor of either party.″). Mr. Bunge only sampled medical practices in the Minneapolis/St. Paul metropolitan area, an area in which MHP maintains that it has a fifty-percent market share and where it would likely be well-known. It appears, therefore, that MHP sought to obtain responses from those respondents who knew of MHP and its business, or even who were part of medical practice groups that were providers for MHP. We reasonably conclude that such respondents would be more likely to believe that iMedica’s services under the IMEDICA mark are connected to or sponsored by MHP.

Thus, iMedica’s objections to Exhibit A and Mr. Bunge’s testimony regarding the survey are overruled. [5] However, we do not accord the survey and Mr. Bunge’s testimony regarding the survey great weight.

[*15]

4. iMedica has objected to Exhibit B to Mr. Bunge’s testimonial deposition, i.e., a report concerning a 1997 survey in which Mr. Bunge participated, and Mr. Bunge’s testimony on the report. The survey was conducted in connection with a claim of likelihood of confusion between MEDICA and DATAMEDICA, a third-party’ s mark. The purpose of the survey was ″to find out whether Medica would be considered a famous name or not among health care providers. ″ Bunge

[4] According to Dr. Sullivan, the guidelines set forth at p. 245 in the Federal Judicial Center’s *Reference Manual on Scientific Evidence* (2d ed. 2000) recommends that researchers ″describe the actions they took to attempt to verify that the completed sample was representative of the population under study″ if response rates are lower that 90 percent. Sullivan report at unnumbered p. 3.

[5] The parties have discussed confidence intervals as they concern the estimated ″’confusion’ rate.″ We are persuaded that such intervals do not apply here in light of the statement in the Federal Judicial Center’s *Reference Manual on Scientific Evidence* (2d ed. 2000) at p. 244 that ″[c]onfidence intervals should not be computed″ in the case of a convenience sample.

dep. at pp. 32 - 33. According to Mr. Bunge, the survey concluded that ″almost nine out of every 10 respondents, were aware of Medica in 1997″; and that there is a ″total level of awareness of 86 percent.″ Bunge dep. at pp. 33 and 116.

iMedica maintains that MHP did not include any documentation relating to or supporting the analysis and conclusions of the report on the 1997 survey with Mr. Bunge's expert report in this proceeding, as required under Fed. R. Civ. P. 26(a)(2). Additionally, iMedica maintains that Mr. Bunge's testimony does not lay a foundation to determine the reasonableness of the methodology or results of the 1997 survey which are needed to determine whether the 1997 survey is sufficiently reliable to allow it to be **[*16]** admitted.

Federal Rule 26(a)(2) is not applicable in Board proceedings. See TBMP §401 (2d ed. rev. 2004). Thus, we overrule iMedica's objection to Exhibit B and Mr. Bunge's testimony regarding Exhibit B. We also overrule any objection that iMedica has to Mr. Bunge's testimony regarding fame because he has relied on Exhibit B in determining that MEDICA is a famous mark. However, we do consider that there is no evidence about the reasonableness of the methodology or results of the report for determining whether the results of the 1997 survey are sufficiently reliable, and hence give Exhibit B, and Mr. Bunge's testimony regarding Exhibit B, limited weight in connection with MHP's contention that its mark is famous.

5. iMedica has objected to Exhibit C to Mr. Bunge's testimonial deposition, dated September 1993 and entitled ″Twin Cities Employer Health Care Study″; and Mr. Bunge's testimony regarding Exhibit C. The ″Study″ - which MHP maintains was another survey - was prepared by a third party for MHP without Mr. Bunge's involvement. Because MHP has not offered any testimony of anyone with first-hand knowledge of the survey, including any testimony as to the mechanics of how the ″Study″ **[*17]** was conducted, we sustain iMedica's objection. See *Fed. R. Evid. 703*. We have not considered the 1993 ″Study″ and Mr. Bunge's testimony on the ″Study.″

6. iMedica has objected to Mr. Booher's testimony regarding the meaning of the letter ″i″ as a term in trademarks generally and the admission of Exhibits P (search results for ″i″ from *AbbreviationZ*) and Exhibit Q (search results for ″i″ from acronymfinder.com). Because Mr. Booher has testified that he located and downloaded the web pages which are the subjects of Exhibits P and Q, they have been sufficiently authenticated and hence are in the record as evidence of the definition of ″i″ in *AbbreviationsZ* and acronymfinder.com. See *Raccioppi v. Apogee, Inc., 47 USPQ2d 1368 (TTAB 1998)*. As far as Mr. Booher's testimony regarding the meaning of ″i″ based on his experience, that testimony is admissible as to his personal definition of the term ″i.″ However, it is not admissible to the extent that it is submitted to show how the consuming public in general regards the term ″i″ because Mr. Booher has not been qualified to provide testimony on how the consuming public in general regards the term ″i″ or on the definition **[*18]** of ″i.″ Thus, iMedica's objection is overruled in part and sustained in part. See *Fed. R. Evid. 701*.

7. iMedica has objected to the introduction of the *Dechert Annual Reports on Trends in Trademarks* from the years 2000, 2001 and 2002, submitted with MHP's second notice of reliance. iMedica maintains that they are not printed publications or official records, and there is no indication that they are available to the general public in libraries or of general circulation among members of the public. Because there is no indication that these 7 to 11-page reports are available to the general public in libraries or of general circulation among members of the public, or that segment of the general public which is relevant under an issue in this proceeding, the reports are not properly the subject of a notice of reliance. Because MHP has not attempted to introduce these reports through

the testimony of any witnesses, iMedica's objection is sustained and these reports are not given further consideration. Trademark Rule 2.122(e), 37 CFR § 2.122(e).

8. iMedica has objected to an amicus curiae brief submitted by the International Trademark Association in JSL Corp. v. Visa International Services Ass'n, No. 02-1753, 90 Fed. Appx. 484 (9th Cir.), and MHP has stated that it does not contest its exclusion from the record. We therefore have given the amicus curiae letter brief no further consideration.

We now turn to the merits of this case, considering first MHP's petition to cancel Registration No. 2834742 pleaded by iMedica in the opposition.

Priority

As noted above, iMedica filed the '749 application for IMEDICA on August 13, 1999. This date is earlier than iMedica's November 2000 first use date of IMEDICA. See Koo dep. at pp. 15 - 21. Thus, iMedica is confined to its application filing date as the earliest date on which it can rely for priority purposes.

MHP asserts ownership of numerous registrations and applications for marks consisting of or containing the term MEDICA. Four of such registrations were filed earlier than the August 13, 1999 filing date of iMedica's '749 application. The four MHP registrations are:

> Registration No. 1761828 (renewed) for the mark MEDICA (in typed form), issued on March 30, 1993 from an application filed on October 21, 1991, for ″comprehensive health care plans and health plan management services″ in International Class 42;
>
> Registration **[*20]** No. 2113265 for the mark MEDICA (in typed form), issued on November 18, 1997 from an application filed on October 31, 1994, for ″administration of prepaid healthcare plans, healthcare plan administration services, underwriting healthcare plans; underwriting insurance for prepaid healthcare″ in International Class 36; and ″healthcare in the nature of health maintenance organization″ in International Class 42, with Section 8 affidavit accepted and Section 15 acknowledged;
>
> Registration No. 2239358 for the mark MEDICA CALLLINK (stylized), issued on April 13, 1999 from an application filed on December 3, 1996, for ″medical consulting services, medical information services and medical resources services available via telephone″ in International Class 42, with Section 8 affidavit accepted and Section 15 acknowledged; and
>
> Registration No. 2392584 for the mark MEDICA ELECT (in typed form), issued on October 10, 2000 from an application filed on June 11, 1998, for ″administration of prepaid healthcare plans; health care plan administration services; underwriting healthcare plans; underwriting insurance for prepaid healthcare″ in International Class 36; and ″medical services; hospitals; **[*21]** and health maintenance organization″ in International Class 42, with Section 8 affidavit accepted and Section 15 acknowledged.

MHP has entered a status and title copy of each of these four registrations into the record.

Because the filing dates of the applications underlying MHP's pleaded registrations for the MEDICA, MEDICA CALLINK and MEDICA ELECT marks are prior to the earliest date of use on which iMedica is entitled to rely, that is the August 13, 1999 filing date of the '749 application, MHP's priority has been established. See Brewski Beer Co. v. Brewski Brothers Inc., 47 USPQ2d 1281 (TTAB 1998) (plaintiff must show that it was the first to use the mark or, if no evidence of prior use is presented by a defendant and the plaintiff

owns a registration, that the plaintiff has the earliest filing date of the application which matured into the registration) .

iMedica has argued that MHP cannot claim prior rights in the IMEDICA mark based on use of the mark MEDICA with insurance related services because those services are unrelated to iMedica's services. We reject iMedica's argument - the question of the relationship of the parties' services arises in the **[*22]** likelihood of confusion analysis, not in connection with issues regarding priority.

Likelihood of Confusion

Our determination under *Section 2(d)* is based on an analysis of all of the facts in evidence that are relevant to the factors bearing on the issue of likelihood of confusion. *In re E. I. du Pont de Nemours & Co., 476 F.2d 1357, 177 USPQ 563 (CCPA 1973)*. See also, *In re Majestic Distilling Company, Inc., 315 F.3d 1311, 65 USPQ2d 1201 (Fed. Cir. 2003)*. In considering the evidence of record on these factors, we keep in mind that ″[t]he fundamental inquiry mandated by *§2(d)* goes to the cumulative effect of differences in the essential characteristics of the goods and differences in the marks.″ *Federated Foods, Inc. v. Fort Howard Paper Co., 544 F.2d 1098, 192 USPQ 24 (CCPA 1976)*.

Fame

The *du Pont* factor concerning the fame of the prior mark plays a dominant role in likelihood of confusion cases featuring a famous mark. *Bose Corp. v. QSC Audio Products Inc., 293 F.3d 1367, 63 USPQ2d 1303 (Fed. Cir. 2002)*; *Recot Inc. v. M.C. Becton, 214 F.3d 1322, 54 USPQ2d 1894 (Fed. Cir. 2000)*; **[*23]** *Kenner Parker Toys, Inc. v. Rose Art Industries, Inc., 963 F.2d 350, 22 USPQ2d 1453 (Fed. Cir. 1992)*. Fame for likelihood of confusion purposes arises ″as long as a significant portion of the relevant consuming public … recognizes the mark as a source indicator.″ *Palm Bay Imports, Inc. v. Veuve Clicquot Ponsardin Maison Fondee En 1772, 396 F.3d 1369, 73 USPQ2d 1689, 1694 (Fed. Cir. 2005)*. That is, we look to the class of customers and potential customers of a product or service, and not the general public. Here, the relevant consuming public comprises prospective and actual purchasers or users of healthcare insurance services. See *Carefirst of Maryland, Inc. v. FirstHealth of the Carolinas, 77 USPQ2d 1492 (TTAB 2005)*, *aff'd*, *479 F.3d 825, 81 USPQ2d 1919 (Fed. Cir. 2007)*.

MHP has established that it has a substantial number of members and substantial revenue and that its revenue and membership has been increasing; in 2000 MHP had 1,027,886 individual members with $ 1,458,394,000 in revenue, and in 2003 MHP had 1,102,921 members with $ 1,852,322,000 in revenue. Longendyke Dep. at p. 12; Exhibit H. Additionally, MHP has established **[*24]** that its advertising expenditures are substantial, amounting to millions of dollars per year, with such expenditures rising each year. Further, Mr. Longendyke has testified that MHP has a 50 percent market share in the Minneapolis/St. Paul metro area. Longendyke Dep. at p. 28. Mr. Booher has testified that MHP ″is very well known in the upper Midwest and has a very deep penetration with the [health care] provider community ....″ Booher dep. at p. 20. We find that this evidence strongly indicates that a significant portion of the relevant consuming public associates MEDICA with MHP's business activities. The results of the 1997 survey, i.e., that 9 out of 10 respondents were aware of Medica and that there is a ″total level of awareness of 86 percent,″ and Mr. Bunge's testimony regarding the 1997 survey, which we have given limited weight to, provide some further support for our finding.

iMedica's challenges to MHP's evidence of fame do not persuade us otherwise. Specifically, iMedica maintains that MHP's 50 percent market share is only in one metropolitan area; that MHP's

advertising expenditures are well below the amounts spent in cases such as *Bose, supra* (annual **[*25]** nationwide advertising expenses in excess of $ 30 million) and *Recot, supra* ($ 80 million in annual national advertising) ; that MHP does business in a limited geographic area; and that the advertising expenditures of record do not show expenditures by mark. Even though MHP's advertising expenditures are below those of *Bose* and *Recot,* they are not insignificant in amount. Also, although MHP has introduced evidence of its market share only in one market, that market includes a major U.S. metropolitan area and spans all or part of four states. Moreover, the total number of MHP's members is significant, and so are its revenues. As far as MHP's advertising expenditures, we accept such expenditures as advertising figures for the mark MEDICA because they are consistent in amount, and MEDICA appears on virtually all of the promotional materials of record, is part of MHP's corporate name and forms a part of most of the MHP marks in MHP's promotional materials of record.

Thus, we find that MHP is an extremely well known mark in the geographic area in which it does business, especially in Minnesota, and is entitled to benefit from the *du Pont* factor regarding the **[*26]** fame of the mark. We acknowledge that Medica is not know nationally, but national fame is not necessary. See, e.g., *Karl Karcher Enterprises Inc. v. Stars Restaurants Corp., 35 USPQ2d 1125 (TTAB 1995)* (opposer had established notoriety in a specific area of operation); *Berghoff Restaurant Co. v. Washington Forge, Inc., 225 USPQ 603 (TTAB 1985)* (opposer's proof of fame of its mark within a limited geographic area sufficient to find its mark famous for purposes of the likelihood of confusion analysis). This factor therefore weighs heavily in favor of finding a likelihood of confusion.

The Marks

We next consider the similarity or dissimilarity of the marks as to appearance, sound, connotation and commercial impression. *Palm Bay Imports Inc. v. Veuve Clicquot Ponsardin Maison Fondee En 1772, 396 F.3d 1369, 73 USPQ2d 1689 (Fed. Cir. 2005)*. While we must consider the marks in their entireties, in articulating reasons for reaching a conclusion on the issue of likelihood of confusion, there is nothing improper in stating that, for rational reasons, more or less weight has been given to a particular feature of a mark. See *In re National Data Corp., 753 F.2d 1056, 224 USPQ 749 (Fed. Cir. 1985).* **[*27]**

The marks MEDICA and IMEDICA only differ by iMedica's addition of the letter ″i″ before MEDICA, which is MHP's entire mark. The evidence from acronymfinder.com and *AbbreviationZ* shows that among the meanings of ″i″ is ″Internet. ″ See also *In re Zanova, Inc., 59 USPQ2d 1300, 1304 (TTAB 2000)* (″When we consider the possible significance of 'I' in ITOOL to prospective purchasers of applicant's goods or services, we find that they will readily accept 'I' as meaning 'Internet' ....″). Thus, the addition of the letter ″i″ to MEDICA does not create a different commercial impression from MEDICA, but merely indicates that there is an Internet feature to the services. This is particularly true in the context of iMedica's computer-related services, which iMedica's identification of services specifies are rendered via the Internet. [6] Moreover, we find that the addition of the ″i″ to MEDICA does not significantly change the meaning of the mark, given that the record does not show any English language definition for ″imedica″ or for MEDICA.

[*28]

Further, iMedica has admitted that it uses the element ″i″ in a lower case and the letter ″m″ in upper case letters. iMedica's responses to requests for admissions nos. 38 and 39. The marks hence are similar in appearance, with the capital ″m″

[6] We therefore reject iMedica's contention that the ″i″ signifies ″information.″

causing the purchaser to focus on the ″medica″ portion of the mark. In terms of sound, the marks are similar too, with the ″medica″ portion of iMedica's mark pronounced identically to MHP's mark.

MEDICA ELECT and MEDICA CALLINK are also similar in sound, meaning, appearance and commercial impression to IMEDICA due to the shared component MEDICA. MEDICA is positioned first in each of MHP's marks. It accordingly is the term in each of MHP's marks most likely to be remembered by purchasers. In iMedica's mark, because of the visual separation caused by the lower case ″i″ and the upper case ″m,″ the association of the letter ″i″ with the Internet, and the fact that the MEDICA portion begins with a capital letter, MEDICA dominates in the mark IMEDICA. While there are apparent differences between iMedica's mark and MEDICA ELECT and MEDICA CALLLINK, the similarities between the marks in light of the shared term MEDICA outweigh the differences between **[*29]** IMEDICA and these marks.

iMedica has made of record numerous registrations containing the term ″medica, ″ and argues that they show that ″medica″ is not a unique, dominant, coined term but rather is a fairly common term suggestive of medical services and medical technology fields. [7] Several of the registrations state that an English language translation of ″medica″ is ″doctor″ or ″medical″ and/or include disclaimers of ″medica. ″ Many of such registrations recite goods and/or services that have a connection to the healthcare field.

[*30]

Third-party registrations are not evidence of use of the marks shown therein. Without evidence of use, the third-party registrations prove nothing about the impact of the third-party marks on purchasers in terms of conditioning consumers as to the existence of similar marks in the marketplace. *AMF Inc. v. American Leisure Products, Inc., 474 F.2d 1403, 177 USPQ 268 (CCPA 1973)*. They may, however, be relied on to show that a word common to each mark has a readily understood and well-known meaning and that it has been adopted by third parties to express that meaning. *Ritz Hotel, Ltd. v. Ritz Closet Seat Corp., 17 USPQ2d 1466 (TTAB 1990)*. In this case, the third-party registrations for marks including MEDICA for medical products, medical clinics, healthcare consultation and healthcare educational services show that those in the healthcare industry use MEDICA in a manner intending to connote ″medical.″ Such use tends to show that MEDICA is slightly suggestive. However, this does not appreciably weaken the strength of MHP's marks.

As far as policing of the marks, MHP has offered only limited evidence of its policing activities. The record contains one **[*31]** cease and desist letter directed to one thirdparty and one consent agreement between MHP and another third-party. Longendyke dep. at pp. 29 - 31; Exhibits K and L. Because there is no evidence of third-party uses of related marks which MHP has tolerated, MHP's limited enforcement activities do not indicate a willingness by MHP to tolerate third-party uses of MEDICA.

In view of the foregoing, the *du Pont* factor regarding the similarity or dissimilarity of the marks weighs heavily in MHP's favor.

The Services

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[7] In support of its argument, iMedica also made several applications of record. Third-party applications are only proof that the applications have been filed and thus are without probative value to the likelihood of confusion issue. See Jetzon Tire & Rubber Corp. v. General Motors Corp., 177 USPQ 467 (TTAB 1973).

Also, of the registrations made of record, we have not considered those registrations that (i) claim goods or services that are significantly different from MHP's services, or (ii) claim Section 44 of the Trademark Act as a basis for registration.

In arguing that the *du Pont* factor regarding the similarity or dissimilarity of the services should be resolved in its favor, MHP maintains that some of MHP's services described in its four registrations ″overlap or encompass many of the services described in iMedica's registration. ″ MHP reply brief at p. 15. According to MHP, ″health maintenance organization″ (see Registration No. 2113265 for MEDICA and the registration for MEDICA ELECT) would naturally include the International Class 42 services of ″providing information in the fields of medicine, clinical practice and patient care to others … ; [and] providing medical and patient records to others . **[*32]** ...″ MHP reply brief at p. 16. ″These services are part of what an HMO [health maintenance organization] does.″ *Id*. Mr. Longendyke has testified that MHP currently provides information in the fields of medicine, clinical practice and patient care to members, providers and visitors via the Internet, and that it provides member access to patient records over the Internet to the extent those patient records are claims records. Longendyke dep. p. 23. He has also stated that physician claims may be submitted electronically; and that those submitting claims may obtain information from MHP's website regarding claim submissions, including ″why there is a holdup and explanations.″ Longendyke dep. at p. 16. Further, he testified that a managed care organization, or health maintenance organization is ″much more than an insurance company.″ Longendyke dep. at 20.

A health maintenance organization or health insurer certainly provides information in the fields of medicine, clinical practice and patient care to others and provides medical and patient records to others. Such services are integral to those services which a health maintenance organization and a health insurer provide to or for **[*33]** their members and MHP currently provides such services. Thus, we find that iMedica's International Class 42 services are encompassed within MHP's health maintenance organization and/or health insurance services.

iMedica's International Class 35 services are similar to MHP's services. iMedica has admitted in its response to request for admissions no. 36 that ″iMedica's customers consist primarily of out-patient healthcare providers ranging from 1 to 2 physician clinics up to 150+ physician groups″ and has stated at p. 25 of its main brief in the cancellation that a physician who provides services to an MHP customer is potentially a user, implying that the physician would come in contact with iMedica's mark. [8] Also, Mr. Longendyke has testified that MHP's customers include anyone in its geographic market in the market for healthcare insurance; that these customers include employers as well as individuals; and that MHP markets its services to the same customers to which iMedica markets its services. Longendyke dep. at p. 26 - 27. We therefore find that the physician clinics and physician groups which purchase iMedica's services are also the employer groups which purchase MHP's services. **[*34]** Thus, there is an overlap in purchasing entities.

iMedica, however, has argued that those who make purchasing decisions for its services and MHP's services differ, even though they may be working in the same overall healthcare field. iMedica cites to the Federal Circuit's decision in *Electronic Design and Sales, Inc. v. Electronic Data Systems Corp., 954 F.2d 713, 21 USPQ2d 1388 (Fed. Cir. 1992)*, for the proposition that only those who make purchasing **[*35]** decisions could be considered relevant persons, and that not

[8] iMedica adds, however, that there is no evidence that a physician purchases MHP's services or that an employer group purchases iMedica's services. This is not correct. Mr. Longendyke has testified that MHP's customers include anyone in its geographic market in the market for healthcare insurance; and that these customers include employers as well as individuals. Longendyke dep. at pp. 25 - 26. Also, medical practice groups - which are employer groups - to which iMedica markets its goods are included as potential purchasers of MHP's services.

all users are necessarily relevant persons for determining likelihood of confusion, especially where the parties' respective goods and services are non-competitive.

We are not persuaded by iMedica's argument. First, Mr. Longendyke has testified that MHP markets its services to the same customers to which iMedica markets its services. Longendyke dep. at p. 26 - 27. This is to be expected in this case because iMedica has admitted that its customers include ″out-patient healthcare providers ranging from 1 to 2 physician clinics, ″ and it can be expected that physicians in smaller clinics would make purchasing decisions involving services of the nature of those provided by MHP and by iMedica. Thus, unlike in *Electronic Design,* there is evidence that both parties market to the same individuals. [9]

[*36]

Second, even in larger clinics where it is not the physician who is placing the order for iMedica's services but rather is a non-physician purchasing specialist, we view skeptically any suggestion that a non-physician purchaser of iMedica's services, which are intended to be used by physicians in running virtually every aspect of their practices, would not have significant input from physicians. Such physicians would likely be the same physicians who are MHP providers.

Because physicians are involved in purchasing decisions for both services, especially when the physician is an employer and requires medical insurance for his or her practice group, the marketing of the parties' respective services is such that both services could be encountered by the same persons under circumstances that could, because of the similarity of the marks, give rise to the mistaken belief that they originate from a common source. Hence we find that iMedica's International Class 35 services are related to MHP's health maintenance organization and health insurance services. [10] *In re Martin's Famous Pastry Shoppe, Inc., 748 F.2d 1565, 223 USPQ 1289 (Fed. Cir. 1984)*.

[*37]

The parties have argued extensively as to whether iMedica's services are within the zone of expansion of MHP's services under the doctrine of expansion. Because we have found the services to overlap or to be related on other grounds, we need not reach their arguments regarding the zone of expansion.

Trade Channels

We have found earlier in our decision that iMedica's International Class 42 services are encompassed within MHP's services. There are no specific trade channel limitations in the parties' respective identifications of services. When there are no such limitations or restrictions in the identification of goods and/or services as listed in the subject registration and in the identification of goods and/or services as set forth in any of a plaintiff's registration (s), the issue of likelihood of confusion is determined in light of a consideration of all normal and usual channels of trade and methods of distribution for the respective goods and/or services. See, e.g., *CBS Inc. v. Morrow, 708 F.2d 1579, 218 USPQ 198 (Fed. Cir.*

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[9] iMedica maintains that its ″sales efforts are directed to the Chief Medical Officer, Medical Director, Medical Informatics Officer, Chairman of IT committee, Administrator and/or chief executive officer of outpatient clinics. ″ Brief at p. 32. MHP responds that ″[t]hese are the same individuals Medica is trying to reach both to sell its health plan and HMO services, and also to enlist as providers within its HMO network. ″ MHP reply brief at p. 19; Longendyke dep. at pp. 25 - 26; Booher dep. at pp. 8 - 9.

[10] iMedica's argument that there is a lack of overlap between relevant purchasers of each parties' services because iMedica is a technology company that provides electronic record management products and services for physicians to better manage their practices and MHP is a health maintenance organization that provides its insurance products and services to employer groups, and its reliance on Electronic Design, supra, are misplaced for the reasons mentioned above.

1983); *Squirtco v. Tomy Corp., 697 F.2d 1038, 216 USPQ 937 (Fed. Cir. 1983)*; *Paula Payne Products Co. v. Johnson Publishing Co., Inc., 473 F.2d 901, 177 USPQ 76 (CCPA 1973).* **[*38]** Thus, we find that the International Class 42 services are related.

With regard to the International Class 35 services, neither party has submitted evidence on the exact nature of the trade channels for their respective services. [11]

Thus, we find that with respect to the International Class 42 services, this *du Pont* factor must be resolved in MHP's favor, and that with respect to the International Class 35 services, this factor is neutral.

Conditions of Sale and Sophistication of Purchasers

iMedica maintains that its customers include physicians seeking electronic record management products and services to better manage their practices; and that its customers **[*39]** are sophisticated. MHP has acknowledged that iMedica's purchasers are sophisticated, but is silent regarding the level of sophistication of MHP's purchasers. iMedica has pointed out that the Board, in *Carefirst of Maryland, supra*, addressed the level of purchaser sophistication of purchasers of healthcare and health insurance services. In that case, the Board found that ordinary consumers are prospective and actual purchasers or users of healthcare insurance plans or programs; and stated that, even ordinary consumers exercise some sophistication when it comes to decisions relating to healthcare and healthcare insurance services. The Board recognized the substantial financial commitment of such insurance and services; that decisions to purchase healthcare insurance and related services are important; and that purchasers will proceed cautiously and deliberately in making their decisions. The Board also considered non-purchasing users of healthcare and healthcare insurance services, noting that a small business, for example, might purchase coverage for its employees from a single provider; and that in this situation, the employees are not involved in the purchasing **[*40]** decision. According to the Board, such non-purchasing users of healthcare and healthcare insurance are also sophisticated. We know of no reason why the same would not apply in this case with respect to MHP's services when MHP's customers are employer groups, and find that the purchasers of both parties' services are sophisticated.

With respect to the conditions of purchase, the record shows that the sales process for both parties' services is lengthy and involves repeated contact with either iMedica or MHP by the prospective purchaser. iMedica's answer to interrogatory no. 7b. Further, both parties' services are expensive, with MHP's services provided on a monthly subscription or flat fee basis to its customers which can cost thousands of dollars even for a small office. We therefore find that the services are made with deliberation and care.

While both parties' purchasers may be sophisticated or knowledgeable in a particular field, and even deliberate in their purchasing decisions, they are not immune from source confusion. See *In re Decombe, 9 USPQ2d 1812 (TTAB 1988)*; *In re Pellerin Milnor Corp., 221 USPQ 558 (TTAB 1983)*. In view of the substantial **[*41]** similarity of the parties' marks, and particularly the descriptive nature of the letter ″i″ located at the beginning of iMedica's mark which is otherwise identical to MHP's mark, we find that the factors regarding the sophistication of purchasers and conditions of sale weigh only slightly in iMedica's favor.

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[11] MHP relies on iMedica's allegation in its original notice of opposition that MHP's International Class 35, 38 and 44 services are within the same trade channels as the services of iMedica's registration. Because iMedica sought to remove that allegation in its amended notice of opposition, we do not hold iMedica to its allegation.

Actual Confusion

There are no reports in the record of any instances of actual confusion in the marketplace between the parties' marks as used in connection with their services. This, of course, may be attributable to the slight overlap where the parties have been doing business and the relatively small number of iMedica customers thus far.

The record does contain, however, a likelihood of confusion survey in which several respondents expressed confusion as to the source of iMedica's services. As discussed previously in this decision, MHP commissioned a likelihood of confusion survey, using a universe of 917 physician offices with fifty-seven respondents participating in the survey. Eight respondents, or about 14 percent, indicated some source confusion. Courts have accepted surveys showing similar rates of confusion. See *Mutual of Omaha Ins. Co. v. Novak, 836 F.2d 397, 5 USPQ2d 1314 (8th Cir. 1987)* **[*42]** (declining to find that district court erred in its decision after a trial on the merits to give evidence of approximately ten percent of confusion ″significant weight″); *Humble Oil & Refining Co. v. American Oil Co., 405 F.2d 803, 160 USPQ 289 (8th Cir. 1969)* (finding that in evaluating an application to modify an injunctive decree an eleven percent rate of actual confusion ″may not [be] dismiss[ed] as de minimis″); *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf v. Steinway & Sons, 365 F.Supp. 707, 180 USPQ 506 (S.D.N.Y. 1973)* (concluding after a bench trial that survey results that twenty-three recent purchasers had some confusion of origin, 7.7 percent of 520 people canvassed perceived a business connection between the two companies and 8.5 percent confused the names was ″strong evidence of the likelihood of confusion″). In view of the manner in which the survey was conducted, however, the survey and Mr. Bunge's testimony regarding the survey are not entitled to great weight. Nonetheless, they have some probative value on the question of likelihood of confusion, to wit, the survey indicates that a sufficient number of respondents believed **[*43]** that there was a connection between iMedica and MHP upon reviewing certain promotional material from iMedica. This evidence reinforces MHP's position that there is a likelihood of confusion between the marks.

Family of Marks

The family of marks doctrine applies in situations where the plaintiff has established a group of marks characterized by a recognizable common characteristic, wherein the marks are composed and used in such a way that the public associates not only the individual marks, but the common characteristic of the family, with the trademark owner. See *J & J Snack Foods Corp. v. McDonald's Corp., 932 F.2d 1460, 18 USPQ2d 1889 (Fed. Cir. 1991)*. It is well settled that merely adopting, using and registering a group of marks having a feature in common for similar goods or related goods or services is insufficient to establish, as against a defendant, a claim of ownership of a family of marks characterized by the feature. Rather, it must be demonstrated that prior to defendant's first use of its challenged mark, the various marks said to constitute the family, or at least a good number of them, were used and promoted together in such a manner **[*44]** as to create among purchasers an association of common ownership based upon the family characteristic. *Id., 18 USPQ2d at 1891*. See also *Hester Industries Inc. v. Tyson Foods Inc., 2 USPQ2d 1646 (TTAB 1987)*; *Cambridge Filter Corp. v. Senvodyne Corp., 189 USPQ 99 (TTAB 1975)*.

In this case, the record does not show that MHP's MEDICA marks were used and promoted together in such a manner as to create among purchasers an association of common ownership based upon the family characteristic. Thus, MHP has not met its burden of establishing that a family of marks exists in this case. Simply using a series of similar marks does not of itself establish the existence of a family.

Length of Time During and Conditions Under Which the Marks of the Parties Have Been in Use

Mr. Koo has testified that iMedica has only completed one sale in the common geographic areas in which MHP and iMedica have been doing business; and that iMedica has had fewer than 25 customers. Koo dep. at pp. 39 and 42. In view thereof, we find this factor neutral, even though both marks have been used concurrently for at least five years without any reported instances **[*45]** of actual confusion.

Conclusion

MHP has established it has priority by virtue of its registrations for the marks MEDICA, MEDICA ELECT and MEDICA CALLLINK. In balancing the above factors, and particularly considering the regional fame of MEDICA and Federal Circuit precedent providing that the fame of the mark is a dominant factor in questions of likelihood of confusion, we find that MHP has established by a preponderance of the evidence that there is a likelihood of confusion between its mark and MHP's marks. Accordingly, the petition to cancel is granted and Registration No. 2834742 will be cancelled in due course.

Imedica's Claim of No Bona Fide Intent to Use the Mark in Commerce

We now turn to iMedica's claim in the opposition that MHP did not have a bona fide intent to use its IMEDICA mark in commerce. iMedica has based its claim on the testimony of Mr. Longendyke that it was MHP's normal practice to generate an advertising plan, product literature, pamphlets, and brochures once a new mark enters the trademark registration process; and that MHP did not follow that practice with regard to the IMEDICA mark because it has no plans to use the mark. Further, iMedica **[*46]** points out that MHP produced no documents related to its alleged planned use of IMEDICA. Longendyke dep. at pp. 36, 38 and 39.

We are not persuaded by iMedica's arguments. Mr. Longendyke's testimony is as follows:

> Q. Are there any current advertising plans for the IMEDICA mark?
>
> A. No, there aren't.
>
> Q. Can you tell me why that is?
>
> A. Because we think it's a confused mark right now and we don't think it's wise for us to use it.
>
> Q. And no materials have been prepared using the IMEDIA mark?
>
> A. No, they have not.
>
> Q. So there are no current plans to use IMEDICA as a trademark for Medica Health Plans?
>
> A. Not currently.

Mr. Longendyke's testimony was not that MHP had no plans to use the mark; his testimony was that it did not have current plans to use the mark. Also, Mr. Longendyke explained why MHP had no current plans, and that was because it is a ″confused mark,″ i.e., that it placed any plans to use the mark aside until the conflict between the parties is resolved. This explanation as to why it did not have documents is reasonable and one that we accept, despite the fact that MHP learned of iMedica and its imedica. com website in November **[*47]** 2000 and filed its application over one year later. MHP's answer to interrogatory no. 3. Thus, we find that iMedica has not shown by a preponderance of the evidence that MHP lacked the necessary bona fide intention to use the mark in commerce at the time of the filing of its application for the IMEDICA mark.

iMedica has argued that there is no conflict over MHP's use of IMEDICA in connection with the International Class 36 services related to the administration of health care plans, services which iMedica did not oppose, and that MHP still did

not create any documents or plans related to the use of IMEDICA in connection with such International Class 36 services. MHP can hardly be faulted for suspending its plans to use a mark on services identified in one International Class in an application, after iMedica opposed three other International Classes in its application. MHP may reasonably have viewed the services identified in the IMEDICA application as complimentary, and hence may have reasonably intended to use one mark on all four services, rather than possibly using a different mark on the three opposed services, if it did not prevail in the opposition. Also, we are not persuaded **[*48]** by iMedica's argument that MHP filed its application for tactical purposes because six days prior to the filing date of MHP's application, MHP filed an opposition against another application for IMEDICA by iMedica. It certainly is reasonable for MHP to want to use IMEDICA as an adjunct mark to its primary mark MEDICA, especially for services which have a connection to the Internet. Also, it is particularly telling that MHP filed an application for EMEDICA, i.e., application Serial No. 76370965, on the same date that it filed its application for IMEDICA. The filing of these two marks on the same date suggests a business strategy in eventually using certain mark(s) rather than a legal strategy in a dispute with another party.

iMedica's Claim of Likelihood of Confusion in the Opposition

iMedica has alleged priority and likelihood of confusion based both on the '742 registration and on its use of IMEDICA in commerce. Because we have found above that the '742 registration should be cancelled, iMedica's opposition on the basis of the '742 registration is dismissed. To the extent that iMedica bases its opposition on its common law rights to IMEDICA, we have determined that MHP has priority, **[*49]** not iMedica. Thus, to the extent that iMedica opposes registration on the basis of its common law rights, iMedica's claim is dismissed.

No *Shepard's* Signal™
As of: October 12, 2015 6:43 PM EDT

2012 TTAB LEXIS 412

Trademark Trial and Appeal Board

October 26, 2012, Decided

Serial Nos. 77566329 77566330

Reporter
2012 TTAB LEXIS 412

In re Arcus Capital Partners. LLC

Disposition: [*1]

Decision: The refusals to register under Section 2(d) in application Serial Nos. 77566329 and 77566330 are affirmed.

Core Terms

registration, wealth, savings account, banking services, capital management, likelihood of confusion, saving, inter alia, register, management services, financial services, card, sophisticate, consumer, channel, online, ex parte, disclaim, entirety, recite, customer, generic

Counsel

Michael D. Hobbs of Troutman Sanders LLP for Arcus Capital Partners, LLC.

Wendy Goodman, Trademark Examining Attorney, Law Office 109 (Dan Vavonese, Managing Attorney).

Panel: Before Bucher, Zervas and Taylor, Administrative Trademark Judges.

Opinion By: Taylor, Jyll

Opinion

THIS OPINION IS NOT A PRECEDENT OF THE TTAB

Opinion by Taylor, Administrative Trademark Judge:

Arcus Capital Partners, LLC (″applicant″) has filed applications to register on the Principal Register the standard character marks ARCUS CAPITAL MANAGEMENT (CAPITAL MANAGEMENT disclaimed) [1] and ARCUS CAPITAL PARTNERS (CAPITAL PARTNERS disclaimed) , [2] both for ″Financial planning and consulting, namely wealth and capital management services″ in International Class 36.

[*2]

Registration has been refused in each application under Section 2(d) of the Trademark Act, *15 U.S.C. § 1052(d)*, on the ground that applicant's marks, when used on or in connection with the identified services, so resemble the mark in Registration No. 3674631, ARCUS FINANCIAL BANK (in standard character form, ″FINANCIAL BANK″ disclaimed) for ″banking services; financial services, namely, administration and management of health savings accounts″ in International Class 36, as to be likely to cause confusion, to cause mistake or to deceive.

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[1] Application Serial No. 77566329, filed September 10, 2008, and claiming a bona fide intention to use the mark in commerce pursuant to Trademark Act Section 1(b), 15 U.S.C. § 1051(b).

[2] Application Serial No. 77566330, filed September 10, 2008, and claiming a bona fide intention to use the mark in commerce pursuant to Trademark Act Section 1(b), 15 U.S.C. § 1051(b).

When the refusal in each application was made final, applicant appealed and requested reconsideration of the final refusal. The request for reconsideration was denied in each application, and each proceeding resumed on October 24, 2011. The appeals have been fully briefed. Because they involve similar issues of law and fact and similar records, we are deciding both appeals in this single decision. [3]

[*3]

Our determination of the issue of likelihood of confusion is based on an analysis of all the probative facts in evidence that are relevant to the factors set forth in *In re E. I. du Pont de Nemours & Co., 476 F.2d 1357, 177 USPQ 563 (CCPA 1973)*. *See also, In re Majestic Distilling Company, Inc., 315 F.3d 1311, 65 USPQ2d 1201 (Fed. Cir. 2003)*.

We turn first to a comparison of applicant's marks ARCUS CAPTIAL MANAGEMENT and ARCUS CAPITAL PARTNERS with registrant's mark ARCUS FINANCIAL BANK. In determining the similarity or dissimilarity of the marks, we must consider them in their entireties in terms of sound, appearance, meaning and commercial impression. *See Palm Bay Imports, Inc. v. Veuve Clicquot Ponsardin, 396 F.3d 1369, 73 USPQ2d 1689 (Fed. Cir. 2005)*. The test is not whether the marks can be distinguished when subjected to a side-by-side comparison, but rather whether the marks are sufficiently similar in their entireties that confusion as to the source of the services offered under the respective marks is likely to result.

Applicant contends that when the respective marks are compared in their entireties, its marks do not create **[*4]** a likelihood of confusion with the cited mark, and that it is a violation of the "anti-dissection rule" to focus upon the "prominent" feature of a mark, while ignoring all other elements of the mark. Applicant further explains that its use of the words "CAPITAL MANAGEMENT" and "CAPITAL PARTNERS" distinguishes applicant's marks (and the services offered under the marks) from the words "FINANCIAL BANK" used in the cited mark.

We agree that the similarity or dissimilarity of the marks must be determined based on the mark in their entireties, and accordingly, the analysis cannot be predicated on dissecting the marks into their various components. However, one feature of a mark may have more significance than another, and in such a case there is nothing improper in giving greater weight to the more significant feature. *In re National Data Corp., 753 F.2d 1056, 224 USPQ 749, 751 (Fed. Cir. 1985)*. ("[T]here is nothing improper in stating that, for rational reasons, more or less weight has been given to a particular feature of a mark, provided the ultimate conclusion rests on consideration of the marks in their entireties. Indeed, this type of analysis appears to be unavoidable. **[*5]** "). For instance, "[t]hat a particular feature is descriptive or generic with respect to the involved goods or services is one commonly accepted rationale for giving less weight to a portion of a mark...." *Id.* Furthermore, the test is not whether the marks can be distinguished when subjected to a side-by-side comparison, but rather whether the marks are sufficiently similar in terms of their overall commercial impression that confusion as to the source of the goods and/or services offered under the respective marks is likely to result.

Applying these principles to the marks at issue, we conclude that applicant's marks are highly similar to the cited mark. The term "ARCUS" is the dominant portion of the mark in the cited registration because the term "FINANCIAL BANK" is indicative of the nature of the registrant's services, i.e., banking and financial

[3] We also note that the evidence and briefs in each application are virtually identical. Accordingly, unless otherwise stated, specific arguments and evidence are taken from the record of application Serial No. 77566329.

services, and would not be looked upon as a source-identifying element.

Likewise, the term ″ARCUS″ is the dominant portion of applicant's mark because the terms ″CAPITAL MANAGEMENT″ AND ″CAPITAL PARTNERS″ are generic and merely descriptive, and ″ARCUS″ is arbitrary with respect to banking and financial services. The term ″CAPITAL **[*6]** MANAGEMENT″ is indicative of the nature of applicant's services (i.e., capital management services) and the term ″CAPITAL PARTNERS″ is descriptive when viewed in connection with applicant's entity type. Moreover, applicant disclaimed the exclusive right to use ″CAPITAL MANAGEMENT″ and ″CAPITAL PARTNERS″ at the request of the examining attorney, thereby conceding the unregistrable and generic/descriptive nature of those terms as applied to applicant's services. [4] *See, for example,* *In re DNI Holdings Ltd., 77 USPQ2d 1435, 1442 (TTAB 2005)*; *Quaker State Oil Refining Corp. v. Quaker Oil Corp., 453 F.2d 1296, 59 C.C.P.A. 764, 172 USPQ 361, 363 (CCPA 1072)*. Therefore, the name ″ARCUS″ is accorded more weight than the terms ″FINANCIAL BANK,″ ″CAPITAL MANAGEMENT″ and ″CAPITAL PARTNERS″ in our comparison of the marks. *National Data Corp., 224 USPQ at 751*.

[*7]

Additionally, the significance of the word ″ARCUS″ as the dominant element of both applicant's marks and the registered mark is further reinforced by its location as the first part of each mark. *See* *Presto Products Inc. v. Nice-Pak Products, Inc., 9 USPQ2d 1895, 1897 (TTAB 1988)* (″[I]t is often the first part of a mark which is most likely to be impressed upon the mind of a purchaser and remembered″). *See also* *Palm Bay Imports Inc. v. Veuve Clicquot Ponsardin, 396 F.3d 1369, 73 USPQ2d 1689, 1692 (Fed. Cir. 2005)* (″Veuve″ is the most prominent part of the mark VEUVE CLICQUOT because ″veuve″ is the first word in the mark and the first word to appear on the label); *Century 21 Real Estate Corp. v. Century Life of America, 970 F.2d 874, 23 USPQ2d 1698, 1700 (Fed. Cir. 1992)* (upon encountering the marks, consumers will first notice the identical lead word).

For these reasons, even though applicant's and registrant's marks contain different wording, because of the generic or descriptive nature of the terms CAPITAL MANAGEMENT and CAPITAL PARTNERS in applicant's marks and the term FINANCIAL BANK in the registered mark, and the lesser weight **[*8]** to which these terms are entitled as we compare the marks in their entireties, applicant's marks and the registered mark are substantially similar in sound, appearance, connotation and commercial impression.

Thus, the factor of the similarity of the marks strongly favors a finding of likelihood of confusion.

We are not persuaded otherwise by applicant's assertion that because the cited mark is not famous, it is entitled to an ″extremely″ narrow scope of protection. While evidence establishing the fame of the prior registered mark would weigh heavily in support of a finding of likelihood of confusion, the absence of such evidence does not weigh against a finding of likelihood of confusion. Moreover, the fame of the cited registered mark is usually not a factor in *ex parte* cases such as this; evidence of such fame (sales and advertising figures) is not readily available to the trademark examining attorney.

In addition, there is no evidence of third-party use of ARCUS or any other evidence that would lead

[4] While the disclaimers were entered by Examiner's Amendments without discussion, the examining attorney indicated in her briefs, and applicant did not state otherwise, that the terms ″CAPITAL MANAGEMENT″ and ″CAPITAL PARTNERS″ were disclaimed, respectively, as generic and merely descriptive.

us to the conclusion that the cited mark is not a strong mark and thus entitled to a greater, rather than a lesser, degree of protection.

We turn then to the relationship between **[*9]** the services, keeping in mind that the services must be considered as they are described in the application and cited registration, rather than in light of what the services may actually be. *See Hewlett-Packard Co. v. Packard Press Inc., 281 F.3d 1261, 62 USPQ2d 1001 (Fed. Cir. 2002)*; *Octocom Systems Inc. v. Houston Computers Services Inc., 918 F.2d 937, 16 USPQ2d 1783 (Fed. Cir. 1987)*. As identified, applicant's services are ″financial planning and consulting, namely wealth and capital management services″ and registrant's services are banking services; financial services, namely, administration and management of health savings accounts.″

The examining attorney contends that applicant's services are related to those of the registrant, specifically maintaining that the ″banking services″ recited in the identification in registrant's registration and which may be defined as ″the business of a bank,″ [5] is broad enough to include the more narrowly defined ″wealth management services″ recited in applicant's application. In support of her position, the examining attorney has made of record web pages from the websites of several large national banks, i. **[*10]** e., Citi, PNC, Wachovia, Chase and SUNTRUST BANK and smaller local banks, i.e., Sandy Spring Bank of Maryland and Burke & Herbert Bank of Virginia, demonstrating that these banking institutions offer a variety of banking services such as the traditional banking services, including checking and savings accounts and financial investment services, including ″wealth management″ under the same mark. In addition, the webpages from PNC, Wachovia, Chase, and Sandy Spring Bank show that, in addition to providing banking and wealth management services, they also provide management of health savings accounts.

Excerpts from the web pages follow:

Banking

Banking the way it should be.

Citibank offers a wide range of checking, savings, CD and retirement products -- and all come with many free support services including online banking, convenient account access, and 24/7 support. **[*11]**

Citi Personal Wealth Management

Count on Citi Personal Wealth Management to help you achieve your financial goals -- whether you choose to use a personal advisor or manage your own investments with our support.

Citi Personal Wealth Management is committed to your long term financial success. That's why Citi Personal Wealth Management offers alternative ways of investing -- tailored to suit your needs. [*www.online.citibank.com*]

PNC's wide range of services can make banking easier, and more convenient than ever. See why PNC's the smart choice for help in meeting your financial goals.

. Checking
. Online Banking and Bill Paying
. Savings
. Mortgages, Loans & Lines of Credit
. Credit Cards
. Investments and Wealth Management
. …

INVESTMENTS AND WEALTH MANAGEMENT

Developing and executing a comprehensive financial plan that encompasses every aspect of your financial life can be challenging, particularly when you have substantial assets and sophisticated needs.

…

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[5] www.thefreedictionary.com/banking retrieved March 15, 2011 and attached to the Final Office Action issued March 15, 1011.

PNC Wealth Management and Hawthorn offer complete wealth management solutions designed for clients with significant assets and complicated financial lives. With the close **[*12]** cooperation and guidance of an advisor, we will work with you to develop a strategy that includes sophisticated strategies ranging from investment management and estate planning to trust administration and private foundation management.

PNC Health Savings Account

Welcome to PNC Health Savings Accounts [www.pnc.com and https://www.smart-hsa.com/pnc/]

BANKING

Checking: An account for every lifestyle. … Whatever you need, we can show you the right solution. Savings & CEDs: A savings account is a building block to a solid financial future. Check Cards: Visa(R) Check Cards add banking convenience and purchasing power to your financial life.

WEALTH MANAGEMENT CONTACTS

Wachovia Wealth Management works with individuals and families of substantial wealth. Typically, these clients face a high degree of complexity in managing their financial affairs, have complex legal structures, sophisticated wealth transfer strategies, and many different investment accounts or trusts with multiple providers. If you are faced with many of these same challenges, let Wachovia Wealth Management provide guidance and solutions customized to meet your needs.

WHY CHOOSE [*13] THE WACHOVIA HEALTHADVANTAGE HSA?

With a broad range of products and services to help you save for retirement, a child's college education or everyday savings, Wachovia has the right financial products to help you save when it comes to healthcare costs too. [www.wachovia.com]

Personal Banking

. Checking
. Credit Cards
. Savings
. CDs
. Debit Cards
. Gift Cards
. Student Center
. Online & Mobile Banking

INVEST WHERE YOU BANK

MANAGE YOUR PERSONAL WEALTH

…

To learn more about our wealth management solutions, please email us or contact your local commercial banker for an introduction to a product specialist.

More and more people are learning that a Health Savings Account can provide a smart way to save for future healthcare needs.

The Chase HSA features:

Convenient access to funds with the HSA debit card, Online Bill Payment, ATM and more. … [www.chase.com]

Banking

Simply the way you bank with SunTrust's selection of banking products and services. Whether you're looking for a checking or savings account, credit card or access to online services, our solutions are designed to make banking fast and convenient. **[*14]**

Managing Wealth

Wealth is about much more than a privileged lifestyle. It provides the means to help you realize your life's vision and ensure the well-being of your family. SunTrust Private Wealth Management develops customized solutions for various life stages and professions.

[www.suntrust.com]

Personal Banking

popular products:

. Online Banking
. Checking
. Savings
. Health Savings Accounts (HSA's)
. Banking for Kids
. Mortgages and Loans
. Investing
. Wealth Management

Wealth Management

There's really only one way to effectively manage wealth - match it to your unique comfort level and tolerance for financial risk. That's exactly what you can expect a Sandy Spring Bank, a hands-on, approach to managing, growing and preserving your assets.

Health Savings Accounts

A Health Savings Account (HSA) is a tax-advantaged* savings plan that is owned by an individual. … There are no restrictions on who may contribute to your HSA. Therefore, the individual, the employer, or any other person can make an HSA contribution on individual's behalf.
[www.sandyspringbank.com]

Personal Banking

Personal baking **[*15]** is about more than offering baking products, it's about offering personal service. … That's why we offer a full range of products to suit your banking needs, from children's savings accounts and everyday checking accounts to retirement accounts, while offering highly competitive features, rates and rewards.

Investment Accounts & Services

Overview

Slow and steady wins the race. … And this is based on our conservative fiscally responsible approach to financial growth and wealth management.

…

When you're ready to have your assets managed by a trusted advisor, you can trust our knowledge, discipline and foresight to help build, grow and manage your financial future.
[www.burkeandherbert.com]

In addition, the examining attorney submitted various use-based, third party registrations showing, in each instance, that the same mark has been registered for both applicant's and registrant's types of services. The registrations include, by way of example: Reg. No. 3319600 (GREEN BRANCH) for, *inter alia*, ″financial services, namely, banking services featuring checking, savings and investment account services″ and ″financial wealth management″; Reg. No. 3091741 **[*16]** (CAPITAL MULTIPLIER) for, *inter alia*, ″Financial investment services … all in the fields of … capital management″ and ″banking services″; Reg. No. 3306508 (THE PRIVATE BANK) for, *inter alia*, ″Personal money management services, namely, checking account services, savings account services, … on-line banking services″ and ″wealth management services″; Reg. No. 3473751 (NEW ANSWERS IN BANKING) for, *inter alia*, ″Financial and monetary affairs in the nature of banking services″ and ″wealth management for individuals, corporations and others ...″; Reg. No. 3255487 (MIDDLEBURG BANK WE KNOW MONEY MATTERS.) for, *inter alia*, ″banking services″ and ″wealth management services, namely cash and asset management services″; Reg. No. 3363763 (PHYSICIANS' FINANCIAL CARE) for ″banking″ and ″wealth management services″; Reg. No. 3593262 TRADING CENTRAL MARKETS NEVER SLEEP) for, *inter alia*, ″capital management″ and ″banking services″; Reg. No. 3573299 (WELLS FARGO BENEFITS) for, inter alia, ″banking services ...administration of health savings accounts″ and ″investment

management services"; Reg. No. 3769238 (THE POWER TO GET MORE OUT OF YOUR MONEY. THE POWER OF FIRST NIAGARA) **[*17]** for, inter alia, "Banking services" and "cash management accounts"; Reg. No. 3279515 (W (stylized)) for, inter alia, "banking services ...[and] providing medical savings account services, namely, administration of medical savings accounts" and "cash management services ...[and] financial management services"; and Reg. No. 3314410 (FIDELITY TOTAL HR ADVANTAGE) for, inter alia, "administration of health savings plans" and "Financial services, namely, investment management services." [6]

Third-party registrations that individually cover different items and that are based on use in commerce serve to suggest that the listed goods and services are of a type that may emanate from a single source. *See* *Mucky Duck Mustard Co., 6 USPQ2d 1467, 1470 n.6 (TTAB 1988)* **[*18]** (Although third-party registrations are "not evidence that the marks shown therein are in use on a commercial scale or that the public is familiar with them, [they] may nonetheless have some probative value to the extent that they may serve to suggest that such goods or services are of a type which may emanate from a single source"). *See also* *In re Albert Trostel & Sons Co., 29 USPQ2d 1783, 1786 (TTAB 1993)*.

Based on the third-party registrations and internet materials introduced by the examining attorney, we find that the examining attorney has established that banks traditionally provide services of the types identified in both applicant's applications and the cited registration such that consumers would expect that these types of services, i.e., "capital and wealth management services," "banking services" and "administration of health savings accounts," would emanate from the same source under a common mark. We thus find the evidence sufficient to establish that applicant's and registrant's services are related for purposes of our likelihood of confusion analysis.

Applicant's arguments to the contrary are not persuasive. Notably, the gist of applicant's argument **[*19]** is that its marks and the cited mark identify different non-competing services. In making this argument, applicant has focused on the administration and management of health savings accounts in the cited registration, maintaining that the registrant does not appear to provide any wealth management services or any services that are not tied to healthcare plans. Pointing to registrant's website, applicant particularly contends that "the services provided by the Cited registrant were not in fact banking services or financial services, but rather should have been classified as healthcare insurance services." App. Br. P. 11. Applicant then explains that it is not a health plan provider and that its services are in no way related to health plans; instead, applicant is "an investment advisor … serving high net worth individuals, foundations, endowments and retirement plans that seek a disciplined but innovative approach to investment management." *Id.*

In making this argument, applicant has disregarded the "banking services" recited in the cited registration. Section 7(b) of the Trademark Act, *15 U.S.C. § 1057(b)*, provides that a certificate of registration on **[*20]** the Principal Register shall be *prima facie* evidence of the validity of the registration, of the registrant's ownership of the mark and of the registrant's right to use the mark in connection with the goods or services identified in the certificate. In considering the scope of the cited registration, we look to the registration itself, not to extrinsic evidence about the registrant's actual goods or services, customers, or channels of trade. *See e.g.,* *In re Bercut-*

[6] We have not relied on Registration Nos. 2970701 and 2931323 because they have been cancelled, or on Registration Nos. 3464424, 3322534, 3889110 and 3283998 because they do not show use on services of a types identified in both applicant's applications and registrant's registration.

Vandervoort & Co., 229 USPQ 763, 764 (TTAB 1986) (An applicant may not restrict the scope of the goods covered in the cited registration by argument or extrinsic evidence). As such, applicant's extensive arguments regarding the particular nature of both applicant's and registrations services are irrelevant. While we agree that the services are not the same, as is often stated, the services need not be identical or even competitive in order to support a finding of likelihood of confusion. Rather, it is enough that the services are related in some manner or that some circumstances surrounding their marketing are such that they would be likely to be seen by the same persons under circumstances which would **[*21]** give rise, because of the marks used therewith, to a mistaken belief that they originate from or are in some way associated with the same producer or that there is an association between the producers of each parties' services. *Albert Trostel & Sons, 29 USPQ2d at 1785*.

For the reasons explained above, the *du Pont* factor of relatedness of the services favors a finding of likelihood of confusion.

Applicant makes similar arguments with respect to the channels of trade and classes of consumers. Applicant again ignores the banking services listed in the identification of the cited registration and accordingly limits registrant's services to customers seeking health plan solutions which it claims travel in trade channels with other health insurers; and further limits its own services to management of high sums of capital which it states are sold face to face. However, in the absence of any limitations to the recitation of services in applicant's applications as to channels of trade and classes of purchasers, we must presume that applicant's capital and wealth management services move in all usual channels of trade which, as the evidence demonstrates, may include large **[*22]** and small banking institutions, and are offered to all normal potential purchasers, which may include ordinary consumers with modest net worth seeking capital and wealth management services. *In re Elbaum, 211 USPQ 639 (TTAB 1981)*. The record also reflects that services provided by banking institutions may include the administration of health savings accounts. As such, the channels of trade and classes of purchasers overlap.

Accordingly, the *du Pont* factors of the similarity of the channels of trade and classes of purchasers also favor a finding of likelihood of confusion.

Applicant next argues that consumers who purchase services identified by applicant's marks and the cited registered mark are sophisticated and will make very deliberate decisions because they are seeking services for specific purposes. Applicant particularly contends with respect to its customers that they must have amassed over $ 5 million in liquid assets or be professional money managers, and that these ″extremely sophisticated investors intimately and closely examine the financial services being provided to them.″ App. Br. p. 17. While that may be so, we are constrained to consider applicant's **[*23]** services as they are recited in its applications. As just stated, because the recitations do not so limit applicant's consumers, we must presume that applicant also provides its wealth and capital management services to consumers of modest means who would not be so sophisticated or who would not examine the financial services provided to them as closely. Nonetheless, we acknowledge that the purchasers of both applicant's and registrant's services would be somewhat sophisticated and exercise at least some degree of care in selecting the respective services. However, even careful purchasers can be confused as to source under circumstances where, as here, very similar marks are used in connection with related services. *See In re Research Trading Corp., 793 F.2d 1276, 230 USPQ 49, 50 (Fed. Cir. 1986)* citing *Carlisle Chemical Works, Inc. v. Hardman & Holden Ltd., 434 F.2d 1403, 58 C.C.P.A. 751, 168 USPQ 110, 112 (CCPA 1970)* (″Human memories even of

discriminating purchasers … are not infallible."). *See also* Refreshment Machinery Inc. v. Reed Industries, Inc., 196 USPQ 840, 843 (TTAB 1977) (selling to a sophisticated purchaser does not automatically eliminate **[*24]** the likelihood of confusion because "[i]t must also be shown how the purchasers react to trademarks, how observant and discriminating they are in practice, or that the decision to purchase involves such careful consideration over a long period of time that even subtle differences are likely to result in recognition that different marks are involved"). We thus find this *du Pont* factor neutral.

It appears that applicant is also arguing that registrant has abandoned the mark in the cited registration due to non-use. To the extent applicant is challenging the validity of the cited registration, such a challenge constitutes an impermissible collateral attack on those registrations. *See* Section 7(b) of the Act, *15 U.S.C. § 1057(b)*; TMEP § 1207.01 (d)(iv). During *ex parte* prosecution, including an *ex parte* appeal, an applicant will not be heard on matters that constitute a collateral attack on the cited registration (e.g., applicant's claim of non-use in connection with the identified services). *In re Dixie Restaurants, Inc. 105 F.3d 1405, 41 USPQ2d 1531, 1534 (Fed. Cir. 1997)*; and *In re Peebles Inc., 23 USPQ2d 1795, 1797 n. 5 (TTAB 1992).* **[*25]** See TMEP § 1207.01(d)(iv)(5th ed. 2007).

As its last argument, applicant maintains that there has been no actual confusion between applicant's marks and the cited mark over three years of simultaneous use, despite applicant's prominent and extensive use of its applied-for marks. As applicant points out, it is not necessary to show actual confusion in order to establish likelihood of confusion. *See* Weiss Associates Inc. v. HRL Associates Inc. 902 F.2d 1546, 14 USPQ 1840 (Fed. Cir. 1990). The lack of actual confusion carries little weight, especially in an *ex parte* context. *J.C Hall Co. v. Hallmark Cards, Inc., 340 F.2d 960 52 C.C.P.A. 981, 1965 Dec. Comm'r Pat. 167, 144 USPQ 435, 438 (CCPA 1965)*. Moreover, in this *ex parte* proceeding, we have had no opportunity to hear from the registrant as to whether it has encountered any instances of confusion. As the Board previously stated in *In re General Motors Corp., 23 USPQ2d 1465, 1470 (TTAB 1992)*:

> We recognize, of course, that the above [evidence of an absence of actual confusion] is one-sided inasmuch as it provides only applicant's experience in the marketplace and not that of registrant. Normally, in the absence **[*26]** of a detailed consent agreement, the registrant has no opportunity to be heard in an *ex parte* proceeding of this type and the Board, therefore, is not in a position to meaningfully assess whether the claimed period of contemporaneous use had provided ample opportunity for confusion to have arisen. ...The asserted evidence of actual confusion, especially over a relatively short period of years, has thus often been asserted to be of "limited influence" or of "dubious probative value" . [citations omitted]

Thus, applicant's assertion of the absence of actual confusion is of little probative value in our determination on the issue of likelihood of confusion and that *du Pont* factor is neutral.

Finally, applicant throughout its brief has relied on numerous cases to support its arguments in support of registration. We remind applicant that, as often noted by the Board and the Courts, each case must be decided on its own merits. The determination of registrability of a mark in another case cannot control the merits in the case now before us. *See* *In re Nett Designs Inc., 236 F.3d 1339, 57 USPQ2d 1564, 1566 (Fed. Cir. 2001)*. *See also,* *In re Kent-Gamebore Corp., 59 USPQ2d 1373 (TTAB 2001)*; **[*27]** *In re Wilson, 57 USPQ2d 1863 (TTAB 2001)*. Based on the evidence in these proceedings bearing on the relevant *du Pont* factors, we find that applicant's

marks ARCUS CAPITAL MANAGEMENT and ARCUS CAPITAL PARTNERS for the identified services is likely to cause confusion with the mark in the cited registration ARCUS FINANCIAL BANK. We conclude so principally due to the similarity of the marks, the relatedness of the services, and the overlapping channels of trade and classes of consumers.

No *Shepard's* Signal™
As of: October 12, 2015 6:59 PM EDT

2000 TTAB LEXIS 11

Trademark Trial and Appeal Board

January 04, 2000, Decided

Serial No. 75/120,143

Reporter
2000 TTAB LEXIS 11

In re Ed Tucker Distributor, Inc.

Disposition: [*1]

Decision: The refusal to register is affirmed.

Core Terms

registration, brake, sophisticate, motorcycle, consumer, box, chassis, likelihood of confusion, bike, custom, register, prepackaged, probative

Counsel

Kay Lyn Schwartz of Gardere & Wynne for applicant.

Won T. Oh, Trademark Examining Attorney, Law Office 104 (Sidney Moskowitz, Managing Attorney).

Panel: Before Hanak, Quinn and Rogers, Administrative Trademark Judges.

Opinion By: Quinn, T. Jeffrey

Opinion

THIS DISPOSITION IS NOT CITABLE AS PRECEDENT OF THE T.T.A.B.

Opinion by Quinn, Administrative Trademark Judge:

An application has been filed by Ed Tucker Distributor, Inc., doing business as Tucker-Rocky Distributing, to register the mark BIKE IN A BOX for "rolling chassis for a custom motorcycle sold in a kit of prepackaged parts." [1]

The Trademark Examining Attorney has refused registration under Section 2(d) of the Trademark Act on the ground that applicant's mark, when applied to applicant's goods, so resembles the previously registered mark BRAKE-IN-A-BOX for "brake structural and replacement parts" [2] as to be likely to cause confusion.

When the refusal was made final, applicant appealed. **[*2]** Applicant and the Examining Attorney have filed briefs. An oral hearing was not requested.

Applicant argues that the marks are different and that the goods sold thereunder are different and travel in distinct trade channels. In addition, applicant contends that the cited mark is weak, that the relevant consumers of applicant's and registrant's goods are sophisticated, and that there has not been any actual confusion between the involved marks. In urging that the refusal be reversed, applicant has submitted a computerized trademark search report and three declarations.

The Examining Attorney maintains that the marks are similar and that the goods, as identified in the

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[1] Application Serial No. 75/120,143, filed June 17, 1996, alleging a bona fide intention to use the mark in commerce.

[2] Registration No. 1,003,212, issued January 28, 1975; renewed.

registration and application which include no restrictions, are related. In connection with his argument bearing on the relatedness of the goods, the Examining Attorney has submitted third-party registrations to show that the types of goods involved herein may be sold by the same party under the same mark.

Our determination under Section 2(d) is based on an analysis of all of the probative facts in evidence that are relevant to the factors bearing on the likelihood of confusion issue. *In re E. I du Pont de Nemours & Co., 476 F.2d 1357, 177 USPQ 563 (CCPA 1973).* **[*3]** In any likelihood of confusion analysis, two key considerations are the similarities between the marks and the similarities between the goods. We will first turn our attention to these factors, and then will consider the remaining relevant du Pont factors.

With respect to a comparison of the marks BIKE IN A BOX and BRAKE-IN-A-BOX, we find that, when considered in their entireties, the marks are similar in appearance, sound and meaning. The marks are similarly constructed, with each combining the terminology ″IN A BOX, ″ which is suggestive in connection with a prepackaged kit of mechanical/structural parts for a vehicle, with the generic term used for the assembly composed of those parts. BIKE IN A BOX is suggestive of a kit of prepackaged parts used to assemble a motorcycle, and BRAKE-IN-A-BOX is similarly suggestive as applied to registrant's brake parts. Because of the similarities in overall commercial impressions of the marks, if these marks were to be used on related goods, confusion would be likely. In finding that the marks are similar, we have kept in mind the fallibility of human memory over time and the fact that consumers usually retain a general rather than a specific **[*4]** impression of trademarks encountered in the marketplace.

In discussing the differences between the marks, applicant contends that the dominant portions of the marks are the terms ″BIKE″ and ″BRAKE, ″ and that the phrase ″IN A BOX″ is weak in source-identifying significance and, therefore, that registrant's mark should be accorded only a narrow scope of protection. In connection with this argument, applicant submitted an automated trademark search report (accompanied by the declaration of a legal assistant at the law firm representing applicant) of applications and registrations wherein the marks include the term ″BOX, ″ or the phrase ″IN A BOX″ or ″IN THE BOX. ″

Applicant also highlights the fact that the Office allowed an intent-to-use application for the mark TOP-IN-A-BOX for a retractable convertible car top including power unit, despite the existence of the cited registration. Although that application was subsequently abandoned, applicant contends that because the Office approved the application for publication, the instant application should also be allowed. Applicant views the publication of that application as an indication that the Office has recognized the weakness of the **[*5]** phrase ″IN A BOX, ″ and has acknowledged that purchasers of these mechanical parts look to other components in marks which incorporate the phrase in order to distinguish among such marks.

With respect to applicant's contention that the dominant portions of the marks at issue are the words ″BIKE″ and ″BRAKE, ″ this argument clearly is ill founded. These are generic words for the products identified in the application and registration. As generic terms, they have no source-identifying significance in connection with these products. It is only when they are combined with the suggestive term ″IN A BOX″ that they can serve as components of these source-identifying marks.

Insofar as the search report is concerned, such evidence generally does not make the registrations/applications listed therein of record. *In re Hub Distributing, Inc., 218 USPQ 284 (TTAB 1983).*

In the present case, however, the Examining Attorney, in the Office action dated May 27, 1998, treated the listed third-party registrations/ applications as if properly made of record. Accordingly, the registrations/ applications are considered to be part of the record. In any event, this evidence is of limited probative **[*6]** value in deciding the issue of likelihood of confusion in this case inasmuch as the registrations/ applications do not establish that the marks shown therein are in use, much less that consumers are so familiar with them that they are able to distinguish among such marks by focusing on components other than the ones shared by the marks. *AMF Inc. v. American Leisure Products, Inc., 474 F.2d 1403, 177 USPQ 268 (CCPA 1973);* and *Red Carpet Corp. v. Johnstown American Enterprises, Inc., 7 USPQ2d 1404 (TTAB 1988).* Moreover, out of all of the ″IN A BOX″ marks listed in the search report, only one (TOP-IN-A-BOX) appears to be for goods pertaining to motor vehicles. This fact further diminishes the probative value of this evidence. See, e.g., *Chemical New York Corp. v. Conmar Form Systems, Inc., 1 USPQ2d 1139, 1144 (TTAB 1986).*

The Office's action with respect to the TOP-IN-A-BOX application likewise is of little moment herein. We have no way of knowing what the basis was for approving that application. Moreover, neither the present Examining Attorney nor the Board is bound by the Examining Attorney's action in connection with that application.

Turning **[*7]** now to a consideration of the goods, we initially point out that both a motorcycle sold in a kit of prepackaged parts, and brake parts are mechanical-type products which could be purchased by the same person. With respect to the similarities between the goods, the Examining Attorney submitted third-party registrations to support his contention that the same entities sell both types of goods involved in this appeal under the same mark. We find that these registrations have probative value to the extent that they suggest that the listed goods (brakes and chassis) are of a type which may emanate from a single source. *In re Albert Trostel & Sons Co., 29 USPQ2d 1783, 1786 (TTAB 1993).*

Applicant contends, however, that its products would move in different trade channels from the goods listed in the cited registration. Of record is the declaration of Frank Esposito, applicant's president and chief operating officer. Mr. Esposito states, in pertinent part, that applicant does not sell its products directly to retail customers, but rather sells to authorized distributors who subsequently sell to retail customers. Also of record is the declaration of a legal assistant at the **[*8]** law firm representing applicant, accompanied by an excerpt from a web page. The page shows registrant's goods to be characterized as ″aftermarket products.″

This evidence and applicant's argument based thereon are not persuasive. The issue of likelihood of confusion between marks must be determined on the basis of the goods as they are identified in the respective application and registration, which here are without the restrictions or limitations pointed to by applicant. *Canadian Imperial Bank v. Wells Fargo Bank, 811 F.2d 1490, 1 USPQ2d 1813, 1815 (Fed. Cir. 1987);* and *In re Elbaum, 211 USPQ 639, 640 (TTAB 1981).* In the absence of restrictions or limitations in the identifications of goods in the involved application and registration, it is assumed that registrant's brakes could be used in connection with motorcycles, and that the goods move in the same channels of trade to the same classes of purchasers.

In addition, Mr. Esposito claims, in his declaration, that applicant's goods cost approximately $ 8000 and are purchased by sophisticated buyers. Although this du Pont factor weighs in applicant's favor, it is outweighed by the other relevant factors **[*9]** considered in our analysis.

Applicant's contention that confusion is not likely because the registered mark is not famous misses

the mark. This contention is without any factual support. In any event, fame need not be established in order to cite a registered mark against the registration of another mark with which it is likely to be confused.

Lastly, applicant asserts that there have not been any instances of actual confusion despite applicant's use and extensive advertising of its mark since January 1996. The statement of no actual confusion is supported by Mr. Esposito's declaration.

The absence of evidence of actual confusion does not compel a different result in this appeal. Although applicant asserts that its advertising has been extensive, no specifics are given. Thus, we are at a great disadvantage in assessing whether there has been a meaningful opportunity for confusion to occur in the marketplace. In any event, the test in deciding this appeal is likelihood of confusion.

To the extent that any of the points raised by applicant or the dissent may cast doubt on our ultimate conclusion on the issue of likelihood of confusion, we resolve that doubt, as we must, in favor **[*10]** of the prior registrant. *In re Hyper Shoppes (Ohio), Inc., 837 F.2d 463, 6 USPQ2d 1025 (Fed. Cir. 1988);* and *In re Martin's Famous Pastry Shoppe, Inc., 748 F.2d 1565, 223 USPQ 1289 (Fed. Cir. 1984).*

T. J. Quinn

G. F. Rogers

Administrative Trademark Judges, Trademark Trial and Appeal Board

Dissent By: HANAK

Dissent:

Hanak, Administrative Trademark Judge, dissenting:

I respectfully dissent. Applicant has made of record evidence showing that as described in its application, its goods (custom motorcycle chassis) are inherently expensive and are purchased by sophisticated consumers exercising care. Neither the majority nor the Examining Attorney has taken issue with applicant's evidence. Assuming that a sophisticated consumer is familiar with BRAKE-IN-A-BOX brake parts, I seriously doubt that such a sophisticated consumer would, in the process of purchasing an expensive custom motorcycle chassis bearing the mark BIKE IN A BOX, blithely assume that said motorcycle chassis emanated from the same source as the brake parts. At a minimum, I believe that this sophisticated purchaser, before purchasing such an expensive item, would inquire as to whether BIKE IN A BOX motorcycle **[*11]** chassis came from the same source as BRAKE-IN-A-BOX brake parts, or whether the two goods were otherwise related. As Professor McCarthy notes, the better view is that such inquiries do not serve as evidence of confusion. 3 J. McCarthy, McCarthy on Trademarks and Unfair Competition, Section 23:16 at pages 23-38 to 23-39 (4<th> ed. 1999).

The majority minimizes this factor of purchaser sophistication by stating that "it is outweighed by the other relevant factors considered in our analysis." (Majority page 8). However, our primary reviewing Court has made it clear that purchaser "sophistication is important and often dispositive because sophisticated consumers may be expected to exercise greater care." *Electronic Design & Sales v. Electronic Data Systems, 954 F.2d 713, 21 USPQ2d 1388, 1392 (Fed. Cir. 1992).* In Electronic Design, the Court found that despite the fact that "the two parties conduct business not only in the same fields but also with some of the same companies" *(21 USPQ2d at 1391),* that there was no confusion resulting from the contemporaneous use of applicant's mark E.D.S. and opposer's mark EDS. In my judgment, the marks E.D. **[*12]** S. and EDS are clearly more similar than are the two marks involved in this

proceeding. Indeed, the only common component shared by the present two marks is the very highly suggestive term ″in a box. ″ As the majority concedes, this highly suggestive term clearly conveys the notion that the goods involved come prepackaged in a box. (Majority page 3). It has been repeatedly held that ″the mere presence of a common, highly suggestive portion [in two marks] is usually insufficient to support a finding of likelihood of confusion.″ *Tektronix, Inc. v. Daktronics, Inc., 534 F.2d 915, 189 USPQ 693, 694 (CCPA 1976).* See also *In re Bed & Breakfast Registry, 791 F.2d 157, 229 USPQ 818 (Fed. Cir. 1986).*

Not only is the term ″in a box″ highly suggestive of a type of packaging, but in addition, applicant has made of record evidence which demonstrates to my satisfaction that this term is widely used, and thus consumers would be accustomed to distinguishing between various producers of ″in a box″ products. Applicant has made of record a search report showing that there are well over 300 registrations/ applications for marks containing the term ″in a box, ″ and that **[*13]** there are nearly 50 registrations/ applications for marks containing the term ″in the box. ″ These registrations and applications cover a wide array of ordinary consumer goods. The majority dismisses this evidence by stating that ″the registrations/ applications do not establish that the marks shown therein are in use, much less that consumers are so familiar with them that they are able to distinguish among such marks by focusing on components other than the ones shared by the marks.″ (Majority page 6).

Had applicant simply made of record a limited number of registrations and applications, I would share the view of the majority. However, applicant has made of record literally hundreds of registrations and applications for marks containing the phrase ″in a box″ or the essentially identical phrase ″in the box. ″ When confronted with literally hundreds of registrations and applications, this Board on a previous occasion made the following comments: ″We realize, of course, that the record does not reveal the extent of use . . . Nevertheless, the magnitude of applicant's evidentiary record is such that . . . [it constitutes] a significant body of evidence of third-party use.″ *In re Broadway Chicken Inc., 38 USPQ2d 1559, 1565 (TTAB 1996).* **[*14]**

Interestingly, while dismissing the hundreds of registrations and applications submitted by the applicant, the majority finds that the dozen registrations submitted by the Examining Attorney ″have probative value to the extent that they suggest that the listed goods (brakes and chassis) are of a type which may emanate from a single source.″ (Majority page 7). To state that the one dozen registrations made of record by the Examining Attorney reflect what occurs in the marketplace, and yet the hundreds of registrations and applications made of record by the applicant do not is inconsistent.

One final comment is in order. Registrant took the very highly suggestive and widely used phrase ″in a box″ ; combined it with the word ″brake″ ; and registered the combination (BRAKE-IN-A-BOX) for just one type of the thousands of types of parts for vehicles, namely, brake parts. The majority's decision appears to afford to registrant the right to prevent others from registering different marks containing the same very highly suggestive and widely used phrase ″in a box″ for very different vehicle parts, and indeed, for even an entire chassis for a custom motorcycle. I do not believe that registrant **[*15]** is entitled to such a broad scope of protection. In my judgment, there is virtually no likelihood of confusion when sophisticated purchasers, exercising great care, purchase applicant's expensive custom motorcycle chassis bearing the mark BIKE IN A BOX.

E. W. Hanak

Administrative Trademark

Judge, Trademark Trial and Appeal Board

718 F.2d 1015
United States Court of Appeals,
Eleventh Circuit.

In the Matter of The Tax Liability of Willis H. NEWTON, Lee M. Newton and Trio Manufacturing Company, Intervenors-Appellants,
UNITED STATES of America, and Douglas P. McCallum, special agent, Internal Revenue Service, Plaintiffs-Appellees,
v.
George B. PENNINGTON, CPA, Defendant.
UNITED STATES of America and Douglas P. McCallum, Special Agent, IRS, Plaintiffs-Appellants,
v.
George B. PENNINGTON, CPA, Defendant-Appellee.

Nos. 82–8586, 83–8056. | Nov. 3, 1983.

In action arising from Internal Revenue Service summons, the United States District Court for the Northern District of Georgia, Robert H. Hall, District Judge, entered order enforcing summons and denied Government's motion to hold taxpayer's accountant in contempt for refusal to comply with part of order. On consolidated appeals, the Court of Appeals, Johnson, Circuit Judge, held that: (1) tax accrual work papers are subject to IRS summons without any special showing, and (2) in view of Court of Appeals' partial stay of summons enforcement order, District Court did not abuse its discretion in denying contempt motion.

Affirmed.

West Headnotes (10)

[1] **Internal Revenue**
Accountants, attorneys and their records

220Internal Revenue
220XXExamination of Persons and Records
220k4501Accountants, attorneys and their records

Tax accrual workpapers prepared by independent auditor of closely held corporation are subject to Internal Revenue Service summons without showing of particularized need for material sought. 26 U.S.C.A. § 7602.

3 Cases that cite this headnote

[2] **Federal Courts**
Defenses

170BFederal Courts
170BXVIICourts of Appeals
170BXVII(D)Presentation and Reservation in Lower Court of Grounds of Review
170BXVII(D)2Particular Grounds of Review
170Bk3402Matters of Substance
170Bk3405Defenses
(Formerly 170Bk616)

Absent special circumstances, defenses not presented and for which proof is not offered in trial court cannot be raised for first time on appeal.

2 Cases that cite this headnote

[3] **Internal Revenue**
Review

220Internal Revenue
220XXExamination of Persons and Records
220k4517Review

In action concerning enforcement of Internal Revenue Service summons, taxpayer adequately presented to trial court defense argument that tax accrual workpapers could not be subject to IRS summons merely on showing of their relevancy to tax investigation; thus, Court of Appeals could consider such issue on appeal. 26 U.S.C.A. § 7602.

7 Cases that cite this headnote

[4] **Internal Revenue**
Grounds and purposes

220Internal Revenue
220XXExamination of Persons and Records
220k4493Grounds and purposes

When seeking order to enforce its summons, Internal Revenue Service must show that investigation will be conducted pursuant to legitimate purpose, that inquiry may be relevant for such purpose, that information sought is not already within Commissioner's possession and that administrative steps required by Code have been followed. 26 U.S.C.A. § 7602.

6 Cases that cite this headnote

[5] **Internal Revenue**
Evidence and affidavits in general
Internal Revenue
Presumptions and burden of proof

220Internal Revenue
220XXExamination of Persons and Records
220k4511Evidence and affidavits in general
220Internal Revenue
220XXExamination of Persons and Records
220k4512Presumptions and burden of proof

When seeking order to enforce its summons, Internal Revenue Service can satisfy its burden merely by presenting sworn affidavit of agent who issued summons; once government makes such minimal showing, burden shifts to taxpayer to disprove one of elements of government's case or to show that enforcement of summons would be abuse of court's process. 26 U.S.C.A. § 7602.

14 Cases that cite this headnote

[6] **Internal Revenue**
Relevance and materiality

220Internal Revenue
220XXExamination of Persons and Records
220k4496Relevance and materiality
(Formerly 220k96)

Test for relevancy of information sought by Internal Revenue Service summons is whether summons seeks information which might throw light upon correctness of taxpayer's return and whether there is indication of realistic expectation rather than idle hope that something might be discovered. 26 U.S.C.A. § 7602.

6 Cases that cite this headnote

[7] **Internal Revenue**
Work product privilege; tax practitioner privilege

220Internal Revenue
220XXExamination of Persons and Records
220k4502Work product privilege; tax practitioner privilege

Broad summons authority that Congress gave to Internal Revenue Service is subject to traditional privileges and limitations. 26 U.S.C.A. § 7602.

2 Cases that cite this headnote

[8] **Internal Revenue**
Work product privilege; tax practitioner privilege

220Internal Revenue
220XXExamination of Persons and Records
220k4502Work product privilege; tax practitioner privilege

Congress' explicit grant of summons power to Internal Revenue Service should not be limited by newly recognized privilege unless Congress itself chooses to so limit IRS authority. 26 U.S.C.A. § 7602.

4 Cases that cite this headnote

[9] **Contempt**
Review

93Contempt
93IIPower to Punish, and Proceedings Therefor

93k66Appeal or Error
93k66(7)Review

Standard of review on appeal from grant or denial of civil contempt motion is whether district court abused its discretion; such standard requires petitioner in civil contempt case to prove by clear and convincing evidence that respondent violated court's prior order.

10 Cases that cite this headnote

[10] **Internal Revenue**
Compliance and failure to comply; contempt

220Internal Revenue
220XXExamination of Persons and Records
220k4516Compliance and failure to comply; contempt

In view of partial stay of summons enforcement order, district court did not abuse its discretion in denying contempt motion.

6 Cases that cite this headnote

Attorneys and Law Firms

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Jere W. Morehead, Asst. U.S. Atty., Atlanta, Ga., Glen L. Archer, Jr., Asst. Atty. Gen., Michael L. Paup, Chief, Appellate Section, Carleton D. Powell, William A. Whitledge, Tax Div., Dept. of Justice, Washington, D.C., for U.S. and Mc Callum.

Robert H. Hishon, Atlanta, Ga., John D. Comer, Macon, Ga., for Newton, et al.

Appeals from the United States District Court for the Northern District of Georgia.

Before JOHNSON and HENDERSON, Circuit Judges, and ALLGOOD,[*] District Judge.

Opinion

JOHNSON, Circuit Judge:

[1] These consolidated appeals present the question whether tax accrual workpapers prepared by an independent auditor of a closely held corporation may be subject to summons by the Internal Revenue Service ("IRS") without a special showing of particularized need for the material sought. We hold that tax accrual workpapers are subject to IRS summons without any special showing and, accordingly, we affirm the order enforcing the summons in this case. We also affirm the denial of the government's motion to hold respondent Pennington in contempt for his refusal to comply with that part of the district court order that this Court stayed pending appeal.

The facts of this case are undisputed. The IRS commenced an audit of the 1977–79 federal income tax returns of the closely held Trio Manufacturing Company ("Trio" or "Taxpayer") and of Willis H. Newton, a major shareholder of the family-owned company, and his wife. During the course of its investigation, the IRS, acting under the authority of 26 U.S.C.A. § 7602,[1] issued ***1017** two summonses to George B. Pennington, the certified public accountant retained by the Newtons to prepare their personal income tax returns and the corporate income tax returns of Trio, and to conduct audits of Trio for the years 1977, 1978 and 1979.[2] The summons here in dispute sought information regarding Trio's tax liability, including any and all workpapers, analyses and computations prepared in the course of Pennington's annual audits of Trio.

In accordance with Taxpayer's directions, Pennington refused to comply with the summons, and the IRS petitioned the district court for an order enforcing its summons.[3] Pennington informed the court that he would comply with any order that it might enter and that his refusal to produce the summoned documents was only in deference to Taxpayer's directions. Taxpayer successfully moved to intervene in the enforcement action.[4]

The district court referred the case to a magistrate. After an evidentiary hearing and briefing by the parties, the magistrate recommended that the summons be enforced in its entirety. The district court adopted the magistrate's report and recommendation.

Taxpayer appealed, and this Court, after initially denying Taxpayer's motion for a stay of the enforcement order, granted a partial stay of the order with respect to the tax accrual workpapers sought by the IRS. Pennington then produced all of the summoned materials except those that Taxpayer asserted fell within this Court's stay, which

after negotiations included some twenty-one pages of documents.

The government, disputing that tax accrual workpapers are beyond the scope of IRS summons authority and disputing that the documents withheld even constitute tax accrual workpapers, filed a motion in district court seeking to have Pennington held in contempt. The district court, considering this Court's partial stay, conducted an in camera review of the disputed documents, determined that they were tax accrual workpapers and denied the government's contempt motion.

***1018** Trio appeals the district court's order enforcing the IRS summons as to tax accrual workpapers. The government appeals the district court's denial of its contempt motion. We will consider these consolidated appeals in turn.

I. TAXPAYER'S APPEAL.

Trio argues that this Circuit should follow the decision of the Second Circuit in *United States v. Arthur Young & Company,* 677 F.2d 211 (2d Cir.1982), *cert. granted,* 459 U.S. 1199, 103 S.Ct. 1180, 75 L.Ed.2d 429 (1983), and hold that an accountant work product privilege protects tax accrual workpapers from IRS summons power absent a showing of particularized need and inability to obtain the substantial equivalent from other sources. Trio further argues that no such showing has been made here.

Trio also argues that the district court erred as a matter of law in concluding that Pennington's tax accrual workpapers are relevant to the amount of Taxpayer's federal income tax liability. Trio argues that tax accrual workpapers are not relevant per se to an IRS investigation of Taxpayer's correct tax liability. Trio further argues that the relevancy of the documents to the IRS investigation cannot be determined simply from the description of the documents in the IRS summons, but that the Service must make a further showing of relevancy after the Taxpayer presents some contrary evidence. Trio contends that the IRS failed to make this showing.

[2] Preliminarily, we must address the government's contention that the question whether tax accrual workpapers are protected from IRS summons power is not properly before this Court because it was not adequately raised below. This contention is without merit. As we have recently noted, "[t]he law is clear that, absent special circumstances, defenses not presented and for which proof is not offered in the trial court cannot be raised for the first time on appeal." *Johnson v. Smith,* 696 F.2d 1334, 1338 (11th Cir.1983). The record in this case clearly indicates that Trio raised the tax accrual issue in the district court, even if it did not concentrate on that issue in its defense. Moreover, it appears that the reason Taxpayer did not emphasize the issue is that the government never specified that it was seeking "tax accrual" documents.

[3] The broad language of the summons sought any and all workpapers, analyses and computations prepared in the course of Pennington's audits of Trio. Taxpayer sought to clarify the scope of the summons through subpoenas of IRS agents and documents and supported its position with the argument that the government must make a showing of particularized need for workpapers and analyses prepared during a financial audit. The government successfully moved to quash Taxpayer's subpoenas. At the evidentiary hearing, Taxpayer attempted to discover whether the Service sought tax accrual workpapers by directly asking the agent who drafted the summons. The agent responded that he was unfamiliar with such documents. Finally, in the Taxpayer's proposed findings of fact and conclusions of law submitted to the magistrate and in its objections to the magistrate's report, Taxpayer cited *Arthur Young* and argued that tax accrual workpapers could not be subject to IRS summons merely on a showing of their relevancy to a tax investigation. In view of these facts, we hold that Taxpayer adequately presented this defense to the trial court, and this Court may consider the issue on appeal.

A. *Whether tax accrual workpapers are relevant.*

[4] The Internal Revenue Service has broad authority under Section 7602. The Service may examine "any books, papers, records or other data which may be relevant or material" to its investigation of the correctness of any tax return. 26 U.S.C.A. § 7602(a). The Supreme Court in *United States v. Powell,* 379 U.S. 48, 85 S.Ct. 248, 13 L.Ed.2d 112 (1964), defined the minimal showing that the IRS must make when seeking an order to enforce its summons. ***1019** *Id.* at 57–58, 85 S.Ct. at 255. It must show that

> the investigation will be conducted pursuant to a legitimate purpose, that the inquiry may be relevant to that purpose, that the information sought is not already within the Commissioner's possession, and that the administrative steps required by the Code have been followed....

Id.

[5] The Service can satisfy its burden merely by presenting the sworn affidavit of the agent who issued the summons. *United States v. Southeast First National Bank of Miami Springs,* 655 F.2d 661, 664 (5th Cir.1981).[5] Once the government makes this minimal showing, the burden shifts to the taxpayer to disprove one of the elements of the government's case or to show that enforcement of the summons would be an abuse of the court's process. *Id.; United States v. Davis,* 636 F.2d 1028, 1034 (5th Cir.1981).

Taxpayer here argues that the Service carries the ultimate burden in a summons enforcement proceeding. If the taxpayer presents some evidence that the government has not satisfied the *Powell* requirements or that enforcement otherwise would be an abuse of process, then the government must come forward with ultimately persuasive evidence. Trio argues that, after it presented evidence challenging the relevancy of the tax accrual workpapers to the IRS tax investigation, the government was required to persuade the court that the workpapers were relevant to its investigation.

Because we determine that the IRS here made the minimal showing as required by *Powell* and that tax accrual workpapers are relevant as a matter of law to a legitimate investigation of a corporation's correct tax liability, we find it unnecessary to discuss further the burdens of proof required in a summons enforcement proceeding.

Due to the complexity of the federal tax structure, the return filed by a corporate taxpayer often is not the final statement of the amount of taxes owed. Taxpayers often are required to pay more in taxes than their returns indicated. Many corporations, therefore, set aside a reserve on their balance sheets to cover this potential additional liability. Corporate financial statements that do not include a reserve for contingent tax liability may give an inaccurate picture of the firm's financial position. Consequently, as Trio itself noted, generally accepted auditing principles require auditors to assess a corporation's contingent tax liability and determine whether it is great enough to require the corporation to reveal the potential liability on its balance sheet. In addition, federal securities laws require regulated corporations to file with the Securities and Exchange Commission financial statements that have been audited by independent accountants in accordance with generally accepted auditing principles.[6] The documents generated by that tax accrual analysis disclose the weak spots in the corporation's assessment of its own tax liability.

[6] In *United States v. Wyatt,* 637 F.2d 293 (5th Cir.1981), the former Fifth Circuit, in a decision that is binding on this Court, articulated the test for relevancy under *Powell.* The test is "whether the summons seeks information which 'might throw light upon the correctness of the taxpayer's return' " and, more narrowly, whether there is "an indication of a 'realistic expectation rather than an idle hope that something might be discovered.' " *Id.* at 300–01 (citations omitted).

The Fifth Circuit, applying this test in a nonbinding decision, recently held that tax accrual workpapers are relevant to a determination of a corporation's tax liability. ***1020** *United States v. El Paso Company,* 682 F.2d 530, 537 (5th Cir.1982). The court there rejected the suggestion that tax accrual workpapers are not relevant because they are neither tools used to prepare tax returns nor source documents representative of actual transactions. *Id.* The court thus squarely rejected the reasoning of *United States v. Coopers & Lybrand,* 550 F.2d 615 (10th Cir.1977), which denied the relevancy of tax accrual workpapers to an IRS investigation. *Id.* at 621.

Applying the *Wyatt* definition, we agree that tax accrual workpapers are relevant. The workpapers highlight and assess questionable tax interpretations that the taxpayer has given to its transactions. As the *Arthur Young* court itself noted in holding tax accrual workpapers relevant to a legitimate IRS investigation, "[d]ifferent tax positions lead to different amounts of liability. It is difficult to say that the assessment by the independent auditor of the correctness of the positions taken by the taxpayer in his return would not throw 'light upon' the correctness of the return." 677 F.2d 211, 219 (2d Cir.1982), *cert. granted,* 459 U.S. 1199, 103 S.Ct. 1180, 75 L.Ed.2d 429 (1983).[7] Moreover, the controlling precedent of this Circuit does not require that information relevant to a tax investigation be limited to source documents or materials used in preparing returns. *See, e.g., United States v. Wyatt,* 637 F.2d 293 (5th Cir.1981) (summons sought corporate officials' answers to specific questions regarding their knowledge of bribes, kickbacks and other illegal transactions); *United States v. Newman,* 441 F.2d 165 (5th Cir.1971) (summons sought records of taxpayer's business associates). We thus join the Second and Fifth Circuits in rejecting the Tenth Circuit's holding in *Coopers & Lybrand.*

B. *Whether tax accrual workpapers are privileged.*

Taxpayer argues that, even if relevant, tax accrual workpapers should not be subject to IRS summons authority absent a showing of particularized need.

Taxpayer asks this Court to adopt and extend the reasoning of the Second Circuit in *United States v. Arthur Young Company,* 677 F.2d 211 (2d Cir.1982), *cert. granted,* 459 U.S. 1199, 103 S.Ct. 1180, 75 L.Ed.2d 429 (1983), which held that tax accrual workpapers prepared by independent auditors of a public corporation subject to the federal securities laws are protected from IRS summons authority by a work product privilege similar to the attorney work product privilege recognized by the Supreme Court in *Hickman v. Taylor,* 329 U.S. 495, 67 S.Ct. 385, 91 L.Ed. 451 (1947), and embodied in Rule 26 of the Federal Rules of Civil Procedure.

The decision of the Second Circuit in *Arthur Young* is based on a perceived conflict between the federal tax and securities laws. The court observed that a decision to permit the IRS routinely to summon documents that contain an auditor's assessment of the questionable tax position taken by its client would undermine the integrity of the auditing process and defeat the purpose of the securities laws mandating independent financial audits and public filing of financial statements. 677 F.2d at 219–20. The court assumed that corporate officials would be less forthcoming with an independent auditor once they knew that the auditor's assessment of the corporation's contingent tax liability would be readily accessible to Internal Revenue agents. *Id.* at 220. Faced with this "clash between two important congressional policies," *id.,* and cognizant of the Supreme Court's recognition that " 'contrary legislative purposes' can undercut the 'broad latitude' otherwise provided to the IRS," *id.* at 219 (quoting *United States v. Euge,* 444 U.S. 707, 716 & n. 9, 100 S.Ct. 874, 880 & n. 9, 63 L.Ed.2d 141 (1980)), the Second Circuit carved out of the IRS summons authority a new accountant work product privilege. The court stated that the new privilege, similar to the attorney ***1021** work product privilege, allows "the IRS to procure [tax accrual workpapers] when the rare situation arises when it can make a sufficient showing of need to adequately justify invading the integrity of the auditing process." *Id.* at 221.

Trio argues that this Court should adopt the reasoning of *Arthur Young* and extend it to a case that does not present the same conflict between congressional purposes—because it involves a closely held corporation that is not subject to the federal securities laws—but that does implicate similar policy concerns. We decline this invitation to follow the Second Circuit and embrace instead the position taken by Judge Newman in dissent. We also note the Fifth Circuit's recent decision in *United States v. El Paso Company,* 682 F.2d 530 (5th Cir.1982), which supports our decision in this case.

[7] The broad summons authority that Congress gave to the Internal Revenue Service under Section 7602 is subject to the " 'traditional privileges and limitations.' " *Upjohn Company v. United States,* 449 U.S. 383, 398, 101 S.Ct. 677, 687, 66 L.Ed.2d 584 (1981). The Supreme Court has held, for example, that the attorney-client privilege and the attorney work product doctrine limit the scope of the IRS summons power. *Id.* at 386, 101 S.Ct. at 681. Federal law, however, does not recognize an accountant-client privilege, *Couch v. United States,* 409 U.S. 322, 335, 93 S.Ct. 611, 619, 34 L.Ed.2d 548 (1973); *International Horizons, Inc. v. Committee of Unsecured Creditors,* 689 F.2d 996, 1003–04 (11th Cir.1982), or, at least before *Arthur Young* itself, an accountant work product privilege, *United States v. Arthur Young Company,* 677 F.2d at 222 (Newman, J., dissenting).[8]

[8] Congress' explicit grant of summons power to the IRS should not be limited by a newly recognized privilege unless Congress itself chooses to so limit IRS authority. The Supreme Court in its review of IRS summons power has made clear that "absent unambiguous directions from Congress," the courts should not impose additional restrictions on the scope of Section 7602. *United States v. Bisceglia,* 420 U.S. 141, 150, 95 S.Ct. 915, 921, 43 L.Ed.2d 88 (1975).

Trio is not subject to the same federal securities laws that were deemed critical to the decision in *Arthur Young,* but it argues that the same policy there embraced—protection of accountant work product to ensure the integrity of the auditing process and the protection of investor confidence—should be adopted here. In view of our determination that Congress is the proper body to make any decision to limit IRS summons power with newly recognized privileges, and especially in the absence of any conflicting congressional purposes, we refuse to adopt the position urged upon us by the Taxpayer.

II. GOVERNMENT'S APPEAL.

The government appeals the district court's denial of its motion to hold Pennington in contempt for his failure to produce twenty-one documents within the scope of the court's summons enforcement order. The government notes that use of the contempt motion was procedurally necessary to bring before this Court the tax accrual workpapers issue, but concedes that imposition of sanctions to obtain those records may be unnecessary. We agree.

This Court granted a stay of the district court's summons enforcement order with ***1022** respect to tax accrual workpapers within the doctrine of *Arthur Young.* In

granting the partial stay, we noted that, if the parties could not agree on what was required to be produced under the IRS summons, their dispute could be adjudicated by the district court in a contempt proceeding. Throughout the entire course of this litigation, respondent Pennington has repeatedly made clear his willingness to comply with any court order, including any order issuing from the contempt proceeding.

[9] The standard of review on appeal from a grant or denial of a civil contempt motion is whether the district court abused its discretion. *Washington-Baltimore Newspaper Guild, Local 35 v. Washington Post Co.,* 626 F.2d 1029, 1031 (D.C.Cir.1980); *cf. United States v. Brummitt,* 665 F.2d 521, 526 (5th Cir.1981), *cert. denied,* 456 U.S. 977, 102 S.Ct. 2244, 72 L.Ed.2d 852 (1982) (criminal contempt). The standard requires the petitioner in a civil contempt case to prove by clear and convincing evidence that the respondent violated the court's prior order. 626 F.2d at 1031; *see Northside Realty Associates, Inc. v. United States,* 605 F.2d 1348, 1352 (5th Cir.1979).

The government argued before the district court, and it repeats its argument here, that no tax accrual workpapers within the doctrine of *Arthur Young* exist in this case because Trio is a closely held corporation and because its balance sheet does not contain a reserve for contingent tax liability. In its November 19, 1982, memorandum decision denying the contempt motion, the district court noted that *Arthur Young* may not apply to this case, but on the basis of this Court's partial stay correctly decided to assume applicability of the doctrine until this Court could decide the question.

The government also argued that the district court did not have a sufficient factual basis for determining that the documents withheld from the IRS were tax accrual workpapers. The government first points out that Pennington himself did not testify that the documents withheld were tax accrual workpapers or even that his audit of Trio included an analysis of its contingent tax liability. The government then simply argues that in camera inspection of the documents cannot reveal whether they reflect such analysis.

Pennington's failure to testify is not probative on the question whether the documents withheld were tax accrual workpapers because Pennington throughout the course of these proceedings has sought to maintain his neutrality. Furthermore, the court had before it evidence that Pennington's financial audit reports were prepared in accordance with generally accepted auditing principles, which require the auditor to review with management the question whether any contingent liabilities exist. Finally, under the circumstances of this case, in camera inspection of the disputed documents seems to be the only feasible means of determining whether the documents are tax accrual workpapers without revealing to the IRS the contents of the materials sought to be protected.

[10] In view of this Court's partial stay of the summons enforcement order, the district court did not abuse its discretion in denying the government's contempt motion.

Accordingly, we AFFIRM the order enforcing the IRS summons, and we AFFIRM the denial of the government's contempt motion.

All Citations

718 F.2d 1015, 52 A.F.T.R.2d 83-6304, 83-2 USTC P 9663

Footnotes

* Honorable Clarence W. Allgood, U.S. District Judge for the Northern District of Alabama, sitting by designation.

1 Section 7602 provides in relevant part:

§ 7602. Examination of books and witnesses

(a) Authority to summon, etc.—For the purpose of ascertaining the correctness of any return, making a return where none has been made, determining the liability of any person for any internal revenue tax or the liability at law or in equity of any transferee or fiduciary of any person in respect of any internal revenue tax, or collecting any such liability, the Secretary or his delegate is authorized—

(1) To examine any books, papers, records, or other data which may be relevant or material to such inquiry;

(2) To summon the person liable for tax or required to perform the act, or any officer or employee of such person, or any person having possession, custody, or care of books of account containing entries relating to the business of the person liable for tax or required to perform the act, or any other person the Secretary or his delegate may deem proper, to appear before the Secretary or his delegate at a time and place named in the summons and to produce such books, papers, records, or other data, and to give such testimony, under oath, as may be relevant or material to such inquiry; and

(3) To take such testimony of the person concerned, under oath, as may be relevant or material to such inquiry.

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26 U.S.C.A. § 7602.

2 The preparation of audited financial statements by a certified public accountant was required by banks from whom Trio obtained credit.

3 The IRS enforcement action was premised on § 7604(b) of the Internal Revenue Code.

> (b) Enforcement.—Whenever any person summoned under section 6420(e)(2), 6421(f)(2), 6427(h)(2), or 7602 neglects or refuses to obey such summons, or to produce books, papers, records, or other data, or to give testimony, as required, the Secretary may apply to the judge of the district court or to a United States commissioner for the district within which the person so summoned resides or is found for an attachment against him as for a contempt. It shall be the duty of the judge or commissioner to hear the application, and, if satisfactory proof is made, to issue an attachment, directed to some proper officer, for the arrest of such person, and upon his being brought before him to proceed to a hearing of the case; and upon such hearing the judge or the United States commissioner shall have power to make such order as he shall deem proper, not inconsistent with the law for the punishment of contempts, to enforce obedience to the requirements of the summons and to punish such person for his default or disobedience.

26 U.S.C.A. § 7604(b).

The jurisdiction of the district court was premised on §§ 7402(b) and 7604(a) of the Code.

> § 7402. (b) To enforce summons.—If any person is summoned under the internal revenue laws to appear, to testify, or to produce books, papers, or other data, the district court of the United States for the district in which such person resides or may be found shall have jurisdiction by appropriate process to compel such attendance, testimony, or production of books, papers, or other data.

26 U.S.C.A. § 7402(b).

> § 7604. Enforcement of summons
>
> (a) Jurisdiction of district court.—If any person is summoned under the internal revenue laws to appear, to testify, or to produce books, papers, records, or other data, the United States district court for the district in which such person resides or is found shall have jurisdiction by appropriate process to compel such attendance, testimony, or production of books, papers, records, or other data.

26 U.S.C.A. § 7604(a).

4 Section 7609(b) of the Internal Revenue Code permits intervention in a third-party summons proceeding by the real party in interest. 26 U.S.C.A. § 7609(b).

5 The Eleventh Circuit Court of Appeals has adopted the case law of the former Fifth Circuit handed down as of September 30, 1981, as its governing body of precedent, which is binding unless and until overruled or modified by this Court en banc. *Bonner v. City of Prichard,* 661 F.2d 1206, 1209 (11th Cir.1981) (en banc).

6 15 U.S.C.A. § 78*l*; 17 C.F.R. § 210.1—02(d).

7 The Second Circuit, while holding that tax accrual workpapers are relevant to a legitimate IRS investigation, also held that they are protected from IRS summons by an accountant work product privilege that can be overcome only upon a showing of particularized need. 677 F.2d at 220–21.

8 Despite extensive and recent precedent explicitly rejecting the existence of an accountant-client privilege under federal common law, the Second Circuit's decision essentially creates just such a privilege. Although the court labels its creation an accountant work product privilege, the policy rationale it relied upon to support its new doctrine—encouraging corporate officials to reveal openly to their independent accountants the corporation's tax vulnerabilities—argues for an accountant-client communications privilege to be exercised by the client rather than an accountant work product doctrine to protect the accountant's independent assessment of the amount of tax that the corporation owes to the federal fisc. *See United States v. El Paso Company,* 682 F.2d 530, 541 n. 13 (5th Cir.1982); *Arthur Young,* 677 F.2d at 223, n. 5 (Newman, J., dissenting).

End of Document

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221 F.Supp.2d 513
United States District Court,
D. New Jersey.

INTERSTATE NET BANK, Plaintiff,
v.
NETB@NK, INC. and Netb@nk, Defendants.

CIVIL NO. 01–1324(JBS). | Sept. 16, 2002.

Internet banking service sued competitor, seeking declaratory judgment of trademark noninfringement. On plaintiff's motion for summary judgment and attorney fees, the District Court, Simandle, J., held that: (1) mark was generic; (2) award of attorney fees was not warranted; and (3) cancellation of mark was not warranted.

Motion granted in part and denied in part.

West Headnotes (11)

[1] **Federal Civil Procedure**
Copyright, trademark, and unfair competition cases

170AFederal Civil Procedure
170AXVIIJudgment
170AXVII(C)Summary Judgment
170AXVII(C)2Particular Cases
170Ak2493Copyright, trademark, and unfair competition cases
(Formerly 382k722 Trade Regulation)

Question of claimed trademark's genericness may be decided on summary judgment if evidence is so one-sided that there can be no doubt about how it should be resolved.

1 Cases that cite this headnote

[2] **Trademarks**
Nature or type of mark; distinctiveness and strength

382TTrademarks
382TVIIRegistration
382TVII(C)Effect of Federal Registration
382Tk1358Particular Effects; Rights Acquired
382Tk1363Nature or type of mark; distinctiveness and strength
(Formerly 382k255 Trade Regulation)

Possession of federal trademark registration gives rise to strong presumption that term is not generic or descriptive. Lanham Trade-Mark Act, § 33(a), 15 U.S.C.A. § 1115(a).

4 Cases that cite this headnote

[3] **Trademarks**
Goods or services underlying mark; class

382TTrademarks
382TVIIRegistration
382TVII(C)Effect of Federal Registration
382Tk1364Scope of Rights Acquired; Limitations
382Tk1369Goods or services underlying mark; class
(Formerly 382k257.1 Trade Regulation)

Trademark owner was not entitled it to presumption of exclusive right where its use of mark was not in connection with services originally specified in registration form.

1 Cases that cite this headnote

[4] **Trademarks**
Goods or services underlying mark; class

382TTrademarks
382TVIIRegistration
382TVII(C)Effect of Federal Registration
382Tk1364Scope of Rights Acquired; Limitations
382Tk1369Goods or services underlying mark; class
(Formerly 382k252 Trade Regulation)

Trademark could only attain incontestability in connection with goods and services for which mark was originally registered. Lanham Trade-Mark Act, § 33(b), 15 U.S.C.A. § 1115(b).

Cases that cite this headnote

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[5] **Trademarks**
Goods or services underlying mark; class

382TTrademarks
382TVIIRegistration
382TVII(C)Effect of Federal Registration
382Tk1364Scope of Rights Acquired; Limitations
382Tk1369Goods or services underlying mark; class
(Formerly 382k252 Trade Regulation)

Purchaser of trademark, who used it for different services than those for which it was registered, could not rely on "natural expansion" doctrine to claim incontestable use its services.

Cases that cite this headnote

[6] **Trademarks**
Goods or services underlying mark; class

382TTrademarks
382TVIIRegistration
382TVII(C)Effect of Federal Registration
382Tk1364Scope of Rights Acquired; Limitations
382Tk1369Goods or services underlying mark; class
(Formerly 382k259.1 Trade Regulation)

Trademark registered for on-line bill paying service using electronic coupons was not incontestable as applied to on-line banking services, under natural expansion doctrine; expanded service was not anticipated at time of registration.

Cases that cite this headnote

[7] **Trademarks**
Generic terms or marks
Trademarks
Descriptive Terms or Marks

382TTrademarks
382TIIMarks Protected
382Tk1034Generic terms or marks
(Formerly 382k23 Trade Regulation)

382TTrademarks
382TIIMarks Protected
382Tk1035Descriptive Terms or Marks
382Tk1036In general
(Formerly 382k23 Trade Regulation)

On-line banking service provider's "NETBANK" mark was merely descriptive, generic mark, and thus was not protectable; primary significance of mark was to identify type of product.

4 Cases that cite this headnote

[8] **Trademarks**
Acquired distinctiveness; secondary meaning

382TTrademarks
382TIIMarks Protected
382Tk1035Descriptive Terms or Marks
382Tk1037Acquired distinctiveness; secondary meaning
(Formerly 382k152 Trade Regulation)

Descriptive mark can be registered only if it has acquired secondary meaning.

1 Cases that cite this headnote

[9] **Federal Civil Procedure**
Particular types of cases

170AFederal Civil Procedure
170AXIXFees and Costs
170Ak2737Attorney Fees
170Ak2737.5Particular types of cases

Suit for declaration of trademark non-infringement was not exceptional, and thus prevailing plaintiff was not entitled to recover attorney fees, absent clear showing defendant had acted in bad faith, fraud or malice in usage of its mark. Lanham Trade-Mark Act, § 35(a), 15 U.S.C.A. § 1117(a).

1 Cases that cite this headnote

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[10] **Trademarks**
Goods or services underlying mark; class

382TTrademarks
382TVIIRegistration
382TVII(C)Effect of Federal Registration
382Tk1364Scope of Rights Acquired; Limitations
382Tk1369Goods or services underlying mark; class
(Formerly 382k281 Trade Regulation)

Cancellation of trademark was not warranted, though court had found to be generic term for owner's service, where mark was registered for different service. Lanham Trade-Mark Act, § 37, 15 U.S.C.A. § 1119.

2 Cases that cite this headnote

[11] **Trademarks**
Alphabetical listing

382TTrademarks
382TXITrademarks and Trade Names Adjudicated
382Tk1800Alphabetical listing
(Formerly 382k736 Trade Regulation)

NETBANK.

Cases that cite this headnote

Attorneys and Law Firms

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John Levy, Montgomery, McCracken, Walker & Rhoads, LLP, Cherry Hill, NJ, and Elizabeth Ann Morgan, Powell, Goldstein, Frazer & Murphy, LLP, Atlanta, GA, for Defendants.

OPINION

SIMANDLE, District Judge.

This matter comes before the Court upon motion by plaintiff *inter* State Net Bank for summary judgment against defendants NETB@NK, INC., and NETB@NK (now known as NetBank, Inc., and NetBank, respectively, and referred to collectively herein as "Defendants"). Plaintiff filed the underlying action on March 20, 2001, seeking a declaratory judgment that the term NETBANK (the federal registration of which had been acquired by defendants) is generic and merely descriptive, that plaintiff's use is not likely to cause confusion, and that defendant's trademark registration should be canceled. Defendants have asserted counterclaims for trademark infringement, false designation of origin, false advertising, trademark dilution, and cyber piracy under the Lanham Act; declaratory judgment; and trademark infringement, trademark dilution, and unfair competition under New Jersey law.

On April 12, 2002, plaintiff filed this motion for summary judgment, arguing that the term NETBANK is generic either for the services identified in the registration—online bill payment—or for the broader area of online banking and financial services, and therefore that defendant is neither entitled to incontestible registration nor trademark protection. Plaintiff also seeks attorney's fees under the Lanham Act. On June 10, 2002, this Court heard oral argument on the motion. For the reasons discussed below, plaintiff's motion for summary judgment will be granted.

BACKGROUND

This case involves the issue of whether defendants' use of the term NETBANK is a generic use and therefore not protectable under the trademark laws. Plaintiff and defendants are among a growing number of internet banks offering their services to customers primarily or exclusively over the internet. On July 13, 1994, Software Agents, Inc., a company unrelated to defendants, filed an application to register NETBANK as a service mark to the United States Patent and Trademark Office ("PTO"), claiming date of first use in commerce of May 26, 1994. (Shay Cert. Ex. A.) In its application, Software Agents had described its services as an "automated payment service which allows exchange of payment coupons via electronic mail." (Shay Cert. ¶ 2 & Ex. A.) On August 22, 1995, the PTO granted Software Agents's ***515** application for registration of the service mark NETBANK, Registration No. 1,913,750. (*Id.*) The NETBANK mark was registered by the PTO to be used

for the following purpose: "electronic payment services featuring a system of electronic money coupons that are exchanged by means of an on-line computer service, in class 36." (*Id.*)

Defendant Net.B@nk, Inc., originally began as Internet Organizing Group, Inc., in October 1996, as a provider of online bill payment services and online statement services for Atlanta Internet Bank, which operated as a division of Carolina First Corporation. (Stokes Decl. ¶ 3.) Internet Organizing Group formally changed its name to Net.B@nk, Inc., in November 1996. (*Id.*) In spring of 1997, Net.B@nk, Inc., acquired a charter for a federal savings bank and assumed control of operations of Atlanta Internet Bank ("AIB") from Carolina First, and continued to provide online bill payment services for AIB. (*Id.* ¶ 4.) A year later, in 1998, Net.B@nk, Inc., contacted Software Agents, which owned the service mark registration for NETBANK and the domain name "netbank.com." (*Id.* ¶ 5.)

On April 9, 1998, Net.B@nk, Inc., acquired the service mark registration for NETBANK and all associated goodwill from Software Agents. (*Id.* ¶ 5.) In July 1998, Net.B@nk, Inc., changed the name of its bank from Atlanta Internet Bank to Net.B@nk, consistent with the corporate name as well as its "full line of banking services." (*Id.* ¶ 6.) Net.B@nk, Inc. and Net.B@nk thus provided both online bill payment services and broader banking and financial services under the NETBANK mark. (*Id.* ¶ 7.)

On July 31, 1998, Net.B@nk filed three "Intent to Use" applications to the PTO to register Net.B@nk as a service mark for "providing retail banking services over the internet." (Shay Cert. ¶ 7 & Ex. F.) In August 1999, the PTO refused registration of the mark on the ground that the mark was confusingly similar to the NETBANK mark, Registration No. 1,913,750, previously registered by Software Agents, Inc., and subsequently assigned to the applicant. (*Id.*) Because there was also a prior pending application for the term NET BANKING, the application was suspended pending disposition of the other application. (*Id.*) The PTO subsequently issued a final refusal to register NET BANKING, and the application was abandoned. (Shay Cert. ¶ 8 & Ex. G.)

On August 22, 2000, NetB@nk, Inc., filed a Combined Declaration of Use and Incontestibility for the original NETBANK registration acquired from Software Agents, Inc., in April 1998, which was accepted by the PTO in 2000. (Shay Cert. ¶ 2 & Ex. A; Defs.' Statement of Material Facts, ¶ 2.) In support of their incontestibility, defendants submitted printouts from their website showing NetBank's "Online Bill Payment and Presentment" Service. (Shay Cert. Ex. A; Defs.' Statement of Material Facts, ¶ 3.) Defendants stated in their declaration that "[t]he owner has used the mark in commerce for five (5) consecutive years after the date of registration ... and is still using the mark in commerce on or in connection with all goods and/or services listed in the existing registration." (*Id.*)

Defendants formally changed their names to NetBank, Inc. and NetBank in 2000, due to the practical difficulties in using the "dot" and the @ symbols. (Stokes Decl. ¶ 7.) On or about December 4, 2000, NetBank, Inc. withdrew its application for trademark registration for the mark Net.B@nk to the PTO. (Shay Cert. ¶ 7 & Ex. F.) On December 5, 2000, NetBank, Inc. filed an application to register the term NETBANK NETWORTH INVESTMENT ACCOUNT for "providing ***516** comprehensive banking and investment brokerage services over a global computer network." (Shay Cert. ¶ 9 & Ex. H.) On June 28, 2001, the PTO refused to register the mark, noting:

> The applicant must disclaim the descriptive wording "NETBANK" and "INVESTMENT ACCOUNT" apart from the mark shown.... The wording is merely descriptive because it describes the method of delivering the services (NETBANK) and a feature of the services (INVESTMENT ACCOUNT).

(Shay Cert. ¶ 9 & Ex. H.)

On March 15, 2001, plaintiff *inter* State Net Bank received its banking charter from the State of New Jersey and began operations in June 2001, conducting a portion of its business over the internet through its website interstatenetbank.com. Plaintiff filed two "Intent to Use" applications in late 1999 and early 2000 for the mark INTERSTATE NET BANK for "banking services provided via the global computer network," and applied for a New Jersey State Banking Charter for INTERSTATE NET BANK in July 2000. On September 8, 2000, defendants served plaintiff a cease and desist letter regarding its use of INTERSTATE NET BANK or "any other moniker confusingly similar to the NETBANK marks...." (Grout Letter, Shay Cert. ¶ 11 & Ex. J.) By letter dated September 18, 2000, plaintiff refused to accede to defendants' demands. (Fall Letter, Shay Cert. ¶ 12 & Ex. K.) In a letter dated November 2, 2000,

defendants threatened to bring suit against plaintiff. (Grout Letter, Shay Cert. ¶ 13 & Ex. L.)

On March 20, 2001, plaintiff filed this action seeking a declaratory judgment that NETBANK is generic and merely descriptive, that plaintiff's use is not likely to cause confusion, and that defendant's trademark registration should be cancelled. (Compl.¶¶ 21–27.) On August 1, 2001, defendant submitted its answer and counterclaims alleging trademark infringement, false designation of origin, false advertising, trademark dilution, and cyberpiracy under the Lanham Act; declaratory judgment; and trademark infringement, trademark dilution, and unfair competition under New Jersey law. (Answer & Counterclaims, ¶¶ 32–124.) Pursuant to the Scheduling Order of September 24, 2001, all discovery was complete before plaintiff filed this summary judgment motion asserting that the term NETBANK is generic on April 12, 2002.

DISCUSSION

I. *Plaintiff's Motion for Summary Judgment*

[1] Plaintiff maintains that the term NETBANK[1] is generic and should be given no protection under the trademark laws. Defendants argue, however, that this determination cannot be decided on a summary judgment motion. "Whether or not a particular trademark is generic is a question of fact." *Salton Inc. v. Cornwall Corp.,* 477 F.Supp. 975, 986 (D.N.J.1979) (citation omitted). In approaching the determination of genericness, "as with any question of fact [it] can be resolved on summary judgment if the evidence is so one-sided that there can be no doubt about how the question should be answered." *Door Sys., Inc. v. Pro–Line Door Sys., Inc.,* 83 F.3d 169, 171 (7th Cir.1996) (Posner, C.J.) (citing ***517** *Bath & Body Works, Inc. v. Luzier Personalized Cosmetics, Inc.,* 76 F.3d 743, 748 (6th Cir.1996); *Boston Beer Co. v. Slesar Bros. Brewing Co.,* 9 F.3d 175, 180 (1st Cir.1993)); *see, e.g., America Online, Inc. v. AT & T Corp.,* 243 F.3d 812, 818–23 (4th Cir.) (affirming district court's summary judgment finding of genericness as to "You Have Mail" and "IM," but reversing as to "Buddy List"), cert. dismissed, 534 U.S. 946, 122 S.Ct. 388, 151 L.Ed.2d 256 (2001); *Liquid Controls Corp. v. Liquid Control Corp.,* 802 F.2d 934, 938–41 (7th Cir.1986) (affirming district court's summary judgment finding that term "liquid controls" is generic); *Filipino Yellow Pages, Inc. v. Asian Journal Publ'ns, Inc.,* 198 F.3d 1143, 1150–52 (9th Cir.1999) (affirming district court's summary judgment finding that "Filipinio Yellow Pages" is generic); *Convenient Food Mart, Inc. v. 6–Twelve Convenient Mart, Inc.,* 690 F.Supp. 1457, 1461 (D.Md.1988) ("[T]he genericness issue is ripe for resolution on summary judgment despite the lack of survey evidence."), *aff'd,* 870 F.2d 654, 1989 WL 21392 (4th Cir.1989). Thus, if the undisputed facts show that there is no genuine issue as to any material fact regarding the genericness of the mark, this Court may appropriately decide such a question on summary judgment.

A. *Whether the NETBANK Mark is Generic*

Plaintiff argues that the term NETBANK is generic and as such is incapable of trademark protection, and seeks to have defendant's registration of the term canceled,[2] as well as an award of attorneys' fees. Courts have recognized four different categories of terms with respect to trademark protection: (1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful. *See A.J. Canfield Co. v. Honickman,* 808 F.2d 291, 297 (3d Cir.1986) (citation omitted); *Filipino Yellow Pages, supra,* 198 F.3d at 1146–47 (citing *Surgicenters of America, Inc. v. Med. Dental Surgeries Co.,* 601 F.2d 1011, 1014 (9th Cir.1979)). A generic or common descriptive term can never function as a trademark, and merely specifies the genus of which the particular product is a species. *See Liquid Controls, supra,* 802 F.2d at 935–36 (affirming district court's finding that "liquid controls" is a generic term) (citations omitted); *see also In re Merrill Lynch, Pierce, Fenner & Smith, Inc.,* 828 F.2d 1567, 1569 (Fed.Cir.1987) ("Generic terms, by definition incapable of indicating source, are the antithesis of trademarks, and can never attain trademark status."); *Filipino Yellow Pages,* 198 F.3d at 1147 (a generic term "cannot become a trademark under any circumstances"). A generic term is never protectable because "even complete 'success ... in securing public identification ... cannot deprive competing manufacturers of the product of the right to call an article by its name.' " *Canfield,* 808 F.2d at 297 (citing *Abercrombie & Fitch Co. v. Hunting World, Inc.,* 537 F.2d 4, 9 (2d Cir.1976)).

[2] Defendants in turn rely on their acquisition of the federal trademark registration of the term NETBANK, which it obtained from Software Agents on April 9, 1998. If a party has a federal trademark ***518** registration, it constitutes a strong presumption that the term is not generic or descriptive. *See* 15 U.S.C. § 1115(a); *see also Liquid Controls,* 802 F.2d at 936; *Horizon Mills Corp. v. QVC, Inc.,* 161 F.Supp.2d 208, 214 (S.D.N.Y.2001). The Lanham Act provides:

> [A] mark registered on the principal register ... shall be *prima*

> *facie evidence* of registrant's exclusive right to use the registered mark in commerce on the goods or services specified in the registration subject to any conditions or limitations stated therein, but shall not preclude an opposing party from proving any legal or equitable defense or defect which might have been asserted if such mark had not been registered.

15 U.S.C. § 1115(a) (emphasis added). The "registration constitutes prima facie evidence of a protected interest with respect to the *goods specified in the registration only.*" *Levi Strauss & Co. v. Blue Bell, Inc.,* 778 F.2d 1352, 1354 (9th Cir.1985) (*en banc*) (emphasis added); *see also Novartis Consumer Health, Inc. v. McNeil–PPC, Inc.,* 53 U.S.P.Q.2d 1406, 1409 (D.N.J.1999) (quoting 15 U.S.C. § 1057(b)). This presumption may be overcome by proof of descriptiveness or by proof of genericness, and the burden is on the opposing party, here the plaintiff, to overcome the presumption. *Liquid Controls,* 802 F.2d at 936. Prior to examining whether the term NETBANK is generic, defendant's entitlements to any presumptions will now be discussed.

1. *Whether Defendant Has a Protected Interest*

The registration of the NETBANK service mark in 1995 was approved for a rather narrow scope of services: "electronic payment services featuring a system of electronic money coupons that are exchanged by means of an on-line computer service, in class 36," *supra.* Plaintiff contends that the presumption conferred to defendants by their federal trademark registration of NETBANK extends only to defendants' use in connection with the goods or services specified in the registration. *See Levi Strauss,* 778 F.2d at 1354; *Trustees of Columbia Univ. v. Columbia /HCA Healthcare Corp.,* 964 F.Supp. 733, 742 (S.D.N.Y.1997). In *Levi Strauss,* plaintiff alleged that defendant's use of a horizontal tab on the pockets of its shirts bearing the name "Wrangler" or "Maverick" violated plaintiff's federal registration of its pocket tab mark, which was described as "a small marker or tab of textile material or the like, colored red." *Levi Strauss,* 778 F.2d at 1354. While the goods for which plaintiff had originally registered their use were patch pocket overalls, Strauss later obtained registration of other tabs in other colors, for use with jackets and trousers. In determining the merits of plaintiff's trademark infringement claim, the Ninth Circuit stated that "Strauss cannot simply rely on the federal registration of certain tabs, most notably of those on pants, to establish a protected interest in a pocket tab on garments generally, because registration constitutes prima facie evidence of a protected interest with respect to *the goods specified in the registration only.*" *Id.* at 1354. After examining whether plaintiff had a protected interest, the first element of its cause of action, under the doctrine of secondary meaning, the Ninth Circuit affirmed the district court's summary judgment decision in favor of defendant on the federal trademark infringement claim.

Similarly, in *Columbia University,* plaintiff had obtained federal service mark protection for the name "Columbia University" for educational services, and claimed that its use of the mark "Columbia," alone and in combination with other words and phrases, was entitled to protection in the field of medical or healthcare services. Following a non-jury trial, the district ***519** court held that plaintiff was not entitled to a presumption of an exclusive right to use the Columbia mark in connection with medical or healthcare services because "the presumption of an exclusive right to use a registered mark extends only to the goods and services noted in a registration certificate." *Columbia Univ.,* 964 F.Supp. at 742. In that case, where plaintiff did not own any federal trademark registration for the Columbia mark, the mark was deemed not registered, and the district court analyzed whether plaintiff had a valid trademark.

[3] In this case, Software Agents, Inc., registered the NETBANK mark in 1995 to be used for the following purpose: "electronic payment services featuring a system of electronic money coupons that are exchanged by means of an on-line computer service." Defendants, as a company that acquired a charter for a federal savings bank in 1997 and that subsequently approached Software Agents to acquire the NETBANK service mark in April 1998, has used the NETBANK mark in connection with providing both online banking services and online bill payment services to customers since at least 1998. *See* Stokes Decl. ¶ 6. Defendants' use of the federally registered mark in connection with their banking services expands the scope of use that the original registrant, who had provided an online bill payment service, had initially sought and for which the trademark protection was granted. Under the cases cited, defendants' use of the registered term does not entitle it to a presumption of an exclusive right because their use of NETBANK is not in connection with the services originally specified in the registration form.

Plaintiff argues further that incontestability of the mark, as defendants maintain, also applies only to the goods or services for which the mark was originally registered. *See In re Merrill Lynch,* 828 F.2d at 1568. In *Merrill Lynch,* the PTO, acting through the Trademark Trial and Appeal

Board, refused registration of the term "CASH MANAGEMENT ACCOUNT" as a service mark for "stock brokerage services, administration of money market fund services, and providing loans against securities services," holding that the term was a common descriptive or generic name for these financial services. Appellant had already had a registration for the term as a service mark for "financial services involving the use of plastic credit cards by the cardholders for loans to cardholders from their brokerage equity account," and asserted that its incontestable right to use the term CASH MANAGEMENT ACCOUNT included the right to register that term for similar services in a subsequent application. Although the Federal Circuit reversed and remanded only as to the Board's finding regarding genericness of the proposed trademark, it affirmed the Board's holding that "appellant's incontestable registration for specific services involving credit cards did not automatically entitle appellant to a registration for broader financial services." *In re Merrill Lynch,* 828 F.2d at 1568. The court elaborated on one's entitlements regarding incontestability under § 1115(b):

> The benefits of incontestability are no more than that "the registration shall be conclusive evidence of the registrant's exclusive right to use the registered mark in commerce." 15 U.S.C. § 1115(b). The only thing that becomes incontestable is the right of the registrant to use the mark for the *goods or services for which it is registered.* Even that right is subject to the defenses enumerated in 15 U.S.C. § 1115(b) and to the grounds for cancellation set forth at 15 U.S.C. § 1064(c) and (e).

In re Merrill Lynch, 828 F.2d at 1568 (emphasis added).

***520** [4] In the instant matter, defendant's claim that its mark is incontestable can apply as a matter of law only in connection with goods and services for which the mark was originally registered. Because defendant's mark was registered in connection with "electronic payment services featuring a system of electronic money coupons that are exchanged by means of on-line computer service," and not internet banking services, the incontestability of the mark does not apply to defendants' use of the term in connection with their current provision of internet banking services.

Defendants claim in response that a mark can protect services beyond those identified in its registration under the "natural expansion" doctrine, citing to *Planetary Motion, Inc. v, Techsplosion, Inc.,* 261 F.3d 1188, 1201 (11th Cir.2001), and *Carnival Brand Seafood Co. v. Carnival Brands, Inc.,* 187 F.3d 1307, 1312 (11th Cir.1999) (reversing district court's grant of summary judgment because fact issues remained regarding whether it was natural for plaintiff to expand "Carnival" mark from shrimp products to gumbo products and other seafood products). Under the "natural expansion" doctrine,

> The senior user's rights may extend into uses in "related" goods or service markets .... Thus, an owner of a common law trademark may use its mark on related products or services and may enjoin a junior user's use of the mark on such related uses. The doctrine gives the trademark owner protection against the use of its mark on any product or service which would reasonably be thought by the buying public to come from the same source, or thought to be affiliated with, connected with, or sponsored by, the trademark owner.

Carnival, 187 F.3d at 1310 (citing *Tally–Ho, Inc. v. Coast Cmty. Coll. Dist.,* 889 F.2d 1018, 1023 (11th Cir.1989)).

The Eleventh Circuit in *Planetary Motion* determined that, under natural expansion, where another user intervened, plaintiff's scope of trademark protection extended from the initial use of the "CoolMail" mark with computer software that provides e-mail users with notice of new e-mail and service as a gateway to the users' e-mail application, to its current use providing e-mail notification and other services via telephone. Because the case involved an intervening use of the "CoolMail" mark by defendant, a competing e-mail provider, the court applied the "source or sponsorship" test and found that plaintiff's mark as subsequently used by defendant would cause the buying public to believe the product came from, or was affiliated with, plaintiff. The Eleventh Circuit thus affirmed the district court's finding of likelihood of confusion under the Lanham Act.

[5] [6] The natural expansion doctrine is likely inapplicable to defendants because they are not the same entity that registered the mark NETBANK, although they later acquired the registration. If they were the original entity, and a junior use intervened on that use, the issue would be whether defendants' use of the trademark could reasonably extend to services that naturally expanded from the original use of the trademark in connection with the provision of online payment services. Even if the doctrine were applicable, defendants have not demonstrated how a reasonable factfinder could determine that banking services naturally flows from the

original scope of bill payment services using electronic coupons, which were not even specified as banking-related in the registration application for the mark NETBANK.

This Court is not persuaded that any reasonable factfinder could determine that defendants' proposed expansion was comprehended ***521** by the previously registered use of NETBANK for online bill payment services using electronic coupons under the "related goods" doctrine. The Eleventh Circuit discussed the scope of "related goods" in the context of business expansion:

> [A] trademark owner cannot by the normal expansion of its business extend the use or registration of its mark to *distinctly different goods or services not comprehended by its previous use* ... where the result could be a conflict with valuable intervening rights established by another through extensive use ... of the same or similar mark for like or similar goods and services.

Carnival, 187 F.3d at 1310–11 (citing *American Stock Exch., Inc. v. American Express Co.,* 207 U.S.P.Q. 356, 364 (Treademark Tr. & App. Bd.1980)) (emphasis added). *See, e.g., Physicians Formula Cosmetics, Inc. v. West Cabot Cosmetics, Inc.,* 857 F.2d 80, 82 n. 1 (2d Cir.1988). In *Physicians Formula Cosmetics,* the Second Circuit agreed with the district court that defendant's prior use of the trademark "Physicians & Surgeons" on hard-bar soaps did not entitle the company to extend the use of the mark to skin creams and lotions. Hard-bar soaps were the only product marketed with the trademark from 1888 to 1981, when the company began applying it to its cream and lotion products. The company could not avail itself of this business expansion doctrine, and its competitor thus had the right to use the mark "Physicians Formula" for its creams and lotions.

In this case, the trademark had originally been promoted in connection with an online bill payment service using electronic coupons since its application for registration in July 1994 and subsequent approval in August 1995. There is no evidence indicating that, at that time, it was anticipated that such services would be expanded to include internet banking services. It appears that only in 1998 when defendants changed their names to Net.B@nk, Inc. and Net.B@nk and acquired the mark from Software Agents did they begin providing services of both online bill payment and online banking and financial services. Furthermore, there is no evidence indicating that internet banking services had been contemplated as an industry at all at the time of the mark's application.

The origins of net banking have been well-documented in the present motion practice. The facts regarding these developments are not in dispute. The first article chronicling the subsequent emergence of Security First Network Bank ("SFNB") as the first internet bank in June 1995, eleven months after the registration application, strongly suggests this. The term "net bank" appeared as early as June 1995, in connection with SFNB, the first Internet bank, and the beginning of the online banking industry. *See* Pl.'s App. of Articles ("App.") 1–3. As for defendants, they were incorporated as Internet Organizing Group in 1996, commenced operations under the name Atlanta Internet Bank ("AIB"), and sought and acquired the NETBANK trademark registration in 1998 from Software Agents, attempting to use it in connection with online retail banking at that time. Defendants' bank AIB, which opened for business on October 18, 1996, is often referred to as the second net bank in existence. *Id.* at 2–1 to 2–5. Innumerable references to online banking services as "net banks" in publications easily accessible by the general public existed and continued to increase. *See id. et seq.* Defendants undoubtedly knew of the use of "net bank," for not just its own bank but also for SFNB in connection with the provision of internet banking services, as well as numerous other references in the media and literature, by the time it sought the NETBANK trademark from ***522** Software Agents in 1998 and attempted to register terms such as NET BANKING and NET.B@NK as service marks for providing online banking services in 1998, requests which the PTO refused. As was the case in *Physicians Formula Cosmetics,* defendants attempt to "reap[ ] the harvest which others have sown," 857 F.2d at 82 n. 1, and the equities here likewise do not favor expansion of the NETBANK trademark to extend to online banking services.

Because defendants' use of the NETBANK mark is in connection with online banking services, not with online bill payment services using electronic coupons as originally registered, defendants are not entitled to a presumption of a protected interest in the mark flowing from the earlier narrowly defined registration. In addition, based upon the uncontested facts cited above, the natural expansion doctrine is inapplicable to defendants and fails to support expansion of trademark protection to defendants' current services.

2. *Genericness Under the Primary Significance Test*

[7] Plaintiff asserts that the NETBANK mark has become generic under the "primary significance" test under 15 U.S.C. § 1064:

> A registered mark shall not be deemed to be the generic name of goods or services solely because such mark is also used as a name of or to identify a unique product or service. *The primary significance of the registered mark* to the relevant public rather than the purchaser motivation *shall be the test for determining whether the registered mark has become the generic name* of goods or services on or in connection with which it has been used.

15 U.S.C. § 1064(3); *see also Bayer Co. v. United Drug Co.,* 272 F. 505, 509 (S.D.N.Y.1921) (Hand, J.) ("The single question ... in all these [genericness] cases, is merely one of fact: What do the buyers understand by the word for whose use the parties are contending?"). The primary significance test, the dominant principle for determining whether a term is generic, was originated by the Supreme Court case of *Kellogg Co. v. Nat'l Biscuit Co.,* 305 U.S. 111, 59 S.Ct. 109, 83 L.Ed. 73, *reh'g denied,* 305 U.S. 674, 59 S.Ct. 246, 83 L.Ed. 437 (1938), the holding of which was codified by Congress in the Trademark Clarification Act of 1984, Pub.L. No. 98–620, Title I, § 102, 98 Stat. 3335 (codified at 15 U.S.C. § 1064). *See Canfield,* 808 F.2d at 299 (determining that designation "chocolate fudge" was generic and unprotectable). The Third Circuit, citing the Senate Report on the Clarification Act, provided explication of this test:

> The important question is whether the primary significance of the term to the relevant consuming public is to identify a product which emanates from a single, albeit anonymous source, or merely to identify the product itself. Of course, *if the public primarily understands the term as identifying a product, rather than a product emanating from a particular, albeit anonymous, source, the term is generic.*

Id. at 301 (citing Senate Report, at 8–9, U.S.C. Cong. & Admin.News 1984, at 5725 (citing *Kellogg*)). The primary significance test, which instructs courts to inquire whether a term primarily signifies the product or the producer, is met even if the primary significance of the mark is not directly the producer but rather if "the primary significance of the mark to consumers ... is to identify a product or service which emanates from a particular source, known or unknown, for it still provides the assurance to the public that the product is of uniform quality and performance." *Canfield,* 808 F.2d at 300 (citation omitted). The primary significance ***523** test is generally satisfied if a term signifies a product that emanates from a single source, *i.e.,* a product brand, but it is not satisfied if the product that emanates from a single source is not only a product brand but is also a product genus. *See id.* at 301. The Third Circuit established a new rule for determining whether a term is a product brand or a product genus:

> If a producer introduces a product that differs from an established product class in a particular characteristic, and uses a common descriptive term of that characteristic as the name of the product, then the product should be considered its own genus. Whether the term that identifies the product is generic then depends on the competitors' need to use it.

Id. at 305–06.

In *Canfield,* the Third Circuit determined whether the term "chocolate fudge" was generic under its newly established test. The Third Circuit, having determined that the relevant product genus was diet sodas that taste like chocolate fudge, then examined the need of plaintiff's competitors to use the term "chocolate fudge," taking into account a factual analysis of alternative terms. The Third Circuit, unable to imagine a term that conveys the same functional information, concluded that the term "chocolate fudge" as applied to diet soda is generic and is available to all potential competitors.

Here, despite defendants' contention that their marks "are famous and distinctive symbols within the internet banking community," Answer & Counterclaim, ¶ 20, plaintiff submits that the term NETBANK was commonly used to signify a new class of banks operating over the internet well before defendants adopted NETBANK as their mark, citing to *WSM, Inc. v. Hilton,* 724 F.2d 1320, 1326 (8th Cir.1984). In *WSM,* the Eighth Circuit considered whether the term "opry" was generic, as the district court had found below. The Eighth Circuit,

examining the historical origins of the word and its dictionary definition, found that the term was in common use before plaintiff registered the mark in 1982, and determined that the district court appropriately applied the buyer understanding test in reaching its conclusion that the term was generic.

In this case, to determine how the term is understood by the consuming public, plaintiff provides dictionary definitions of the two words that make up the term. Webster's Collegiate Dictionary provides that "bank" is defined as "an establishment for the custody, loan, exchange, or issue of money, for the extension of credit, and for facilitating the transmission of funds." Shay Cert. Ex. M. The term "net" is synonymous with and used as an abbreviation of the word "internet." Shay Cert. Ex. N. As plaintiff points out, the Fourth Circuit has deemed the word "internet" a generic term due to its pervasive use. *See America Online, supra,* 243 F.3d at 820–21 (affirming summary judgment decision that "You Have Mail" and "IM" are generic terms, but reversing as to genericness of "Buddy List" because genuine issue of material fact existed as to trademark registration of term). "An abbreviation is treated similarly to its underlying phrase where the abbreviation imparts the original generic or descriptive connotation." *American Historic Racing Motorcycle Ass'n, Ltd. v. Team Obsolete Promotions,* 33 F.Supp.2d 1000, 1004 (M.D.Fl.1998), *aff'd,* 233 F.3d 577 (11th Cir.2000). Here, "net," as an abbreviation of "internet," imparts the meaning of the underlying term and is treated similarly here. *See e.g., Nat'l Conference of Bar Examiners v. Multistate Legal Studies, Inc.,* 692 F.2d 478, 488 (7th Cir.1982) (holding that "Multistate Bar Examination" is not protected and use of "MBE" to designate test "is of no consequence"), *cert. denied,* 464 U.S. 814, 104 S.Ct. 69, 78 L.Ed.2d 83 (1983).

***524** Defendants correctly point out that there is no dictionary definition of the exact term "netbank," and argue that the Court must examine the mark as a whole and not consider its component elements separately. "While not determinative, dictionary definitions are relevant and often persuasive in determining how a term is understood by the consuming public, the ultimate test of whether a trademark is generic." *Surgicenters,* 601 F.2d at 1015 n. 11. In this case, defendants offer the testimony of Professor David Yerkes, Professor of English at Columbia University and an expert in the Engligh language. *See* Yerkes Decl. & Report. Professor Yerkes analyzed dictionary definitions to assess whether "net bank" is generic, and contends that dictionaries' lack of inclusion of the term reflects that it is not a generic term. *See id.* ¶ 13. This Court does not construe the case law to require that the disputed term necessarily be defined in the dictionary to be deemed a generic term, nor could it be argued that terms held to be generic are indeed found as defined terms in the dictionary. *See America Online,* 243 F.3d at 822–23 ("You have mail" is generic); *Filipino Yellow Pages,* 198 F.3d at 1147–48 ("Filipino yellow pages" is generic term); *Nat'l Conference of Bar Examiners v. Multistate Legal Studies, Inc.,* 692 F.2d 478, 488 (7th Cir.1982) ("Multistate Bar Examination" is generic or has common descriptive quality). Although the precise term "net bank" is not found in the dictionary, this fact is not dispositive.

In *Surgicenters,* the Ninth Circuit considered the genericness of the term "surgicenter," placing weight on the dictionary definitions and generic nature of "surgery" and "center." The Ninth Circuit noted that the combination of terms in "surgicenter" did not constitute a deviation from normal usage or an unusual unitary combination. The Ninth Circuit also based its determination of genericness on the 45 exhibits of letters and several publications that, taken collectively, suggested that the consuming public considered the term "surgicenter" to mean a surgical center generally speaking. Like *Surgicenters,* there is ample evidence demonstrating that the public views the term NETBANK to be generic. Here, plaintiff has provided two appendices of literally hundreds of articles from established publications recognized nationwide and internationally, including Money and Fortune magazines and Financial Times (London), indicating that the term "net bank" is used by the public to describe a bank that is located on and accessed via the internet with online services.

In support of the argument that the public uses the term NET BANK to refer not to defendants, but to the service of online banking generally, plaintiff asserts that the term NET BANK was used generically to refer to a new class of banks operating on the internet before the mark was registered by defendant, and has continued to be used generically as the internet banking industry has grown.[3] Plaintiff provides numerous citations from various publications, including the ABA Banking Journal and Business Times, that have used the term "net bank" to refer to an Internet bank. *See* App. 1–2, 1–14, 1–15. Several articles describe the Security First Network Bank, which opened in 1995, as the first "net bank." *See* App. 1–2, 1–14, ***525** 1–15. Several other articles refer to defendants' Atlanta Internet Bank as the "second net bank" to open for business. *See* App. 2–1, 2–2, 2–4. Plaintiff also cites to several articles that use the term "net bank" before defendants acquired the registration of the "NETBANK" term. *See, e.g.,* App. 3–1, 3–2, 3–3, 3–5. Tab 4 of plaintiff's appendix provides several other

articles from domestic and international press referring to "net banks" prior to defendant's use of the term.

This Court is of the view that "net bank" is perhaps the most appropriate way to describe a bank or financial institution specializing in banking services that is located on and conducts its business, at least partially, via the internet.[4] Like other generic terms, such as "You have mail," *America Online,* 243 F.3d at 822–23, or "Filipino yellow pages," *Filipino Yellow Pages,* 198 F.3d at 1147–48, the usage of "net bank" falls within the heartland of common meaning and usage, as net is an abbreviation of internet, and bank is likely the only descriptive word to convey an institution that conducts banking services. Thus, defendants cannot exclude others from using these same words in connection with online banking services. As in *Surgicenters,* the hundreds of articles submitted as exhibits with the phrase "net bank," taken collectively, suggest that, despite the 1995 registration of the term for bill payment services, the consuming public considers the NET BANK term to mean an internet bank generally speaking, and indicates that the term is indeed generic.[5]

[8] Defendants alternatively assert that "NET BANK" is descriptive, not generic. A trademark is descriptive if it immediately conveys knowledge of the ingredients, qualities or characteristics of the product. *See In re Dial–A–Mattress Operating Corp.,* 240 F.3d 1341, 1346 (Fed.Cir.2001) (citing *In re Quik Print Copy Shops, Inc.,* 616 F.2d 523, 525 (Cust. & Pat.App.1980)). A descriptive mark can be registered only if it has acquired secondary meaning. *See In re Dial–A–Mattress,* 240 F.3d at 1347 (citing *Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. 763, 769, 112 S.Ct. 2753, 120 L.Ed.2d 615, *reh'g denied,* 505 U.S. 1244, 113 S.Ct. 20, 120 L.Ed.2d 947 (1992)). To establish secondary meaning or "acquired distinctiveness," an applicant must show that "in the minds of the public, the primary significance of a product feature or term is to identify the ***526** *source of the product* rather than the product itself." *In re Dial–A–Mattress,* 240 F.3d at 1347 (citing *Inwood Labs., Inc. v. Ives Labs.,* 456 U.S. 844, 851 n. 11, 102 S.Ct. 2182, 72 L.Ed.2d 606 (1982)) (emphasis added). Defendants rely primarily on Professor Yerkes' report, in which he examined the context of "NET BANK" in all of plaintiff's cited articles and concluded that the articles demonstrate that "NET BANK" is descriptive of a business that provides banking services over the Internet, but is not a generic term in and of itself. *See* Yerkes Report, ¶¶ 14–16. However, defendants point to no evidence that the term NET BANK is distinctive of *only defendants'* goods. *See Surgicenters,* 601 F.2d at 1014 ("A merely 'descriptive' term ... can, by acquiring a secondary meaning, *i.e.,* becoming 'distinctive of the applicant's goods, become a valid trademark."). It has not been demonstrated to any degree that the primary significance of "netbank" has been to identify defendants as the source of the term. Thus, defendants' argument that the term is descriptive fails.

Defendants have also provided a report by Kenneth Hollander, which determined that the term "NetBank" is not considered generic after surveying 400 random internet users and asking them certain questions regarding phrases that describe banking services. Defendants contend that "the best evidence in a genericism inquiry is a consumer survey." Defs.' Br. at 26 (citing *Berner Int'l Corp. v. Mars Sales Co.,* 987 F.2d 975, 982–82 (3d Cir.1993)). The Third Circuit in *Berner* stated not that consumer surveys were the "best evidence" in a genericness question, but that "direct consumer evidence, *e.g.,* consumer surveys and testimony is preferable to indirect forms of evidence.... Judges are now used to survey evidence and often expect to receive evidentiary assistance by surveys in resolving generic disputes." *Berner,* 987 F.2d at 982–83.

In this case, the Hollander survey asked, in relevant part:

> 1. Are you aware of a banking service that allows you to pay some or all of your bills by using your computer to communicate with your bank?
>
> 2. If you were to describe this process to a friend, what words or phrases would come to mind first? That is, what would you call this process?

Hollander Report, App. B. The Hollander report indicated that no one responded with the term "net bank" to describe the process of paying bills by using a computer. Considering this survey as one piece of evidence in the genericness inquiry, this Court finds that by posing such survey questions, defendants attempt to confuse the separate industries or services of online banking and online bill payment. Both online bill payment and banking services are combined in the question, defendants having initially occupied the capacity of an online bill payment company while seeking to assert its mark over plaintiff in the field of banking services provided via the global computer network. *See, e.g.,* Grout Letter, 9/8/00, Shay Cert. Ex. J; *see also* Plaintiff's Intent to Use Application. However, the issue is whether "net bank" is generic for online banking services, for which defendants seek to expand their trademark protection, not online bill payment services using electronic coupons, for which the mark was registered. Defendants' attempt to pose questions whether a banking service providing online bill payment services is considered a "net bank" by the general public fails to reach the heart of the issue, which

is whether the "net bank" term has reached genericness in the field of banking services provided via the global computer network. Even if the survey does purport to demonstrate that the term is not generic, Mr. Hollander's report does not support the notion ***527** that "NETBANK" identifies defendants as the source of the product, which is required to prove that a term is descriptive and has acquired secondary meaning. Mr. Hollander's survey is not probative of this central issue, and it provides no evidence that the term has acquired a secondary meaning that is distinctive of the defendants' services. In the absence of evidence tending to show that the consuming public has associated "NETBANK" with NetBank, Inc. or NetBank as the source, when contrasted to hundreds of articles using the term in reference to other companies and to generally describe banking services on the internet, no reasonable factfinder could conclude that "NETBANK" is descriptive with secondary meaning.

For the reasons stated above, the Court concludes that the term "net bank" is generic, and plaintiff's summary judgment motion will be granted on this ground.

II. ***Attorney's Fees***

[9] Plaintiff seeks an award of attorneys fees under the Lanham Act. The Lanham Act expressly provides for an award of attorney's fees at the discretion of the court in "exceptional cases." 15 U.S.C. § 1117(a). The Third Circuit has held that an exceptional case under § 35(a) must involve culpable conduct, such as bad faith, fraud, malice, or knowing infringement, on the part of the losing party. *Securacomm Consulting, Inc. v. Securacom Inc.,* 224 F.3d 273, 279–80 (3d Cir.2000) (citing *Ferrero U.S.A., Inc. v. Ozak Trading, Inc.,* 952 F.2d 44, 47 (3d Cir.1991)). On the facts of this case, there is no clear showing that defendants acted in bad faith, fraud, or malice in usage of its service mark. The possibility of knowing infringement is especially lacking here because defendants themselves obtained the trademark registration of the NETBANK mark. Accordingly, this situation does not present an exceptional case, and plaintiff's request for attorney's fees under the Lanham Act will be denied.

III. ***Cancellation of the Registered Mark***

[10] Plaintiff also seeks cancellation of the registered service mark. While formal cancellation proceedings are held before the PTO, this Court may also direct the PTO to cancel a mark under 15 U.S.C. § 1119, which provides:

> In any action involving a registered mark the court may determine the right to registration, order the cancelation of registrations, in whole or in part, restore canceled registrations, and otherwise rectify the register with respect to the registrations of any party to the action. Decrees and orders shall be certified by the court to the Director, who shall make appropriate entry upon the records of the Patent and Trademark Office, and shall be controlled thereby.

15 U.S.C. § 1119. Although it is within the purview of the Court to cancel a mark which has, over time, become generic for the specified service for which it was registered, plaintiff here seeks cancellation of the "NETBANK" mark for use in internet banking services, although the term is registered for "electronic payment services featuring a system of electronic money coupons." The mark *as registered* does not apply to these services. Notwithstanding the term's genericness in the field of internet banking services, this Court will decline to cancel the registration of the "NETBANK" mark pursuant to 15 U.S.C. § 1119 due to the term's registration for another use.

CONCLUSION

Although defendants have acquired the federal mark registration for the term "NETBANK" from Software Agents, they are not entitled to a presumption of a protected interest in the mark because "NETBANK" ***528** is not currently being used in connection with the goods or services for which it was originally registered. Even if defendants have a protected interest in the mark and therefore a presumption of non-genericness, plaintiff has rebutted such presumption by a strong demonstration of the term's genericness with hundreds of articles using the term "net bank" solely in a generic sense, which is controverted only by defendants' non-probative evidence of the report of their expert Professor Yerkes and consumer survey by Mr. Hollander. Accordingly, plaintiff's motion for summary judgment will be granted, and the term "netbank" is held to be generic. The Court will decline to cancel registration of "netbank" under 15 U.S.C. § 1119. In addition, plaintiff's request for attorney's fees under the Lanham Act will be denied.

ORDER

THIS MATTER having come before the Court upon motion by plaintiff *inter* State Net Bank for summary judgment against defendants NetB@nk, Inc., and NetB @nk; and the Court having considered the parties' submissions; and the Court having heard oral argument on June 10, 2002; and for the reasons stated in the Opinion of today's date;

IT IS on this _____ day of September, 2002, hereby

ORDERED that plaintiff's summary judgment motion [Docket Item 18–1] be, and hereby is, ***GRANTED,*** and the term NETBANK is held to be generic; plaintiff's request for cancellation of the mark is ***DENIED;*** and plaintiff's request for attorney's fees under the Lanham Act is ***DENIED.***

All Citations

221 F.Supp.2d 513

Footnotes

1 The terms NETBANK and NET BANK are used interchangeably herein, insofar as the ultimate dispute involves whether defendants' registration of NETBANK is generic, and/or whether plaintiff's use of NET BANK infringes on that registration. Furthermore, the terms may be in non-capitalized form, especially when discussing usage in dictionaries and articles.

2 Plaintiff seeks to cancel defendant's registration of the NETBANK mark under 15 U.S.C. § 1064:

> A petition to cancel a registration of a mark, stating the grounds relied upon, may ... be filed as follows by any person who believes that he is or will be damaged ... [a]t any time if the registered mark becomes the generic name for the goods or services ... for which it is registered, or is functional, or has been abandoned, ... or if the registered mark is being used by, or with the permission of, the registrant so as to misrepresent the source of the goods or services on or in connection with which the mark is used....

15 U.S.C. § 1064.

3 Plaintiff also contends that a PTO finding is evidence of genericness, citing to *Filipino Yellow Pages,* 198 F.3d at 1148. That case noted that the Trademark Examiner required a disclaimer as to certain terms in the request for registration. The Trademark Examiner did the same regarding defendant's submission of the "NETBANK NETWORTH INVESTMENT ACCOUNT" term to the PTO for registration, requiring a disclaimer for "NETBANK," to which defendant was apparently unwilling to assent. *See* Shay Cert. Ex. H.

4 Defendants argue that there are alternative names for the banking services it offers, and thus "NETBANK" is descriptive rather than generic. It offers alternative names for these services, including ANYTIME–ANYWHERE BANK, BRANCH–FREE BANK, BRANCHLESS BANK, COMPUTER BANK, CYBERBANK, INTERNET BANK, SMART BANK, and VIRTUAL BANK. *See* Yerkes Report, ¶¶ 23–25, Attach. L. The Court finds that the awkwardness of these alternate phrases reinforces usage among the general public of the more eloquent and catchier phrase "net bank." *See, e.g., Blinded Veterans Ass'n v. Blinded American Veterans Fdtn.,* 872 F.2d 1035, 1041 & n. 13 (D.C.Cir.1989) ("It is difficult to imagine another term of reasonable conciseness and clarity by which the public refers to former members of the armed forces who have lost their vision.").

5 Defendants also argue that "netbank" is not generic because the articles do not reference "net bank" as an independent term or phrase, the articles include quotation marks around "NET BANK" or one of its components, other articles show "NET BANK" being used as a proper name, and other articles show that "net" and "bank" have retained their distinct identities as individual words. This Court finds such arguments to hold little weight, in light of the exhibits presenting strong evidence to the contrary, as discussed. In particular, the fact that the individual words retain their own identities is not dispositive of the issue whether the composite term is generic, as it defies logic how a term composed of indistinct and inseparable words should be deemed more likely to be found generic.

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2005 TTAB LEXIS 399

Trademark Trial and Appeal Board

September 15, 2005, Mailed

Opposition No. 91156741 to Application Serial No. 78162148 filed on 09/09/2002

Reporter
2005 TTAB LEXIS 399

Jamison Bedding, Inc. v. The Spring Air Company

Disposition: **[*1]**

Decision: Jamison Bedding, Inc.'s opposition to Application Serial No. 78162148 is sustained.

Core Terms

registration, mattress, connote, box spring, impression, register, consumer, likelihood of confusion, channel, weak, sophisticate, notice

Counsel

Margaret A. Lawson of Taft, Stettinius & Hollister LLP for Jamison Bedding, Inc.

Clay A. Tillack & Adam S. Weiss of Schiff Hardin LLP for The Spring Air Company.

Panel: Before Bucher, Rogers and Walsh Administrative Trademark Judges.

Opinion By: Walsh, James

Opinion

THIS DECISION IS NOT CITABLE AS PRECEDENT OF THE TTAB

Opinion by Walsh, Administrative Trademark Judge:

Jamison Bedding, Inc. (opposer) has opposed the intent-to-use application of The Spring Air Company (applicant), filed September 9, 2002, to register TOTAL BALANCE in standard character form on the Principal Register for ″mattresses and box springs″ in International Class 20. Opposer asserts as the ground for the opposition likelihood of confusion under Section 2(d) of the Trademark Act, *15 U.S.C. § 1052*(d), based on its prior registration and use of its TRUE BALANCE mark for mattresses and box springs. [1] Opposer relies on its ownership of current U.S. Registration No. 2,059,066, issued May 6, 1997, on the Principal Register for the mark TRUE BALANCE in standard character form for ″furniture, **[*2]** namely, beds, mattresses and box springs″ in International Class 20. The United States Patent & Trademark Office accepted the Section 8 affidavit and acknowledged the Section 15 affidavit for opposer's registration on May 15, 2003.

In its answer applicant has denied the essential allegations in the notice of opposition.

The record in this proceeding consists of the pleadings, certain responses to interrogatories and

[1] Opposer also refers to ″dilution of Opposer's mark″ in its notice of opposition, but opposer has not presented any evidence or argument in support of a dilution claim. Therefore, we conclude that opposer has abandoned any dilution claim.

requests for admissions submitted under notices of reliance by both parties, a status and title copy of opposer's registration, and three affidavits, two by George Faudree on behalf of opposer and one by Todd Zimmerman on behalf of applicant, submitted by mutual consent of the parties in lieu of testimonial depositions.

The only issue in this proceeding is likelihood of confusion. There is no dispute regarding priority. *King Candy Co. v. Eunice King's Kitchen, Inc., 496 F.2d 1400, 182 USPQ 108 (CCPA 1974).* **[*3]** Applicant has not asserted priority. Moreover, opposer has priority on the basis of its TRUE BALANCE registration which issued on May 6, 1997 resulting from an application filed on April 2, 1996, well prior to the filing date of applicant's TOTAL BALANCE application, September 9, 2002, and well prior to any claim of use of the TOTAL BALANCE mark by applicant. Applicant claims it began to use TOTAL BALANCE in "late 2002." [2] Sections 7(b)&(c) of the Trademark Act, *15 U.S.C. § 1057*(b)&(c).

ANALYSIS

The opinion in *In re E.I. du Pont de Nemours & Co., 4 76 F.2d 1357, 177 USPQ 563, 567 (CCPA 1977)* sets forth the factors we may consider in determining likelihood of confusion. We must determine the issue of likelihood of confusion case by case according to these factors recognizing that one factor may play a dominant role in a particular case. *In re Majestic Distilling Co., 315 F.3rd 1301, 65 USPQ2d 1201, 1203-04 (Fed. Cir. 2003).* We discuss below the factors relevant here.

Comparison of the Goods

The goods of both opposer and applicant include "mattresses and box springs. " Applicant **[*4]** argues, "Although Opposer and Applicant sell mattresses and box springs, Opposer has offered no evidence to suggest that they do so in connection with similarly priced or quality products. Therefore, this factor favors Applicant." Applicant's Brief at 16. Applicant offers no legal or factual support for this argument.

As noted above, both the TOTAL BALANCE application and the TRUE BALANCE registration include "mattresses and box springs" among the identified goods without any limitations. To be generous, applicant's suggestion that opposer must establish some parity between the goods of the parties based on price and quality is baseless. Applicant's implied argument proceeding from this assertion -- that the goods of the parties are somehow different -- is also baseless. The simple fact is that the goods, as identified in the application and registration, are identical for the purposes of our analysis of likelihood of confusion.

More importantly, contrary to applicant's assertion that this factor favors applicant, the fact that the goods are identical favors opposer in that "the degree of similarity [between the marks] necessary to support the conclusion of likely confusion declines" **[*5]** when the goods are identical. *Century 21 Real Estate Corp. v. Century Life of America, 970 F.2d 874, 23 USPQ2d 1698, 1701 (Fed. Cir. 1992),* cert. denied, *506 U.S. 1034 (1992).*

Trade Channels

In similar fashion applicant argues that the channels of trade for the parties' products are distinct, and again, that this factor favors applicant. Applicant states, "Opposer has offered no evidence that the parties' products are sold at the same particular mattress stores, on the same websites, nor at a similar price point." Applicant's Brief at 16-17. In evaluating the channels of trade, we must consider the goods as described in the application and registration and, in the absence of any restrictions in the channels of trade in either, assume that they travel in all trade channels

[2] Zimmerman Affidavit at P 11.

appropriate for the goods. *CBS Inc. v. Morrow, 708 F.2d 1579, 218 USPQ 198, 199 (Fed. Cir. 1983); In re Melville Corp., 18 USPQ2d 1386, 1388 (TTAB 1991).* Because both the TOTAL BALANCE application and the TRUE BALANCE registration include identical goods, mattresses and box springs, and because no trade-channel restrictions are specified **[*6]** in either, we conclude that the channels of trade for the goods of applicant and opposer are identical. This factor favors opposer.

Actual Confusion

Applicant also argues that there has been no actual confusion between the TOTAL BALANCE and TRUE BALANCE marks to advance its broader argument that there is no likelihood of confusion. Applicant's Brief at 8. However, as applicant indicates, the two products have only coexisted for approximately two years. Also, the record does not indicate that there has been a true opportunity for actual confusion, for example, as a result of the marketing of products under the marks in the same geographic areas and through the same channels of trade. In fact, applicant points to the lack of evidence that the parties' goods have been sold ″at the same particular mattress stores, on the same web sites . . .″ Applicant's Brief at 17. The Federal Circuit has taken a skeptical view of self-serving statements asserting the absence of actual confusion, ″A showing of actual confusion would of course be highly probative, if not conclusive, of a high likelihood of confusion. The opposite is not true, however. The lack of evidence of actual confusion carries **[*7]** little weight (citation omitted) . . .″ *Majestic, 65 USPQ2d at 1205; In re Kangaroos U.S.A., 223 USPQ 1025, 1026-27 (TTAB 1984).* Accordingly, we conclude that the ″actual confusion″ factor is neutral in this case.

Comparison of the Marks

Both applicant and opposer devote substantial attention to a comparison of the marks. This attention demonstrates that the degree of similarity between the marks of the parties is a pivotal factor in this case.

Opposer argues that the marks are similar and points out that each consists of two words with the first word beginning with a ″T″ and that the second word in both marks is BALANCE. Opposer's Brief at 4. Opposer adds, ″Spring Air's mark, taken in its totality compared with Jamison Bedding's mark creates the same commercial impression. ″ Id. at 5.

On the other hand applicant argues that the marks are not similar and disparages opposer's arguments as ″merely relying on the coincidence that both marks begin with the letter T.'″ Applicant's Brief at 11. As to the appearance of the marks, opposer states, ″The word TOTAL has five letters and TRUE has four letters-other than the first letter ″T″ there is **[*8]** not one other letter in common with these words.″ Id. at 12. Regarding pronunciation, applicant notes the difference in the number of syllables and the sound and argues, ″A customer on the telephone would never mistake a product that starts with the mark TRUE, with a product that starts with the mark TOTAL, even if coupled with a second identical term.″ Id. In an attempt to distinguish the connotations applicant points to differences in certain dictionary definitions for ″true″ vs. ″total″ and concludes, ″Thus, total' connotes quantity or amount while true' connotes the quality of genuineness.″ Id. Applicant also observes that ″balance″ is a weak term, implying that it is not significant in the connotation of the marks. As to commercial impression, applicant observes, ″TOTAL BALANCE leaves the impression upon the consumer of a product completely at equilibrium whereas TRUE BALANCE makes the consumer

think of a product at equilibrium that is genuine and reliable." [3] Applicant's Brief at 14-15.

[*9]

To determine whether the marks are confusingly similar, we must consider the appearance, sound, connotation and commercial impression of each mark. *Palm Bay Imports Inc. v. Veuve Clicquot Ponsardin Maison Fondee En 1772, 396 F.3d 1369, 73 USPQ2d 1689, 1692 (Fed. Cir. 2005).*

Appearance -- While there are differences in appearance between TOTAL BALANCE and TRUE BALANCE, as noted by applicant, we believe that the marks are similar in appearance. The common elements, the beginning "T" and the shared word "BALANCE," outweigh the differences. The applicant's analysis which focuses almost exclusively on TOTAL and TRUE and dissects each to highlight the differences misses the forest for the trees. Applicant essentially urges a side-by-side comparison which is not appropriate. *Majestic, 65 USPQ2d at 1203-04.* When the marks are viewed overall, as they should be, we conclude that the mark are similar in appearance. *In re National Data Corp., 753 F.2d 1056, 224 USPQ 749, 752 (Fed. Cir. 1985).*

Sound -- As to sound, here too there are both differences and similarities between the marks. Applicant posits that the two marks could **[*10]** not be mistaken over the phone, without any evidentiary support. However, we find it more reasonable to conclude that the common "T" at the beginning and the common second term "BALANCE" could indeed lead to confusion as to sound. While, in this case, the similarity in sound is not as apparent as the similarity between the marks in other respects, we conclude that the marks are similar in sound.

Connotation -- The marks are highly similar in connotation. Both marks convey the suggestion that the goods, mattresses and box springs, provide maximum stability or equilibrium leading to comfort and restful sleep. In its attempt to show that "true" and "total" may have different meanings, applicant disregards the fact that, as used in both marks, both terms modify "balance." In this context, each of the terms combines with "balance" to convey essentially the same meaning. In fact, Merriam-Webster's Collegiate Dictionary (11th ed. 2003), includes definitions for "total" -- "2: ABSOLUTE, UTTER <a [total] failure>" and "true" -- "3 a: properly so called <[true] love>" which illustrate the common sense in which both "total" and "true" modify "balance" in the marks. [4] Therefore, **[*11]** we conclude that the marks are highly similar in connotation.

Commercial Impression -- The marks are also highly similar in their overall commercial impression for essentially the same reasons we conclude they are similar in connotation. Because both marks are in standard character form, there is no element, other than the words, which can contribute to the commercial impression. The goods of the parties are also identical; this precludes any variation in either connotation or commercial impression resulting from differences in the goods. As a result in each of the marks the connotation and commercial impression is essentially the same. And furthermore, in comparing the marks, that connotation and commercial impression engendered by each is highly similar. Accordingly, we conclude that the marks of the parties are similar.

On a related point, applicant argues that it uses its "Spring Air" house mark with its TOTAL BALANCE mark and that opposer uses its "Jamison" house mark with its TRUE BALANCE

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[3] Throughout the discussion of the marks, applicant and opposer refer to numerous cases. We have considered those cases, but in general, and in the particular comparison of marks required here, each case is unique and must be judged on its own facts. Majestic, 65 USPQ2d at 1203-04.

[4] We take judicial notice of these definitions pursuant to the authorities cited in TBMP § 704.12 (a) (2nd ed. 2004).

mark, and that as a result, there is no likelihood of **[*12]** confusion. Applicant's Brief at 4.

Opposer points out that if applicant receives the registration it seeks here, "it will not be restricted in using the mark only in conjunction with its house mark." Opposer's Reply Brief at 11.

Opposer is correct. If the registration issued, applicant would be entitled to all of the presumptions Section 7(b) of the Trademark Act, *15 U.S.C. § 1057*(b, affords, including a presumption of its "exclusive right to use the mark [TOTAL BALANCE] on or in connection with the goods" without regard to any house mark. See *In re Rexel Inc., 223 USPQ 830, 832 (TTAB 1984).* Therefore, even if we were to assume that applicant is correct, that is, that use of the house marks would preclude confusion, and we are not, the assumption would be contrary to the governing provisions of the Trademark Act as applied to both the application and opposer's registration.

Strength of the Opposer's Mark

Applicant also argues strenuously that opposer's TRUE BALANCE mark is weak, and as such, entitled to only a narrow scope of protection. Applicant's Brief at 5. Applicant argues further that TRUE BALANCE is descriptive. Id. **[*13]** at 6.

To the extent applicant argues that opposer's registered TRUE BALANCE mark is descriptive we reject those arguments. *In re Peebles, 23 USPQ2d 1795, 1797 n.5 (TTAB 1992).* This is a thinly veiled attack on opposer's registration. Applicant may only attack the validity of a registration through a cancellation proceeding (or in a case such as this through a proper counterclaim). See *In re Dixie Restaurants, Inc., 105 F.3d 1405, 41 USPQ2d 1531, 1534 (Fed. Cir. 1997).* Also, even the individual components "TRUE" and "BALANCE" are no more than suggestive of the goods. *In re Melville Corp., 18 USPQ2d at 1389.* Even opposer's statements applicant relies upon to establish that TRUE BALANCE is descriptive, in fact, illustrate suggestive use. The Zimmerman affidavit refers to the following statement in opposer's advertising: "For a true balance of comfort, support and durability, Jamison's True Balance Sleep system is the best . . ." Zimmerman Affidavit P 7. As used here and elsewhere in the record, TRUE BALANCE is no more than suggestive.

In support of its position that TRUE BALANCE is a weak mark, applicant relies on selected **[*14]** prior registrations and related testimony. Specifically, the Zimmerman affidavit submitted on behalf of applicant states that "Sealy uses the mark PERFECT BALANCE on mattresses" and indicates that the mark is registered (Reg. No. 2,698,601, issued March 18, 2003). Id. at P 8. Zimmerman also indicates that he knows about the use of POSTURE BALANCE and refers to a registration for that mark (Reg. No. 2,830,207, issued April 6, 2004). Id. Mr. Zimmerman also indicates that he knows of use of TOTAL COMFORT on mattresses and he refers to a registration for that mark (Reg. No. 2,057,666, issued April 29, 1997). Lastly, Mr. Zimmerman states that "Simmons Bedding had used the mark TRU-COMFORT on mattresses and owned a federal registration for that mark (Reg. No. 537,027, issued January 30, 1951, now designated "dead"). Id. at P 9. In view of the "dead" status of the TRU-COMNFORT registration and Mr. Zimmerman's statement as to use in the past tense, we will not consider the evidence related to the TRU-COMFORT mark.

First, with respect to the evidence regarding the PERFECT BALANCE and POSTURE BALANCE marks, Mr. Zimmerman claims that the marks are in use, but he does not indicate **[*15]** the extent of that use. While use of a term in third-party marks, even in a suggestive sense, may sometimes show that a term is weak, the existence of two third-party marks with very limited information as to the use, is insufficient to

show that ″balance″ is a weak term as applied to mattresses and box springs.

Through the TOTAL COMFORT and TRU-COMFORT marks applicant intended to show that TOTAL and TRUE combined with a different common term ″coexisted″ in the mattress field. However, as noted, applicant is unable to assert that TRU-COMFORT is either in use or registered. Furthermore, this argument takes us too far afield from the marks at issue in this case. Accordingly, we reject applicant's arguments based on these marks.

In addition, in its brief applicant states, ″In addition to the aforementioned registrations and uses of TRUE BALANCE, POSTURE BALALNCE and PERFECT BALANCE marks for beds, other BALALNCE bed marks have been allowed, are currently pending, or were used in the past.″ Applicant's Brief at 6. Applicant then refers to several applications by serial number which applicant indicates are either pending or abandoned, and to two more ″expired″ marks without any application **[*16]** serial numbers or registration numbers. Id. at 6-7. Later in the brief applicant states, ″Moreover, there are several additional BALANCE marks in connection with related goods (pillows, mattress pads, etc.) in Class 20. Opposer's TRUE BALANCE mark coexists with various other TRU*BALANCE marks, including one registered in connection with adjustable seats, body positioners, body and back support cushions, among others, in connection with wheelchairs.″ Id. at 20. Opposer has objected to all of this evidence as not properly of record. Applicant has not provided any testimony as to any of these marks, and applicant has not introduced any of the USPTO records related to these marks into evidence in any form through a notice of reliance or otherwise. TBMP § 704.03(b)(1)(B) & 704.03(b)(2)(2nd ed. 2004). In the absence of any admissible evidence related to these marks, we have not considered these alleged third-party uses of BALANCE marks.

Overall, we conclude that, on this record, TRUE BALANCE is not a weak mark and is entitled to the degree of protection we would accord to any duly registered mark which is no more than suggestive of the goods. [5] *In re Melville Corp., 18 USPQ2d at 1389.* **[*17]** Furthermore, the registration of marks in prior applications does not bind us here. *In re Nett Designs, Inc., 236 F.3d 1339, 57 USPQ2d 1564, 1566 (Fed. Cir. 2001).*

The Purchasers

Applicant states, ″Mattress consumers do not make impulse purchases, but rather careful, sophisticated purchases.″ Applicant's Brief at 17. Opposer states, ″Even if the Board agrees that mattress purchasers are sophisticated and thus less likely to make impulse decisions, this does not dictate that consumers will not be confused when confronted with the TRUE BALANCE and TOTAL BALANCE marks for mattresses. ″ Opposer's Reply Brief at 9 (citations omitted). Opposer also notes an admission by applicant that its goods ″may be promoted and sold to consumers of varying degrees of sophistication. ″ Opposer's brief at 7, citing Applicant's Responses to Oppser's First Request for Admissions.

It is certainly true that mattresses and box springs, as common if not absolutely necessary household furnishings, would be sold to consumers of varying degrees of **[*18]** sophistication. Consequently, the critical point for our purposes is that those potential purchasers would be primarily average or ordinary members of the general purchasing public. The goods are of a type which virtually any consumer might purchase. On the other hand, the goods are relatively expensive, that is, more expensive than common groceries, but less expensive than automobiles, for example. The goods are also of a type which would be purchased rather infrequently for long-term and consistent daily (or nightly) use. Therefore, we conclude that the goods would be purchased with a moderate degree of care by

[5] Contrary to applicant's argument, opposer is not required to show through a survey or otherwise that its registered mark is strong.

ordinary consumers. Cf. *Electronic Design & Sales, Inc. v. Electronic Data Systems Corp., 954 F.2d 713, 21 USPQ2d 1388 (Fed. Cir. 1992).* More importantly, in the overall analysis in this case, this factor is considerably less important than the comparison of the goods, which are identical, and the marks, which are similar. Furthermore, even sophisticated consumers are not necessarily knowledgeable in the field of trademarks, and as such, not immune from trademark confusion. *In re Decombe, 9 USPQ2d 1812, 1814-15 (TTAB 1988); In re Pellerin Milnor Corp., 221 USPQ 558, 560 (TTAB 1983).* **[*19]**

Other Factors

Applicant has argued regarding a number of other factors, generally summarily and consistently concluding that each factor favors applicant. For example, applicant argues that opposer's mark is not famous, and therefore, this factor favors applicant. While we agree that, on this record, opposer has not shown that its mark is famous, this factor does not favor applicant. *Majestic, 65 USPQ2d at 1205* (″. . . we decline to establish that the converse rule that likelihood of confusion is precluded by a registered mark's not being famous. ″). And, as to the other factors appplicant addresses in summary fashion, namely, ″The Variety of Goods on Which a Mark Is or Is Not Used,″ ″The Extent to Which Applicant Has a Right to Exclude Others from Use of Its Mark on the Goods,″ and ″The Extent of Potential Confusion, Whether de Minimus or Substantial,″ we conclude that these factors are not significant in this case.

Conclusion

In conclusion, based all of the evidence of record in this case bearing on the du Pont factors, we conclude that there is a likelihood of confusion between TRUE BALANCE and TOTAL BALANCE as applied to mattresses and box springs. **[*20]** The principal factors which dictate this conclusion are the similarity of the marks and the fact that the goods, and the channels of trade for those goods, are identical.

563 F.2d 1377
United States Court of Appeals,
Ninth Circuit.

M & M LEASING CORPORATION, Goodway Leasing, Inc., Bill Pierre Leasing, Inc., Budget Rent-a-Car of Washington-Oregon, Plaintiffs-Appellants,
v.
SEATTLE FIRST NATIONAL BANK, a National Bank, Firstbank Leasing Corporation, a Washington Corporation, James E. Smith, Comptroller of the Currency of the United States, Defendants-Appellees.
M & M LEASING CORPORATION, Goodway Leasing, Inc., Bill Pierre Leasing, Inc., Budget Rent-a-Car of Washington-Oregon, Plaintiffs-Appellees,
v.
PEOPLES NATIONAL BANK OF WASHINGTON, a National Bank, Peoples Leasing Company, a Washington Corporation, James E. Smith, Comptroller of the Currency of the United States, Defendants-Appellants,
James E. Smith, Comptroller of the Currency of the United States, Defendant-Cross-Appellant.

Nos. 75-2576 and 75-2577. | Nov. 4, 1977.

In an action challenging the legality of motor vehicle leasing activities by national banks and their subsidiaries, the United States District Court for the Western District of Washington, Morell E. Sharp, J., 391 F.Supp. 1290, entered judgment in favor of the banks, and an appeal was taken by plaintiffs an independent corporation engaged principally in motor vehicle leasing. A cross appeal was also taken by the United States Comptroller of the Currency. The Court of Appeals, Sneed, Circuit Judge, held that the "business of banking," which the National Bank Act authorizes national banks to conduct, includes leases of personal property when, in light of all relevant circumstances, the transactions constitute the loan of money secured by the properties leased; a transaction may be so characterized even if it is designed so that the lessor bank does not recover during the initial lease term every penny of the cost of the leased property plus its financing costs, but a lease ceases to be a secured loan when the lessor assumes material burdens other than those of a lender of money and is subject to significant risks not ordinarily incident to a secured loan.

Affirmed in part and reversed in part.

Koelsch, Circuit Judge, filed an opinion concurring in part and dissenting in part.

West Headnotes (6)

[1] **Banks and Banking**
Banking Powers

52Banks and Banking
52IVNational Banks
52k258Banking Powers

"Business of banking," which the National Bank Act authorizes national banks to conduct, includes leases of personal property when, in light of all relevant circumstances, the transactions constitute the loan of money secured by the properties leased; a transaction may be so characterized even if it is designed so that the lessor bank does not recover during the initial lease term every penny of the cost of the leased property plus its financing costs, but a lease ceases to be a secured loan when the lessor assumes material burdens other than those of a lender of money and is subject to significant risks not ordinarily incident to a secured loan. National Bank Act, 12 U.S.C.A. § 24, subd. 7.

11 Cases that cite this headnote

[2] **Banks and Banking**
Banking Powers

52Banks and Banking
52IVNational Banks
52k258Banking Powers

While the importance of leasing to the business of national banks is relevant to determining the extent to which such activity is useful and convenient, it does not alone establish that leasing is within the "business of banking" as authorized by the National Bank Act. National Bank Act, 12 U.S.C.A. § 24, subd. 7.

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5 Cases that cite this headnote

[3] **Banks and Banking**
Banking Powers

52Banks and Banking
52IVNational Banks
52k258Banking Powers

For an activity to be pursuant to an incidental power necessary to carry on the business of banking, it must be convenient or useful in connection with the performance of one of the bank's established activities pursuant to its express powers under the National Bank Act. National Bank Act, 12 U.S.C.A. § 24, subd. 7.

11 Cases that cite this headnote

[4] **Banks and Banking**
Banking Powers

52Banks and Banking
52IVNational Banks
52k258Banking Powers

As regards lease financing by national banks, a bank leaves the "business of banking" when it undertakes, as a "service" to its customers, to pass on to them any price reductions which its marketing power can extract from sellers of automobiles or other personal property. National Bank Act, 12 U.S.C.A. § 24, subd. 7.

Cases that cite this headnote

[5] **Banks and Banking**
Banking Powers

52Banks and Banking
52IVNational Banks
52k258Banking Powers

As regards motor vehicle lease financing by national banks, such banks cannot, under the aegis of the "business of banking," provide operational services such as repairs, maintenance, spare parts, insurance coverage, license renewals, etc.; such services are not those of a bank; but proscribed operational services do not include functions incident to the disposal of the property at the expiration of the lease, so long as these activities constitute only the orderly liquidation of the bank's security. National Bank Act, 12 U.S.C.A. § 24, subd. 7.

3 Cases that cite this headnote

[6] **Banks and Banking**
Loans and Discounts

52Banks and Banking
52IVNational Banks
52k269Loans and Discounts

A motor vehicle lease by a national bank, which lease from its inception inevitably must be repeated or extended to enable the bank to recover its advances plus a profit, is not a "loan of money on personal security" and thus falls without the scope of the "business of banking" allowed by the National Bank Act. National Bank Act, 12 U.S.C.A. § 24, subd. 7.

Cases that cite this headnote

Attorneys and Law Firms

***1378** John P. Lycette, Lycette, Diamond & Sylvester, Seattle, Wash., for plaintiffs-appellants.

Anthony J. Steinmeyer, Atty., Appellate Section, Civil Division, Dept. of Justice, Washington, D. C., Bradley C. Diggs, Seattle, Wash., for Seattle First National.

***1379** Appeal from the United States District Court for the Western District of Washington.

Before KOELSCH and SNEED, Circuit Judges, and RICHEY,* District Judge.

Opinion

SNEED, Circuit Judge:

Appellees, Seattle First National Bank (Seafirst) and Peoples National Bank of Washington, are engaged in the leasing of motor vehicles and other personal property. Appellants, M & M Leasing Corporation, Goodway Leasing, Inc., Bill Pierre Leasing, Inc., and Budget Rent-a-Car of Washington-Oregon, Inc., are independent corporations engaged principally in motor vehicle leasing. Defendant-cross-appellant is the Comptroller of Currency of the United States.

Appellants, plaintiffs in the trial court, sought a declaration that the appellees' leasing of motor vehicles and other personal property was not authorized by 12 U.S.C. s 24 (Seventh),[1] despite the fact that it is sanctioned by the Comptroller of the Currency.[2] Appellants also requested an injunction barring appellees and their subsidiaries from further motor vehicle leasing activities. Moreover, appellants asserted that, even if the Comptroller's rulings relied upon to sanction appellees' activities are valid, such activities exceeded the authorization the rulings provided and should be enjoined to that extent.

The trial court in an able opinion distinguished between motor vehicle lease transactions in which the banks do not assume the risk of residual value fluctuation upon termination of the lease (so-called "open end" leases) and those in which the banks do assume such risk (so-called "closed end" leases). In its initial judgment the trial court enjoined the appellees "from engaging in motor vehicle lease transactions in which the banks assume the risk of residual value fluctuation upon termination of the lease" (II C.R. 575) and declared the Comptroller's interpretive rulings, 12 C.F.R. ss 7.3400 and 7.7376, invalid to the extent they authorized such leases.

None of the parties was entirely satisfied by this disposition of their dispute. The appellee banks moved to clarify the opinion and judgment to remove "closed end" leases in which there is to be a "full payout" prior to termination of the lease from the scope of the trial court's injunction and to delete the words "motor vehicle" from the language of the injunction. The appellants thought the court's injunction should embrace all leasing and the Comptroller of Currency indicated displeasure with the restrictiveness of the trial court's opinion and injunction.

The trial court in due course amended its injunction to delete the words "motor vehicle" so that it currently reads "from engaging in lease transactions in which the banks assume the risk of residual value fluctuation upon termination of the lease." (II C.R. 598). Also, by order, the trial court ***1380** construed its opinion and judgment as follows:

"Lease transactions in which the lessor bank, during the initial lease term, is repaid the cost of the property leased, plus the cost of financing the transaction, in the form of rentals, tax benefits and/or the guarantee of a financially responsible guarantor, are neither disapproved in the Court's opinion nor enjoined by the judgment entered herein." (II C.R. 596).

These modifications satisfied the appellees but, of course, neither the appellants nor the Comptroller. Hence, this appeal was taken by them. We affirm in part and reverse in part.

[1] In essence, we view the trial court's holding as correct, so far as it goes, but somewhat more restrictive than the law requires. As we see it, the "business of banking," which 12 U.S.C. s 24 (Seventh), authorizes the appellees to conduct, includes leases of personal property when, in the light of all relevant circumstances, the transactions constitute the loan of money secured by the properties leased. A transaction may be so characterized, in our opinion, even if it is designed so that the lessor bank does not recover during the initial lease term every penny of the cost of the leased property plus its financing costs. A lease ceases to be a secured loan when the lessor assumes material burdens other than those of a lender of money and is subject to significant risks not ordinarily incident to a secured loan. The bright line traced by the trial court provides a sound guide by which leases can be kept within the scope of the "business of banking." We are not, however, prepared to say that the trial court's bright line constitutes the precise outer limit of the "business of banking."

To support our holding, we first will describe the nature and scope of national banks' involvement in the leasing of personal property, we will next analyze the term "business of banking" and apply the analysis to such leasing, and, finally, we will identify some of the characteristics of leases which lie beyond the outer limits of the "business of banking."

I

Leasing By National Banks.

The record of this case indicates that the role of national banks, such as Seafirst and Peoples, in personal property leasing generally is essentially that of a financing agency. To illustrate this it is useful to divide personal property leases into motor vehicle leases and leases of aircraft, ships and other so-called "big ticket" items.

Motor vehicle leases usually, but not invariably, are generated by automobile dealers. Particular dealers will enter into an agreement with a bank under which dealers will lease automobiles to their customers. The major terms of a lease, i. e., make, model, accessories, term, and payment schedule, are fashioned by the dealer in a manner that fits his and the customer's interests and conforms to the lease design envisioned by the dealer's arrangement with the bank. To protect itself against improvident leases the bank possesses the right to review both the substantive terms of a lease and the credit-worthiness of the lessee before accepting the lease. The crucial items reviewed are the credit rating of the customer and the vehicle's residual value. Upon accepting the lease the lessee-customer is notified and instructed to make lease payments to the bank. The title of the vehicle shows the bank as the legal owner, while the customer is listed as registered owner and lessee. Customers who approach the bank initially are usually referred to dealers with whom the bank has leasing arrangements.

The bank functions somewhat differently with respect to "big ticket" items. With respect to them, generally the customer calls the bank directly and expresses an interest in leasing particular personal property. This contact essentially is to inquire about the availability of credit. The bank performs no procurement function. The customer chooses the property he wishes to lease, selects a vendor and negotiates with him the terms of the purchase. Assuming ***1381** the bank finds the customer an acceptable credit risk, it then purchases the property and leases it to the customer. Delivery by the seller is made directly to the customer-lessee who makes the lease payments to the bank.

Both motor vehicle leases and "big ticket" leases provide that the burdens of operating costs and risks are borne by the lessee. Thus, the lessee agrees to purchase insurance sufficient to cover the bank's interest, to pay all repairs and maintenance, and to assume the risk of loss or damage.

Motor vehicle leases and "big ticket" leases frequently differ, however, in certain important respects. Foremost is the difference in the lessee's responsibility at the expiration of the initial term of the lease. Motor vehicle leases, for example, include a guarantee by the lessee that the vehicle will have a certain residual value at the expiration of the usual two or three year term.

This residual value is simply the anticipated resale value of the vehicle at the lease's termination. Should resale value in fact be less than the guaranteed residual value, the lessee must pay the difference. Should it be more, the excess when realized is refunded to the lessee. "Big ticket" item leases, on the other hand, normally impose no residual value guarantee on the lessees. The need for such guarantees is reduced, if not eliminated, by the fact that such leases typically are for a term which approximates the economic life of the properties. Leases in which there is a residual value guarantee are designated, in the language of commerce, as "open end" leases, while those in which no such guarantee exists are designated "closed end" leases.

Closed end leases, therefore, do impose on the lessor bank a risk not borne in the case of open end leases. In the former the lessor bank must absorb any difference between the estimated residual value at the end of the lease and a lesser actual resale price. In the open end lease, on the other hand, any such difference is guaranteed by the lessee. It is this distinction between the two types of lease that, as already noted, strongly influenced the trial court's disposition of this case.

Notwithstanding this difference between open end and closed end leases, the lessor bank under each type of lease realizes on the property at the expiration of the lease in a substantially similar manner. Thus, at the lease's end the lessor bank will dispose of the property in the simplest possible manner. Should the lessee not purchase the item, either for the estimated residual value or for a mutually agreeable price, the lessor bank will dispose of it by sale or by way of a new lease. Motor vehicles not sold to the lessee, for example, are either resold to the dealer, sold in the wholesale market, or leased to another customer. Moreover, the record of this case does not reveal that closed end leases as a class impose significantly more onerous economic burdens on banks than do open end leases. This is not surprising because leases of "big ticket" items, leased under closed end terms, generally provide for the bank's investment plus interest to be returned by way of lease payments prior to the expiration of the lease.

From the standpoint of a bank the advantages of leasing, as opposed to traditional lending on chattel security, are said to be numerous. Certain tax benefits pertaining to depreciation and the investment tax credit are said to be available under leasing but not under lending. Leasing, it is pointed out in the record of this case, permits the avoidance of usury laws and increases the demand for

credit by eliminating the need for down payments by the customer.

Lessees also may derive advantages from leasing not available when conventional borrowing is employed. A lease obligation may be reflected on the balance sheet more favorably than an indebtedness, and leasing may permit avoidance of limitations on the lessee's ability to borrow. See Stiles & Walker, Leveraged Lease Financing of Capital Equipment, 28 Bus. Lawyer 161 (1972).

In any event, leasing yields to the banks a rate of return that compares favorably to that of lending. A portfolio of prudently-arranged leases imposes no greater risks than one of equally prudently-arranged ***1382** loans. It is small wonder, therefore, that today over 1000 national banks are engaged in the leasing of personal property which has an aggregate value in excess of $2 billion.[3] Thus, although much of this growth has occurred in the 1970's and resulted from the entrance of national banks into the field of motor vehicle leasing, it is clear that leasing at present is a significant part of the business of national banks.

II.

The "Business of Banking."

[2] [3] While the importance of leasing to the business of national banks is relevant to determining the extent to which such activity is useful and convenient, it does not alone establish that leasing is within the "business of banking" as authorized by 12 U.S.C. s 24 (Seventh). In construing the scope of the authority established by this statutory provision, we adopt the approach employed by the First Circuit in Arnold Tours, Inc. v. Camp, 472 F.2d 427, 431-32 (1st Cir. 1972). That is, for an activity to be pursuant to an incidental power "necessary to carry on the business of banking" it must be "convenient or useful in connection with the performance of one of the bank's established activities pursuant to its express powers under the National Bank Act." Id. at 432. Thus, leasing must be convenient or useful to business expressly authorized by 12 U.S.C. s 24 (Seventh). As indicated above, we hold that leasing, when in the light of all relevant circumstances the transaction constitutes a loan of money secured by the leased property, see p. 1379, is incidental to the "loan of money on personal security," an activity expressly authorized by the National Bank Act.

In reaching this conclusion we draw comfort from the fact that commentators uniformly have recognized that the National Bank Act did not freeze the practices of national banks in their nineteenth century forms. Indeed, many contend that the powers of national banks "are not confined to the powers specified in the National Bank Act and those necessary to carry out those specific powers." Trimble, The Implied Power of National Banks to Issue Letters of Credit and Accept Bills, 58 Yale L.J. 713, 721 (1949). See Huck, What Is the Banking Business? 21 Bus. Lawyer 537, 541 (1966); Note, Diversification by National Banks, 21 Stan.L.Rev. 650, 651-53 (1969). We prefer, however, the Arnold Tours, Inc. formulation of the scope of "incidental" powers; but, whatever the scope of such powers may be, we believe the powers of national banks must be construed so as to permit the use of new ways of conducting the very old business of banking. Those who would reject such new ways should recall that Chief Justice Holt's efforts in Clerke v. Martin, 2 Ld.Raym. 757 (1702) to deny the negotiability of promissory notes payable to a named payee or order was overturned by statute several years later. 3, 4 Anne c. 9 (1704). As Holdsworth put it, Chief Justice Holt's mistake was to believe that "the most correct technical reasoning could stop the development of the new machinery rendered necessary by the new needs of an expanding trade." Holdsworth, History of the English Law VIII, 175-76 (1926). Unless compelled by higher authority, which we would then believe to be misguided, we do not wish in the context of this case to repeat Chief Justice Holt's mistake.

Appellants would have us follow in Holt's footsteps by emphasizing that secured lending to permit the acquisition of property can be accomplished through traditional forms. A loan secured by a chattel mortgage or a conditional sales contract provides the proper means, they insist, by which a "loan of money on personal security" ought to be accomplished. A lease which serves the same purpose is impermissible. Particularly is this true, they assert, when both the lessor bank and the lessee customer distinguish the lease from a loan, and third parties, including various government agencies, treat the two quite differently.

***1383** Appellants are correct in stating that functionally interchangeable leases and secured loans are regarded as distinct in both the rhetoric and regulation of this form of commerce. However, it is their functional interchangeability that is the touchstone of our decision. To ignore that in the interpretation of 12 U.S.C. s 24 (Seventh), is figuratively to reject, as did Chief Justice Holt, something "invented in Lombard Street." Clerke v. Martin, supra. Whether third parties in other contexts should treat leases that are equivalent to loans as nonetheless distinct and separate is not at present before

us. Whatever might be the proper dispositions of such issues, they should not influence our opinion in this case.

III.

The Limits of the "Business of Banking."

It should be clear that our holding is not without limits. It does not embrace the view that national banks may compete with appellants in the daily or short-term car rental business. Nor does it permit national banks to become self-financing automobile dealers, utilizing their unique position to acquire an inventory of automobiles at advantageous prices to lease at going market rates to customers. Neither activity is a means by which a bank makes a "loan of money on personal security." Each is a business distinct from banking.

[4] A national bank also leaves the business of banking when it undertakes, as a "service" to its customers, to pass on to them any price reductions which its marketing power can extract from sellers of automobiles or other personal property. There may be a place for a "buyer's cooperative" in automobile marketing, but that place is not in a national bank. Such a cooperative, whether in substance or in form, is not the business of banking.

[5] It is also clear that national banks cannot provide operational services such as repairs, maintenance, spare parts, insurance coverage, license renewals, etc. Such services are not those of a bank.[4] This proscription shapes the duration of a lease that a national bank properly can employ. Short term leases which inescapably thrust upon the bank significant service responsibilities impose non-banking responsibilities. As previously indicated, leases of automobiles for two or three years do not necessarily entail nonbanking responsibilities;[5] and, of course, a lease for the economic life of the property also does not.

Proscribed operational services, also, do not include the functions incident to the disposal of the property at the expiration of the lease as described at p. 1381 of this opinion. So long as these activities constitute only the orderly liquidation of the bank's security they remain within the business of banking.

[6] Finally, our holding manifestly is not intended to authorize leases which impose significant financial risks on national banks more onerous than those incident to loans. Therefore, it is necessary that the lessor bank look primarily to the obligations of the lessee for the entire return of its advances. It is the lessee's credit worthiness, not primarily the market value of the leased property, to which the bank must ***1384** look for its return. No banker, however, ignores the borrower's collateral; nor must he when the loan is cast in lease form. Our point, put differently, is that a lease, which from its inception inevitably must be repeated or extended to enable the bank to recover its advances plus profit, is not a "loan of money on personal security." Such leases indicate a rental business, not the business of banking. To engage in the business of renting personal property would permit the assumption of risks not permitted national banks. An impermissible assumption of risks is not indicated, however, either by an open end lease, in which the bank's entire advance is guaranteed by the lessee, or a closed end lease, in which the residual value of the leased property at the expiration of the lease contributes insubstantially to the bank's recovery of its advances plus interest.

IV.

Role of the Comptrollers.

We recognize our observations do not provide a comprehensive charter by which the appellee banks may guide their steps. For example, we have not dealt with the type of advertising that is compatible with leasing activities of national banks that are within their statutory authority. Nor do we comment on the appropriateness of a subsidiary of a national bank acquiring a dealer's license from the state and maintaining a garage for storing previously leased automobiles.

Preparation of a comprehensive charter is a function that belongs to the Comptroller. It is his duty to promulgate reasonably detailed regulations which will confine leasing within the channels of the "business of banking." We do not believe that 12 C.F.R. ss 7.3400 and 7.7376 adequately perform this duty.

Our present contribution merely sketches the boundaries of the business of banking and resolves the particular controversy before us.

We affirm in part and reverse in part and remand for such modifications of the trial court's judgment as is required by this opinion.

Costs shall be borne by the appellants.

Affirmed in part, Reversed in part.

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KOELSCH, Circuit Judge, concurring in part, dissenting in part:

I concur in much of Judge Sneed's able effort to introduce a degree of coherence into the rapidly developing (and judicially uncharted) field of bank "lease financing." Shorn of the "language of commerce," I understand the majority to sanction two forms of lease transactions that may permissibly be engaged in by national banks under section 24 (Seventh) of the National Bank Act (12 U.S.C. s 24 (Seventh)): either the bank as lessor recovers all of its investment and profit in the form of rental payments from the lessee over a lease term spanning the substantial economic life of the chattel, or at the expiration of a lease term less than that of the approximate economic life of the asset, looks to the lessee to guarantee any "residual value," that is, the bank's investment and profit less the sum of rentals collected over the term of the lease. (Parenthetically, I read the majority opinion as invalidating short-term lease transactions which make no provision for the lessee's guarantee of the chattel's residual value the so-called "closed-end lease" except where "the residual value of the leased property at the expiration of the lease contributes insubstantially to the bank's recovery of its advances plus interest." (Majority opinion at 1384, my emphasis.))

The majority approves the former transaction (typically employed, in banker's jargon, in the financing of so-called "big ticket" items) because the lessor-bank, having recovered its investment over the term of the lease, assumes no risk not incidental to one aspect of the "business of banking": the "loaning of money on personal property" (12 U.S.C. s 24 (Seventh)), albeit cast in the form of a lease. Accordingly, I concur in that part of the majority opinion holding that such transactions constitute the "business of banking" within the meaning of the statute. The bank recovers its advances ***1385** plus interest in the form of rentals over the term of the lease, and the record indicates that as a matter of practice in such arrangements, the bank bears no risk of having to recover its investment by regaining possession of the chattel for the purpose of further realizing on its security.[1] I agree with the majority that such transactions are functionally indistinguishable from purchase money loans secured by a lien-like interest in the chattel.

The majority upholds the use of short-term leases, however typically employed in the "financing" of motor vehicles and like consumer items on the ground that in such transactions the bank looks to the credit-worthiness of the lessee to guarantee the anticipated resale value of personal property leased for a term less than that of its approximate economic life, thus freeing the bank of any obligation to realize further on the chattel by repeated leasings or comparable means of recovering its investment. The majority appears to reach this result by analogizing the bank's recovery and disposition of the chattel at the expiration of the lease to "the orderly liquidation of the bank's security . . . ." (Majority opinion at 1383.)

I agree, of course, with the proposition that a "lessor"-national bank may properly engage in functions incident to the orderly liquidation of its security. That is a traditional incident of the "business of banking" necessitated when any borrower defaults on a loan. But I do not regard that rule as in any way relevant to the present inquiry. In my view, the short-term lease arrangement entered into between the bank and the lessee contemplates at the outset that the bank will inevitably gain or regain possession of the subject matter of the so-called lease and that the amount reserved as rent does not reflect the full value (or price) of the chattel plus interest. In such cases, the transaction is not, in my view, to be deemed one which constitutes the "business of banking" within the meaning of the statute. For in every such instance the fact is manifest that the bank itself will ultimately become the owner of the chattel.

In such a short-term lease transaction, it matters not whether the bank secures the guarantee of the lessee as to the residual value of the chattel at the expiration of the lease or must itself bear the risk of a downward fluctuation in value. On whomever the risk of a downward market falls, the bank as lessor must if the lessee himself does not agree to purchase the property[2] look to the market in the first instance in order to realize the full value of its investment. The majority concedes as much (at 1381) in noting that "(s)hould the lessee not purchase the item . . . the lessor bank will dispose of it by sale or by way of a new lease." The bank is thus drawn ineluctably into the business of disposing of used chattels not in pursuit of the lender's traditional remedy of foreclosure and sale incident to the borrower's default but pursuant to the terms of the lease agreement itself. In my view, the resultant preordained participation of national banks in the market disposition of personal property is neither a part of the "business of banking" nor an incident thereto. I accordingly dissent from that part of the majority opinion holding short-term lease financing by national banks to be within the purview of 12 U.S.C. s 24 (Seventh).

All Citations

563 F.2d 1377

Footnotes

* Honorable Mary Anne Richey, United States District Judge, for the District of Arizona, sitting by designation.

1 The pertinent portion of 12 U.S.C. s 24 (Seventh) is as follows:
"To exercise by its board of directors or duly authorized officers or agents, subject to law, all such incidental powers as shall be necessary to carry on the business of banking; by discounting and negotiating promissory notes, bills of exchange, and other evidence of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; by loaning money on personal property; and by obtaining, issuing, and circulating notes according to the provisions of this chapter. . . . "

2 The authorization appears in 12 C.F.R. s 7.3400 and is as follows:
"A national bank may become the owner or lessor of personal property acquired upon the specific request and for the use of a customer and may incur such additional obligations as may be incident to becoming an owner and lessor of such property. Lease transactions do not result in obligations for the purpose of 12 U.S.C. 84. Since the lease payments are in the nature of rent rather than interest, 12 U.S.C. 85 and 86 are not applicable."
12 C.F.R. s 7.7376 authorizes an operating subsidiary of a national bank to "lease property."

3 These figures appear in the appellee banks' brief p. 46 and are derived from a survey introduced at the trial made by the Comptroller of Currency.

4 See, Automobile Leasing as an Activity for Bank Holding Companies, Fed. Reserve Bull., Nov. 1976, 930, 935.

5 In describing leases which are equivalent to secured loans, it has been said:
In each case there is a sum certain in amount. This sum includes the acquisition cost of the vehicle and the cost of financing and is recovered through a series of noncancellable deferred payments. The term of the payment period in both cases is 24 to 36, or recently to 48 months. The vehicle serves as a type of collateral to guarantee payment on both the installment loan and the lease. Both forms of financing are applied to a specific automobile that is chosen prior to preparation of the document . . . . All attributes of ownership pass to the lessee who is responsible for servicing, insurance, and depreciation.
(The banks) use the same skills in leasing a vehicle as they do in financing it through an installment loan.
Automobile Leasing as an Activity for Bank Holding Companies, supra n. 4.

1 Except, of course, in those distinguishable instances where the "lessee" defaults on its rental obligation under the terms of the lease agreement. See the discussion in the text, infra at p. 1385.

2 As the record in this case indicates, among the advantages offered the consumer by the motor vehicle lease transaction as advertised by the defendant banks are driving "top-of-the-line" new cars, no trade-in problems and few repairs. Such advantages would seem to accrue only where the consumer contemplates a relatively short term (24 to 36 month) use of the vehicle and suggest that, realistically, the parties to the transaction envision from the outset that the bank will itself dispose of the vehicle at the expiration of the lease by either offering it to the franchise dealer who generated the lease or wholesaling it to another dealer for resale.

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77 U.S. 604
Supreme Court of the United States

MERCHANTS' BANK
v.
STATE BANK.

December Term, 1870

Opinion

****1** ERROR to the Circuit Court for the District of Massachusetts, in a suit by the Merchants' National Bank against the State National Bank, upon three checks of Mellen, Ward & Co., on the latter bank, marked 'good' by its cashier, and given to the former bank; amounting, the three, to $600,000.

The case, as developed by admitted facts and by the plaintiff's evidence alone, was thus:

Both banks were associations organized under the National Currency Act of 1864; the State Bank with a capital, as its articles of association seemed to show, of $1,800,000, capable of being increased.

Under this National Currency Act the affairs of 'every such association shall be managed by not less than five directors, one of whom shall be president.' The directors during their whole term of office must be citizens of the ***606** United States. Three-fourths of them must have resided in the State one year preceding their election, and reside there during their continuance in office. Each must own at least ten shares of stock, and as such owner he is personally liable to twice their value. All are to be sworn to the diligent and honest administration of the affairs of the association.

The total liabilities of any person, or firm or association, to the bank, shall never, by section twenty-nine of the act, exceed one-tenth of its capital. Bonds are to be deposited as security for the bills of the bank, which by section twenty-one may never exceed 90 per cent. of the bonds deposited. Section twenty-three enacts that no bank shall issue post notes, or *other* notes, to circulate as money than such as are authorized by the foregoing provisions of the act, and by various sections[1] care is taken to restrain the circulation, and to secure its redemption.

1. Evidence of powers habitually exercised by a cashier of a bank with its knowledge and acquiescence, defines and establishes, as to the public, those powers, provided that they be such as the directors of the bank may, without violation of its charter, confer on such cashier.

2. Where the authority of the agent is left to be inferred by the public from powers usually exercised by the agent, it is enough if the transaction in question involves precisely the same general powers, though applied to a new subject-matter.

Thus, if in the case of a bank having power by its charter to buy and sell exchange, coin and bullion, its cashier have habitually, with the knowledge of the bank, dealt with the public as authorized to buy and sell exchange, then the power to buy and sell coin also (the right to do both being conferred by the same clause of the charter), may be inferred by a jury.

So, if a cashier is shown to have frequently pledged in writing the credit of his bank for large amounts in the usual course of business, with the knowledge of the bank-borrowing and lending its money, and buying and selling exchange-doing all this usually by cashier's checks, though sometimes by certificates of deposit and sometimes by memoranda, the transactions being uniformly made in faith of the implied powers of the cashier, without inquiry as to special authorization, and such is shown to be the usage of other banks as above stated, it is evidence from which a jury may infer that such cashier is authorized to pledge the bank's credit by certifying a check to be 'good;' this last method being one not distinct in its nature from the others named, but similar ***605** to them, and involving in form and substance the same obligation and consequence to the bank.

****2** 3. These principles hold even though it is not shown that any cashier of any bank in the particular place where the transaction which was the subject of the suit arose, ever used his powers to purchase coin, or ever certified a check to be good.

4. The National Currency Act of 1864, authorizing the banks created under it to buy and sell coin, a bank having coin in pledge may sell and assign its special property; in which case the assignee will become vested with the legal rights of the assignor.

5. If a cashier, without authority to buy coin in behalf of his bank, do so buy it, and it goes into the funds of the bank, the bank is liable upon the principle of *quantum valebat*.

6. The clause of the National Currency Act of 1864, which directs that 'the usual business' of the banks

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created under it shall be transacted '*at* an office or banking-house in the place specified in its organization certificate,' does not prevent the purchase of coin by one bank at the banking-house of another.

7. The certifying as 'good' of checks given in the course of business for convenience, is not within the prohibition of the 23d section of the National Currency Act of 1864, which forbids the issue of post notes or '*other notes*' to circulate as money, other than the ordinary bank bills authorized by the act.

8. A stamp, such as the Internal Revenue Act requires, for the acceptance of a draft, is not required on the marking of a check 'good;' 'certified checks' being taxed specifically in another way.

West Headnotes (17)

[1] **Certiorari**
Loss of right to other remedy

73Certiorari
73INature and Grounds
73k6Loss of right to other remedy

An agreement entered into with an infant plaintiff, after the rendition of a judgment by which defendant is defrauded of his right of appeal, is sufficient to sustain defendant's petition for certiorari.

3 Cases that cite this headnote

[2] **Limitation of Actions**
Instruments for Payment of Money

241Limitation of Actions
241IStatutes of Limitation
241I(B)Limitations Applicable to Particular Actions
241k23Written Contracts
241k25Instruments for Payment of Money
241k25(1)In general

The statute of limitations runs on a bank check only from time payment is demanded by the holder.

11 Cases that cite this headnote

[3] **Bills and Notes**
Checks as bills of exchange

56Bills and Notes
56IRequisites and Validity
56I(A)Form and Contents of Bills of Exchange, Drafts, Checks, and Orders
56k15Checks as bills of exchange

A check is not an inland bill of exchange.

14 Cases that cite this headnote

[4] **Bills and Notes**
Effect of delay

56Bills and Notes
56IXPresentment, Demand, Notice, and Protest
56k399Sufficiency of Presentment for Payment and Demand
56k407Effect of delay

The drawer of bank check is not discharged by the laches of the holder in presentment for payment unless the drawer can show that he has sustained some injury by the default.

36 Cases that cite this headnote

[5] **Corporations and Business Organizations**
Effect of ultra vires acts

101Corporations and Business Organizations
101IXCorporate Powers and Liabilities
101IX(A)Extent and Exercise of Powers in General
101k2274Effect of ultra vires acts
(Formerly 101k385)

Corporations are liable for every wrong of which they are guilty and in such a case, the doctrine of ultra vires has no application.

23 Cases that cite this headnote

[6] **Corporations and Business Organizations**
Estoppel of Corporation

101Corporations and Business Organizations
101IXCorporate Powers and Liabilities
101IX(A)Extent and Exercise of Powers in General
101k2282Estoppel to Deny Corporate Powers
101k2284Estoppel of Corporation
101k2284(1)In general
(Formerly 101k388(1))

Where a party deals with a corporation in good faith, in regard to a transaction which is not ultra vires, and the party is unaware of any defects of authority or other irregularity on part of those acting for the corporation and there is nothing to excite suspicion of such defect or irregularity, the corporation is bound by the contract, although a defect or irregularity in fact exists.

35 Cases that cite this headnote

[7] **Corporations and Business Organizations**
Corporation acts through officers or agents

101Corporations and Business Organizations
101IXCorporate Powers and Liabilities
101IX(B)Representation of Corporation by Corporate Principals
101k2301Application of Principle of Agency to Corporations
101k2303Corporation acts through officers or agents
(Formerly 101k397)

Corporations are liable for the acts of their servants while engaged in the business of their employment in the same manner and to the same extent that individuals are liable under like circumstances.

26 Cases that cite this headnote

[8] **Corporations and Business Organizations**
Contracts in General

101Corporations and Business Organizations
101IXCorporate Powers and Liabilities
101IX(B)Representation of Corporation by Corporate Principals
101k2330Contracts in General
101k2331In general
(Formerly 101k400)

A corporation is bound by the acts of its officer, although the latter exceeds his powers, where no irregularity or want of authority is brought to the knowledge of the person with whom he contracts, and nothing occurs to excite suspicion thereof.

14 Cases that cite this headnote

[9] **Estoppel**
Nature and Application of Estoppel in Pais

156Estoppel
156IIIEquitable Estoppel
156III(A)Nature and Essentials in General
156k52Nature and Application of Estoppel in Pais
156k52(1)In general
(Formerly 156k52)

"Estoppel in pais" presupposes an error or a fault and implies an act in itself invalid.

4 Cases that cite this headnote

[10] **Estoppel**
Nature and Application of Estoppel in Pais

156Estoppel
156IIIEquitable Estoppel
156III(A)Nature and Essentials in General
156k52Nature and Application of Estoppel in Pais
156k52(1)In general
(Formerly 156k52)

The doctrine of "estoppel in pais" proceeds upon the consideration that the author of the misfortune shall not himself escape the consequences and cast the burden upon another.

5 Cases that cite this headnote

[11] **Estoppel**
Real Property

156Estoppel
156IIIEquitable Estoppel
156III(B)Grounds of Estoppel
156k73Clothing Another with Apparent Title or Authority
156k74Real Property
156k74(1)In general

Parties who create a trust, appoint the trustee and clothe him with powers that enable him to mislead, will be required to suffer as result of any misleading done by the trustee.

8 Cases that cite this headnote

[12] **Trial**
Verdict for defendant

388Trial
388VITaking Case or Question from Jury
388VI(D)Direction of Verdict
388k167Nature and Grounds
388k169Verdict for defendant

An instruction that plaintiff's evidence was insufficient to warrant jury to find verdict for plaintiff, is proper if it is clear that the plaintiff cannot recover.

41 Cases that cite this headnote

[13] **Pledges**
Transfer of Property by Pledgee

303Pledges
303k39Transfer of Property by Pledgee
303k40In general

The assignee of the special property right in a pledgee becomes invested with all of the legal rights which belonged to the pledgee.

3 Cases that cite this headnote

[14] **Pledges**
Purchasers from pledgee

303Pledges
303k39Transfer of Property by Pledgee
303k41Purchasers from pledgee

A pledgee has a "special property right" in the article pledged, which may be sold and assigned.

4 Cases that cite this headnote

[15] **Principal and Agent**
Undisclosed Limitation of Authority

308Principal and Agent
308IIIRights and Liabilities as to Third Persons
308III(A)Powers of Agent
308k116Undisclosed Limitation of Authority
308k116(1)In general

Directors of a bank may limit the bank cashier's authority as directors deem proper but limitation on cashier's authority to certify check, charge amount to drawer, appropriate it to payment of the check and make the proper entry on the books of the bank would not affect parties to whom the limitation was unknown.

65 Cases that cite this headnote

[16] **Principal and Agent**
Effect of want of notice

308Principal and Agent
308IIIRights and Liabilities as to Third Persons
308III(C)Unauthorized and Wrongful Acts
308k148Knowledge or Notice of Extent of Authority
308k148(5)Effect of want of notice

Where a party in good faith deals with a corporation and is not aware of any defect or fraud of those acting for it, and there is nothing to excite suspicion of such defect, the corporation is bound by the contract, though

such defect in fact exists.

48 Cases that cite this headnote

[17] **Principal and Agent**
Operation and Effect

308Principal and Agent
308IIIRights and Liabilities as to Third Persons
308III(D)Ratification
308k175Operation and Effect
308k175(1)In general

Evidence of power habitually exercised by a cashier of a bank, with its knowledge and consent, defines and establishes, as to the public, those powers, provided they be such as the directors of the bank, under its charter, could confer on him.

17 Cases that cite this headnote

****3** The act by its eighth section enacts that each association organized under it may, 'by its board of directors appoint a president, vice-president, cashier, and other officers, *define their duties*,' &c., &c. And it authorizes the association to exercise all such *incidental powers* as shall be necessary to carry on the business of banking by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; *by buying and selling* exchange, *coin*, and bullion, &c. The directors are empowered to regulate by by-laws the manner in which its general business shall be conducted. 'And its usual business,' says the same section, 'shall be transacted *at* an office or banking-house located in the place specified in its organization certificate.'

The directors of the State Bank defined the duties of their cashier, no otherwise than that by the 1st article of the by-laws he was to notify corporate meetings, and act as clerk at them; by article 7th was to be responsible for moneys, funds, and all other valuables of the bank; by article 11th ***607** 'was-(either he or the president)-to sign all conveyances of real estate voted by the directors; and by article 17th was-(either he or the president again)-to *sign* all contracts, *checks*, drafts, receipts,' &c.; and also all indorsements necessary to be made by the bank.

Evidence, however, showed that, as matter of fact, the cashier of the Merchants' Bank was intrusted by its directors with large and comprehensive powers in dealing with the funds; so much so that instead of his transactions going regularly, as they occurred, through the books of the bank, and being credited or debited to the accounts to which they severally belonged, there was opened on the books of the bank one general account with the cashier, in which all the debits and the credits arising out of them, were entered to *his* debit or credit, that these transactions, thus entered on the books, embraced the giving of checks in lieu of bills where discounts were made; giving checks for the purchase of exchange; giving checks for money borrowed of other banks; that the amount of checks thus given for exchange, and in lieu of bank bills on discounts, during the five months prior to the transaction which was the subject of this suit, was $2,500,000, and in addition, that the amount of such checks given for money borrowed of other banks during the same period, was $1,547,000. And that regular printed blank checks were kept by the bank to facilitate these operations of their cashier.

So also evidence derived from the officers of twenty-two banks of Boston, in relation to the dealings of such banks with each other, showed a usage by which, without by-law or vote, powers were intrusted to cashiers of such banks to borrow and lend the money of their banks of and to each; to buy and sell exchange of and to each other, and in all such transactions to pledge the credit of their respective banks-usually by cashiers' check, sometimes by certificates of deposit or memoranda; that these transactions were frequent, involving large sums of money, and that they were uniformly conducted in faith of the implied powers of cashiers, without inquiry; but the usage shown with regard to ***608** the powers exercised by the twenty-two cashiers failed wholly to show that any one cashier had ever used his powers to the purchase of gold coin, or had ever certified checks to be 'good.' Nor was it shown that the cashier of the State Bank had, either before or since the transactions on which this suit arose, ever certified as good the check of either depositor or stranger.

****4** In fact, the Supreme Court of Massachusetts had decided in *Mussey* v. *Eagle Bank*[2] that a *teller* could not so certify checks; placing the decision on grounds that seemed general. Such a power, said the court in that case, 'is in fact a power to pledge the credit of the bank to its customers; a power which, by the constitution of a bank, can alone be exercised by its president and directors, unless specially delegated by them, and consequently it

cannot be implied as a resulting duty or authority in any individual officer.' Touching the matter of usage, the court said:

'But if a usage had been proved of the certifying by the teller that the check is good, to enable the holder to use it afterwards at his pleasure, such a usage would be bad and could not be upheld. It would give to bank checks, which are intended for immediate use and are the substitute for specie, in the ordinary transactions of business, the character of bills of exchange, payable to the bearer, the bank being the acceptor, and payable at an indefinite time. It would lead to loans to favored individuals, without the usual security. It would substitute checks for cash in the hands of tellers who receive them, and would confer the power upon a single officer to pledge the credit of the bank by the mere writing of his name; a power never contemplated by the legislature, nor intended to be conferred by the stockholders.'

On the other hand, Congress, by its Internal Revenue Act of June 30, 1864,[3] under the head of 'Banks and Banking,' had laid 'a duty of one-twelfth of one per cent. each month upon the average amount of circulation issued *by any bank*, &c., including as circulation all *certified* checks, and all ***609** notes and other obligations, *calculated* or intended to circulate or to be used as money.'

In this state of pre-existent laws and usage, or absence of it, the plaintiffs' evidence showed that the Merchants' National Bank of Boston were applied to on the 22d of February, 1867, by Ward, Mellen & Co., brokers, with the statement that they were about to purchase in New York, 'for responsible parties,' three or four hundred thousand dollars of gold, and with the request that the Merchants' Bank would take and pay for the gold as it came from New York at $1.25 in currency (about 15 per cent. below the value at that time in currency); that these responsible parties would be prepared to take it in a few days, and that when thus taken away, it would go through probably some other bank, mentioning, perhaps, the State Bank.

There had been previous transactions in gold between the bank and Mellen, Ward & Co.; and the proposition now made was accepted upon the terms previously fixed in them, viz., that the gold should be a purchase by the bank, with a right of repurchase by Mellen, Ward & Co., on repayment of the cost and a premium 'equivalent to interest on the amount invested by the bank on the gold.'

****5** Under this arrangement, the Merchants' Bank, on notice from Mellen, Ward & Co., on the 26th and 27th of February, took from the Second National Bank, and paid that bank for the same, $400,000 gold certificates, which, so far as appeared, had never been in the hands of or owned by Mellen, Ward & Co., and added the same to the gold of the bank. No obligation, note or memorandum accompanied the transaction as made; it being, as the direct testimony of the cashier and teller of the Merchants' Bank stated, and so far as the transaction appeared on its face, a sale of gold with a right to repurchase; although both the officers named, in written instruments, spoke of it as a loan.

On the 28th of February, Smith, the cashier of the State Bank, came to the Merchants' Bank, *in company with Carter*, ***610** one of the firm of Mellen, Ward & Co., and said to the cashier there, 'We have come in to get an amount of gold,' and that he 'would pay for the gold by certifying the checks when he saw that the gold was all right.' The coin certificates to the amount of $400,000 were by the cashier of the Merchants' Bank, 'passed out *to Mr. Smith, cashier of the State Bank*.' He counted them, and then handed to the cashier of the Merchants' Bank the two checks of Mellen, Ward & Co., on the State Bank, certified 'Good, C. H. Smith, cashier.' These checks were certified, not at the State Bank, but in the Merchants' Bank, 'on the spot;' and after it was ascertained that the gold certificates received corresponded with the amount for which the checks had been drawn. They had no stamp on them but the usual two cent bank check stamp, that is to say no such stamp as the law requires for an acceptance. On the same day, Smith, the cashier of the State Bank (*Carter accompanying him*) applied to and received from the teller of the Merchants' Bank $60,000 more of gold, which the bank had previously purchased at the request of Mellen, Ward & Co., upon the same terms as above stated. The cashier was absent, and the teller took from Smith in payment a check for $75,000, similar to ones already mentioned, for the reason, as he says, that 'I delivered the gold *to the cashier of the State Bank*.' Although it appeared that Mellen, Ward & Co. had been somewhat speculating in a copper stock, and had once obtained a loan on it from the Merchants' Bank, and that the cashier of the bank had a small interest with them in the stock, there seemed to be no proof in the case as it stood before this court, that is to say as it was presented by the plaintiff's evidence alone, that the cashier of the Merchants' Bank, in the delivery of the gold, or the cashier of the State Bank in certifying the checks in payment for it, acted otherwise than with good faith.

On or before the 1st of February following, Ward, Mellen & Co. failed. The subsequent history of the checks was thus given by Mr. Haven, the president of the plaintiff or Merchants' Bank. ***611**

****6** 'The first time I saw these checks was a little after twelve o'clock, on Friday, the 1st day of March, 1867. I

took the checks in may hand a little after one o'clock, on that day, and presented them to the cashier of the State Bank. I said to him, 'I thought you were coming in to pay the money for these checks early this morning.' The cashier replied, 'Yes, I am going out now to attend to it, and get the money.' 'Get the money?' said I; 'didn't you have the money-the gold? were not the gold certificates delivered to you?' 'Yes,' said he; 'I *had* them here, but they are not here now. I am going out to get it, and will come in and attend to it.' I spoke rather abruptly, and said that he should do it immediately. He looked up and said, '*You hold the State Bank*.' I came back and laid the checks on the desk of the teller. About a quarter before two o'clock I took the checks into the directors' room of the State Bank. There were three or four gentlemen present. Either Mr. McGregor (who was a former president of the bank) or Mr. Dana, introduced me to the president of the bank, Mr. Stetson. I presented the checks to Mr. Stetson, the president. Mr. Stetson took the checks and deliberately read them, one by one, aloud to his directors, and those gentlemen who were present. He then said to me that they had not authorized their cashier to certify checks. He turned to Mr. McGregor and said, 'Have we, Mr. McGregor?' Mr. McGregor made no reply. I then said, 'He *has* certified checks, and those checks were given to the cashier of the Merchants' Bank for gold delivered to him, the property of the Merchants' Bank, and I want payment for that gold.' The gentlemen were considerably excited, and I wanted action. I said to them, 'I have just heard that there is trouble at the sub-treasury. I think you had better go down there; perhaps you will find your gold there, and if you wish it, I will go with you.' The gentlemen went, two of them, Mr. Stetson, the president of the bank, and Mr. McGregor, the ex-president, and we entered the room of the assistant treasurer. I think I introduced them, saying to the assistant treasurer, 'These gentlemen have come in to see if there has not been a large amount of gold placed to the credit of the State Bank.''

Farther than as it was to be inferred from this testimony, it did not appear whether the State Bank had or had not ***612** got the use of the gold. No proof was given that it did not go to that bank. However, that particular fact might have been, the State Bank refused to pay the checks of Mellen, Ward & Co., certified 'good' by Smith, its cashier, and the Merchants' Bank sued in assumpsit for the amount; some of the counts being special on the transaction, others on a *quantum valebat, money had and received*, &c.

****7** The case was tried before CLIFFORD, Presiding Justice, and the plaintiff having closed his case, the defendants moved the court to instruct the jury that the evidence was not sufficient to warrant them to find a verdict in favor of the plaintiff, under any of the counts in the declaration, and that as matter of law, the verdict of the jury upon each of them should be for the defendant; and this instruction the court gave.

The case being brought here on error, was elaborately argued at the last term.

Attorneys and Law Firms

Messrs. S. Bartlett, J. G. Abbott, and W. M. Evarts, for the plaintiff in error:

The contest turns, it is submitted, upon the following propositions, which, if successfully maintained by the plaintiff, are decisive on the question whether the case was properly withdrawn from the jury:

1. If in the absence of regulation by charter, by-law, or vote, and with no evidence as to the powers actually exercised by the cashier, and acquiesced in by the bank, nor of the powers usually intrusted to cashiers of banks established in the same community, the court can judicially know what the powers and duties of such cashiers are; yet it is a principle perfectly well settled, that under the foregoing circumstances (and even when by-laws and votes on this subject exist), evidence of the powers habitually or usually exercised by the cashier, with the knowledge and acquiescence of the bank, defines and establishes as to the public these powers, provided that the powers thus exercised may, without violation of the charter, be by the directors or corporation conferred on such cashier. ***613**

2. The evidence offered by the plaintiffs at the trial of the cause was competent and sufficient to have been submitted to the jury, on which they might lawfully find that the powers habitually or usually exercised by the defendants' cashier, with their knowledge, embraced the power to make for the defendants, the contracts declared on or some one or more of them, and that such powers might, without violation of the charter or law, be confided to such cashier.

1. The soundness of the first of the above propositions is obvious. To hold that the public may not safely confide in the existence of powers which by charter can be lawfully delegated, and which are openly exercised, but must investigate and find if those powers have been the subject of by-law or vote, and act accordingly, would not only suspend the business of commerce, but tend to make transactions with corporations a snare and a cheat.[4] So far as the public are concerned it is immaterial whether the powers thus exercised are in disregard of the by-laws of the corporation or not, provided they are within the corporate powers conferred by the charter.[5]

****8** 2. Then was the evidence offered by the plaintiffs competent and sufficient to be submitted to a jury in support of the claims made by the declaration?
The main original contract (laying aside for the present the question of certified checks), and of which evidence (sufficient at least to be submitted to the jury) was offered by the plaintiffs, was a contract for the purchase and delivery of gold by the plaintiffs to the defendants. The charters of both banks in terms authorized them to carry on the business of banking, by '*buying and selling exchange, coin and bullion*,' so that the contract set up by plaintiffs was within the ***614** corporate powers of both parties. The transaction then being legitimate, and in its character forming part of the business of both banks, the principal question is, have the plaintiffs lost this large sum of money by improperly trusting in the assumed powers of the defendants' cashier. The buying and selling of gold must of course be intrusted, under general powers, to some officer of the bank. A vote of directors authorizing each daily or hourly transaction would be impracticable. In this attitude of the case, we ask attention to the evidence offered by us as to the powers habitually exercised with the knowledge of the defendants by their cashier, to the end that the correctness of the ruling withdrawing the case from the jury may be determined; and attention also to the evidence of the officers of numerous other National banks established at Boston, as to the powers and duties usually exercised by their cashiers in dealing with the public and with other banks. The competency of this evidence has been thus declared by this court.[6]

'Considering that all insurance companies in Boston have similar charters, and the same kind of officers to conduct their business, we think that there is competent evidence that presidents of insurance companies in that city are generally held out to the public as having authority to act in this matter, viz., to make oral insurance.'

The legal principles that are to govern the application of the testimony in the case we submit, are these:
Where the authority of an agent is left to be inferred by the public from powers usually exercised by the agent, *it is sufficient if the transaction in question involves precisely the same general powers* though applied to a new subject-matter. Were this otherwise, the general authority to make purchases in the usual course of the business of the principal, could never be relied on, unless upon proof of previous purchase of the identical article, the authority to purchase which is in controversy. ***615**

Thus if it be shown that the defendants' cashier had habitually, with the knowledge of the bank, dealt with the public as authorized to buy and sell exchange, and still more if that power is shown to have been habitually exercised by the cashiers of all other banks established in the same community and 'having similar charters,' then the power to buy and sell gold (the right to do both which is conferred by the same clause of the charter) may be inferred by the jury.

****9** Again, if a cashier is shown to have usually or frequently *pledged in writing the credit of the bank* in the usual course of business, with the knowledge of the bank, and such is shown to be the usage of other banks, as before stated, it is evidence from which the jury may infer that he is authorized to pledge that credit in all transactions authorized by the charter, and which could lawfully be intrusted to a cashier.
It is not contended by the plaintiffs that a power to buy may be inferred from an exercise of a power to sell, however frequent that exercise may have been, nor that a power to indorse may be shown from numerous instances of signature as promissor. The contracts in such cases are wholly dissimilar; acts distinct in their nature. But when the powers exercised are shown to be of the same character, *involving both in form and substance the same identical obligation, and the same consequence to the principal*, and in the course of his business, it cannot be necessary to show that in their previous exercise they have been applied to contracts for the same article.[7]

The American Leading Cases[8] thus speak:

'With regard to the limits of the general agency, which is created by a series of acts or course of dealing, the language of Lord Eldon's, in *Davison* v. *Robertson*,[9] has generally been considered as defining the principle with accuracy. In that case the position had been stated that an indorsement *per* procuration required a special mandate, but Lord Eldon's opinion was, ***616** that no such thing was absolutely necessary: 'for if *from the general nature* of the acts permitted to be done, the law would infer an authority; the law would say that such an authority might exist without a special mandate.''

The author goes on to say:
'This is illustrated in *Commercial Bank of Erie* v. *Norton*.'[10]

In the case thus cited, Cowen, J., states the exact principles thus:

'It is not necessary, in order to constitute a general agent, that he should have done before *an act the same in specie with that in question*. If he has usually done *things of the same general character and effect* with the assent of his principals, that will be enough.'

The doctrine thus stated was in that case applied where the agent of a firm, who with their knowledge and assent, was in the habit of drawing bills and making notes and indorsements for them, had made an acceptance, *but no proof was offered* that he *had ever previously made an acceptance*. The principal was charged. The case is cited as sound, in Parson's Mercantile Law,[11] and Paley's Agency.[12] In *Watkins* v. *Vince*,[13] Lord Ellenborough carried the doctrine so far as to hold that a son who had signed for his father in three or four instances and had accepted bills, could bind the father *by a guarantee*. In *Prescott* v. *Flinn*,[14] C. J. Tindall says:

****10** 'It may be admitted that an authority to draw does not *impart in itself* an authority to indorse bills, but still the evidence of such authority to draw is *not to be withheld from the jury, who are to determine on the whole evidence*, whether such authority to indorse exists or not.'

The evidence to which these principles are to be applied, appears in the statement of the case.[15] It shows that the cashier of the defendants was intrusted by them with powers ***617** the largest and most comprehensive in dealing with the funds of the bank, giving its checks, pledging its credit, and making its contracts and purchases. Similar powers were openly and habitually exercised by the cashiers of banks in Boston, in the dealings of such banks with each other.

In view of such proofs, we ask if it ought to be determined that there was *no* legal competent evidence proper to be submitted to a jury, from which they might infer that, as among the wide powers openly exercised by Smith, the defendants' cashier, in numerous instances and for large amounts, was the authority to purchase exchange, he had or not also intrusted to him the power to purchase gold, and thus to find their verdict for the plaintiffs upon the counts framed upon such purchase?

We next submit, that upon the evidence the question, whether the defendants' cashier, clothed as he was with the powers stated in the proofs, had or not the *incidental power* to certify the checks declared on, was fit to be submitted to the jury.

In discussing this point we assume that there was evidence competent to be submitted to the jury to show the large powers intrusted to the cashier to pledge the credit of the bank-that the jury might well find that he had power to make the purchase of gold from the plaintiffs, and that he might have given a cashier's check on his own bank, a certificate of deposit, or a credit for the purchase-money.
Now, the form of pledging the credit of the bank at the moment the gold was received, viz., by certifying the checks of the parties for whom the arrangement was made, is of the same character and nature as a cashier's certificate of deposit, checks, or memorandums of credit, referred to in the history as to usage. Like these, it is an absolute and not a contingent promise to pay, and in view of the wide powers exercised by the defendants' cashier, the jury had a legal right to infer that this mode of pledging the credit of the bank, suited as it was to the circumstances (the cashier having full authority to make the purchase), was within his delegated powers. ***618**

The view of the court below rests on the doctrine, that if a charter prescribes the mode in which the officers of the bank must act or contract, that mode must be strictly pursued, and the power cannot be delegated. But this doctrine has no application in this cause, since the National Currency Act prescribes neither the mode nor the officers by whom the acts or contracts necessary to the course of business shall be made, but merely confines the general oversight and management to a board of directors.
****11** This precise question as to power of the directors to authorize other officers of a bank, by a general vote, to exercise in the name of the bank, *at all times*, the power to borrow money and give notes, has been raised and carefully discussed in a case where the charter, in terms, provided 'the affairs of the company shall be conducted by the directors,' and the careful judgment of Chief Justice Tilghman, displaying, as it does, the practical difficulties which would arise from a denial of the power, seems conclusive.[16]

If the power to borrow money, at all times, for the purposes of the bank, and give notes therefor, can be delegated by the directors to the cashier, the power to purchase exchange and gold, in pursuance of the charter, can be so delegated. Whether the power to delegate to a cashier authority to certify checks exist, has nowhere been settled. As to conferring such authority *on tellers by usage*, the power is negatived in Massachusetts,[17] while in New York it is settled that such power may be conferred,[18] and a statute of the United States recognizes certified checks, and makes them in common with the circulation subject of taxation.

Whether the control of the great leading business for which a bank is created, viz., loans and discounts, can be ***619** delegated, may be doubted. The prevailing practice known and acted upon by the public, is to apply to a board of directors for discounts. But it does not follow that the whole of the other functions of a bank can only be performed by a vote of directors, upon each hourly transaction. The authorities cited above are repugnant to any such doctrine.

But if the power to certify was not under the evidence fit to have been submitted to the jury, still the right to recover the purchase-money for the gold, stands unaffected by the giving of the checks. They were received in the faith that, in dealings of bank with bank, the defendants' cashier had authority to certify them. If they were void, no payment has been made. It is equivalent to a payment in forged bills. The debt remains.

****12** No proof was offered by defendants that the gold purchased of the plaintiffs was not carried to the defendants' bank and placed with their funds; although if it was not so, the onus is on the defendants.

Proof that the gold was so carried and placed is found in the occurrences on the occasion of the demand made at defendants' bank of its cashier and of its directors. The cashier of the defendants admitted that he had had the gold certificates in their bank; and that the State Bank was held. So at the interview of Mr. Haven with the defendants' directors, when he stated to them that their cashier had certified checks, and those checks were given to the cashier of the Merchants' Bank for gold delivered to him, the property of the Merchants' Bank, and that he wanted payment for that gold, there was no denial that the gold had been received by the State Bank, but merely a statement that the directors had not authorized their cashier to certify checks.
Messrs. B. R. Curtis, C. B. Goodrich, and B. F. Thomas, contra, and in support of the ruling below:

The main question is, whether the cashier had authority to bind the defendants in the contracts declared on.

I. Had he authority to certify the checks?

It is clear that no *express* authority had been given to him ***620** to do so. Certainly no such power was conferred upon him by the act of Congress, from which the corporation derives all its powers and functions; for by *it* the entire control and management of the bank are vested in the directors, and with this view, both as to qualifications and responsibility, their office and trust is most carefully guarded.

If, then, the cashier was authorized in any way to certify the checks, he must have been so through the action of the directors. But no such power was conferred upon him by any by-law; nor by any vote of the directors; no ratification or sanction by the directors as a board, or separately, of the use of such power by him; no evidence that he ever in a single instance, before or since the acts in question, made any certificate upon any check of depositor or stranger.

How then, if at all, have the directors clothed him with the power to make the contracts declared on? They had the power to appoint a cashier and to 'define his duties.' But they had no power to transfer or make over to him the duties and powers of the directors. They had power only to point out, and *define* what he was to do, not trenching upon but in just subordination to their own powers and duties.

Though the power to define the duties of the cashier is vested by the act of Congress with the directors, we concede that the appointment of a cashier devolves upon him various powers and duties. The inquiry then is as to their nature and extent.

Speaking in general terms, they are executive and ministerial, not discretionary or *quasi* judicial. His function is to carry into effect the contracts made by the directors, and to execute their orders. If in carrying into execution the contracts and orders of the directors, his acts sometimes assume the form of contracts, they are ancillary and accessory, and not substantive and independent agreements.
****13** It is plain that the appointment of cashier does not confer upon the appointee any power, duty, or function which the courts of law, and especially this court, have said do not appertain to the office. ***621**

What, then, has been determined by this court on this subject?

In *Fleckner* v. *Bank of the United States*,[19] the earliest case, the obligation of a bank for the acts of its cashier is limited to those done in the ordinary course of business intrusted to him.

In *Minor* v. *The Mechanics' Bank of Alexandria*,[20] it was held that no usage, even under the sanction of the board of directors, would justify a cashier in allowing customers to overdraw. The case at bar is not merely a case of overdrawing by a depositor, but a case of drawing to the amount of $500,000 by a firm who were not, so far as appears, depositors, and who had not and never had had funds in the bank.

In *Bank of the United States* v. *Dunn*,[21] this court held, that the president and cashier of a bank, acting together, had no power to bind the bank by a representation to an indorser where there was collateral security, that he would not be bound by his indorsement.

The United States v. *The Bank of Columbus*,[22] recognizes and affirms as settled law, that the making of a contract involving the payment of money, or the purchase or sale of property, is not within the ordinary business of a

cashier, and that if a party relies upon such contract by a cashier, he must show (at the least) a special delegation of power from the directors. The court say:

'The term, ordinary business, with direct reference to the duties of cashiers of banks, occurs frequently in English cases, and in the reports of the decisions of our State courts, and in no one of them has it been judicially allowed to comprehend a contract made by a cashier without an express delegation of power from a board of directors to do so, which involves the payment of money, unless it be such as has been loaned in the usual and ***622** customary way. Nor has it ever been decided that a cashier could purchase or sell the property, or create an agency of any kind for a bank which he had not been authorized to make by those to whom has been confided the power to manage its business, both ordinary and extraordinary.'

****14** It is vain to say that the contract in that case was *ultra vires*. The case was neither argued nor decided on that ground, but was argued and decided on the power of a cashier to make the contract. The principles involved in the decision are therefore authority in the case at bar.

The leading case in Massachusetts, where the contracts sued on purport to have been made, is *Mussey* v. *The Eagle Bank*.[23] The case, though arising as to a check certified by a teller, in its reasonings and the principles affirmed, applies as well to those by a cashier. The argument made here,-that this certificate of 'good,' on the check, is but another form of the exercise of a usage, so common in banks, of granting a certificate of deposit of money to the credit of a third person, was made there. What say the court?

'We are of opinion, that usage of the one will not support the practice of the other. The two practices, while having the appearance of resemblance, and although one may be used for the same purpose as the other, in the form of a remittance, are, in their character, essentially distinct.'

And the court show wherein they are so.

The cases decided in New York do not really touch the question of authority. The have no tendency to show that the power to certify checks was inherent *in the cashiers of banks in Massachusetts*, existing under the laws of the State, or of the United States.

It is true that the 17th article of the by-laws of the State Bank provides that 'all contracts, checks, drafts, receipts, &c., shall be signed either by the cashier or by the president.' But the duty of signing contracts is ministerial and executive, not discretionary. The power to sign, without ***623** more, excludes the idea of a power to make. The contracts and the checks to be signed are the checks of the bank and not of third persons.[24] The drawer of the check is the debtor to the payee. It is his contract, he standing to the payee as the maker of a promissory note or acceptor of a bill of exchange. The check does not contemplate or require acceptance, and, in the usual course, is not accepted. Smith here put his name upon contracts, which had their existence as contracts when signed by Mellen, Ward & Co. They were in no sense contracts made by the directors, or which had been prepared by them for signature by the cashier.

Nor does the production of a contract signed by the cashier furnish *primâ facie* evidence that the contract was made by the proper authority. Though such presumption may attach to payments made or received by the cashier over the counter of the bank, or other acts within the scope of his ordinary business and duties, it is limited to them. No rule of law is better settled than that a party contracting with a corporation of limited and defined powers, or the servant or agent of such corporation of limited agency, is always put upon his inquiry as to the extent of the power of both principal and agent.[25]

****15** The distinction between natural and political persons in this regard is obvious. A natural person may appoint an agent to do what he may do himself. Not so with corporations. They can exercise no powers not delegated, and must use them in the mode prescribed by their charter. He who relies upon a contract as binding upon a corporation, when such contract can be made only by its directors, must show affirmatively not only that the directors made it, but that it is within the scope of their powers and duties.[26]

But a like rule of agency applies even to natural persons. Under certain circumstances an authority arises to an agent ***624** to do a certain act, but you must show the occurrence of the circumstances before you can count upon his act. Familiar illustrations occur. *Ex. gr.*, the master of a ship may give a bottomry bond under certain circumstances; the lender must show the circumstances. The master may sell in case of necessity; the purchaser must show the necessity. The master may give a bill of lading for goods put on board; the holder must show that the goods were on board. So a power to draw and indorse bills for and in the name of the principal will not authorize a drawing or indorsing in his name for the accommodation of thrid persons.[27]

The plaintiffs argue that the defendants, by putting a cashier into the bank, and not defining or restricting his powers, held him out to the world as the organ of the bank for doing the business of banking, and that, therefore, any acts done by him in carrying on the business of banking, as receiving deposits or buying and selling gold, are at least *primâ facie* valid. But the directors have done no

such thing; they put the cashier into their bank as *cashier*, they held him out as *cashier*, and nothing more. The appointment to the office of cashier was a limitation of his powers. Whosoever dealt with the bank was bound to know the law, and especially a bank organized under the same laws, and doing business at its side. The defendants neither did nor could hold themselves out except as a banking association organized under the act of Congress, with the powers given by and to be exercised in the manner prescribed by that act.

That the putting a cashier behind the counter of a bank gives him no power to bind the bank, by representing that he has power to do what he cannot lawfully do, is plain. There could be no effectual definition or restriction of the powers of an agent if his representation of what he is authorized to do is to bind the principal. Though as to statements of facts on matters falling clearly within the agent's ***625** sphere of power and duty, he may bind the principal; that is the outside limit. Something more then was necessary to be shown than putting Smith into the bank as cashier, and a failure to define all his duties.

****16** If the power to make these contracts was not inherent in the office of cashier, and the directors have not defined or pointed it out as one of his functions, it could not spring out of their silence. It was not necessary for the directors to negative its existence, because there was neither law nor usage to require them.

Then, have the directors so conducted themselves as to their cashier and third persons, as to warrant them in believing that the cashier had been so authorized? They have not acquiesced in the use of the specific power, for there is no evidence that the cashier ever certified a check before or since he certified those in suit.

The plaintiffs' evidence is offered to show that defendants' cashier had been permitted to make contracts pledging the credit of the bank, and that it was the usage or course of business for cashiers in Boston to make such contracts. From the existence of a power to make the class of contracts testified of, they would infer a power to make the contracts sued upon. So far as the evidence concerns the conduct of the State Bank and its relations with its cashier, it tends to show that the cashier had, before these transactions, been accustomed to borrow money of other banks to make up deficiencies at the clearing-house and give his check therefor; to lend money for the same purpose, and receive a cashier's check therefor; to sell exchange on New York, and to draw on the bank's correspondent for the same; to buy exchange on New York, and give a cashier's check for the same, and (when discounts had been made) to give checks in lieu of bills to customers of the bank. But none of these acts, if proved to have been done by the cashier of his own motion, would have any tendency to show or warrant the jury in finding, that Smith had authority to go to the Merchants' Bank and certify checks of Mellen, Ward & Co., given to it in payment of a previous loan to them, or in payment for ***626** gold which the Merchants' Bank was under contract to sell to them. The calling of the cashiers of twenty-two banks to prove the borrowing of other banks and giving checks therefor, and the purchase and sale of New York exchange, and the absence of evidence of the certifying of a single check by a cashier, is the most forcible of negatives pregnant. It shows not merely that there is no evidence in the case, but that none was to be had.

So far as the evidence tends to show a usage or course of business, it clearly marks and defines it, and the line of demarcation falls outside of the class of acts counted upon by the plaintiff.

But it is asserted that the classes of acts shown to have been done by the defendants' cashier, and the acts sued upon, though not alike in form, are alike in principle in this regard, that they both pledge the credit of the principal.

Seemingly there are few agencies, general or limited, which do not more or less concern and involve the credit of the principal; but a power to pledge the credit of the principal for one purpose has no tendency to show the power to pledge it for another and distinct purpose. If A. authorizes B. to buy cotton on time, and he buys wool, or even real estate, all these acts assume to pledge the credit of A., but only the first does pledge it. The law does not extend or expand the powers of agents by analogy. On no subject are its rules of limitation more rigid.

****17** Moreover we object to what constitutes the principal part of the evidence of the plaintiffs, the testimony of the cashiers of banks in Boston, as to the powers exercised by those cashiers, as incompetent and immaterial. The plaintiff cannot show that the defendant bank had conferred a substantive power upon their cashier, by showing that cashiers of other banks used such power; *a fortiori* not by showing that cashiers of other banks used powers entirely distinct from the one relied upon.

In appointing a cashier, the directors charged him with the powers and duties which the law had declared to be inherent in the office of cashier. As to modes and forms of ***627** business, they authorized him to follow the usage and custom of the city of the bank's location, so far as they did not conflict with positive law. But these were the outside limits. To say because cashiers of debtor banks borrow money of creditor banks at the clearing-house to make up their balances, or buy or sell exchange on New

York, that therefore the cashier of the defendant bank could by certifying checks pledge the credit of the bank without limit, for persons who were not depositors at the bank, who had no funds there, lending in effect not merely more than a tenth, but nearly one-third of the bank's capital, contrary to the 29th section of the National Currency Act, by acts done outside of the banking-house or office where its business was by law to be transacted, without the knowledge of the directors or any one of them, or of any other officer of the bank, without any consideration to the bank for the responsibility assumed, paid or promised-is not merely to make the cashier the bank, but to take the bottom out of the bank itself.

Mellen, Ward & Co. not being depositors, having no account with the State Bank, had no right to draw a check upon that bank, and its cashier had no power to receive or recognize it. Paying the check of a depositor to the extent of his deposit is but paying as the bank has agreed to pay. Paying the check of a non-depositor, or guaranteeing its payment, is doing just what the bank had never agreed to do. Nor does it follow because the cashier might pay or guaranty the payment of a check where there were funds, he could do it where there were not.[28] There is no evidence of any agreement of Mellen, Ward & Co. and the defendants' cashier to place the gold coin or gold certificates in the defendant bank. Mr. Haven, indeed, the president of the Merchants' Bank, testifies that at noon on the 1st of March, in the State Bank, he asked Smith, its cashier, 'if he did ***628** not have the money? if the gold certificates were not delivered to him?' and that Smith said: 'Yes, I had them here, but they are not here now.' Giving full force to this testimony, it is, that Smith had the certificates with him in the bank edifice, not that they were ever mingled with the funds of the bank. As the cashier had no authority to buy the gold for the State Bank, or contract for its deposit there, that bank could not be responsible for it, until with the knowledge and assent of the directors it had been mingled with the bank's own funds.[29] And as the cashier had no authority to deal with the gold, either by purchase or receiving it on deposit for Mellen, Ward & Co. to draw upon it, he clearly has not the power to bind the bank by any declarations concerning the transaction. In addition to which, when Smith made this declaration he was not acting as agent of the bank.

****18** If it be said that the certificate of the cashier is *primâ facie* evidence that the drawers were depositors, and had funds to meet the checks, it comes to the same thing, as asserting that a cashier has power to certify where the drawers were not depositors, or had no credit at the bank.

The relation created by depositing money in a bank is that of debtor and creditor,-the depositor, the creditor; the bank, the debtor. The money deposited becomes the money of the bank. The depositor has for it the promise of the bank to pay him so much money on his orders or checks. The relation is the result, then, of contract. When a cashier or teller pays the check of a depositor having credit at the bank, he pays as the bank has promised; every dollar that is thus paid out discharges so much of the debt due the depositor from the bank. The cashier is but executing the contract of the bank. When the cashier accepts the draft or check of a non-depositor, a new and different contract is entered into. The bank agrees to advance or lend so much money to the drawer. The bank becomes the creditor, and ***629** the drawer of the check the debtor. It is not enough to say the two things differ; there is no resemblance between them. The bank may be very willing to have A. its creditor, and very unwilling to have him its debtor.

A specific objection to the giving to the cashier the power to accept these drafts, or the exercise of it by the directors themselves, is, that it clearly contravenes the provisions of the 29th section of the Banking Act. It would create a liability of Mellen, Ward & Co. to the defendant bank, exceeding one-tenth part of the capital of the bank; to the extent, indeed, of nearly a third of the capital.

II. Then, as to the sale of gold certificates and coin to the State Bank through its agent and cashier, Smith. The considerations, as to the power of the cashier to enter into contracts by certifying the checks, already suggested, apply with equal force here. The cashier had no authority to make the purchase; none under the act of Congress, none under the by-laws, none under any vote of the directors, none under the oral consent of the directors, or any one of them, none under any practice or any one precedent of his own. There is no evidence that the State Bank ever engaged in the business of buying and selling gold, or so held themselves out to the public. Though the statute *permits* it does not *require* the bank to deal in gold. It is for the directors to decide whether they will enter upon this business or not; without their consent, express or implied, the cashier could not do it.

If the cashier had made the most formal purchase of the plaintiffs' gold, the defendants could not be holden. If the directors had received the gold coin or certificates, and had not within a reasonable time, or on reasonable request, returned them, the bank might be charged with their value. But the putting them into the hands of Smith (if proved) is nothing; for if Smith had no authority to make the contract for the gold, he certainly was not the defendants' agent to receive the gold. Nor would the delivery to, and receipt of the gold or gold certificates by the defendants' cashier, when absent from the bank,

create a deposit for Mellen, Ward & Co., or render the bank liable on any implied ***630** assumpsit to the owner. If one delivers money to the cashier of a bank when absent from the bank, to deposit, or to pay a note in the bank, he makes the cashier his agent to deposit or pay; and if the money be lost or stolen before it reaches the bank, the bank is not liable.[30]

****19** This rule, applicable to banks generally, has peculiar force to one organized under the United States Banking Act, which requires that 'its usual business shall be transacted *at* an office or banking-house located in the place specified in its organization certificate.'
If the cashier of the State Bank had the power to purchase, the Merchants' Bank had no right to sell. Mellen, Ward & Co. had a right to the gold at any time by paying the advance. The Merchants' Bank had the right at any time to demand the payment of the money. Interest was to be paid on the sum advanced. No matter what name the parties give to the transaction, these essential features remain and show conclusively a loan. But whether a loan or conditional sale is not important. Mellen, Ward & Co., it is certain, had a right to receive the gold upon payment of the amount advanced, with interest. Neither the bank nor Smith had such right. If Smith was not an agent to contract, he was not to receive. At the time of the delivery, Carter and Smith were present. Carter said he had come in for his gold; it was delivered. The delivery in contemplation of law was to Carter, the only person present competent to receive. Whether the manual caption was by Carter or Smith is immaterial.[31]

The payment, if any was made, was made by Mellen, Ward & Co. The checks were their checks, none the less after the certificates than before. If the word 'good' can be treated as a guaranty by the bank, Mellen, Ward & Co. were the principals. If the checks, when certified, were acceptances of the bank, yet in contemplation of law they were drafts on and to be paid from their funds in the hands ***631** of the bank, charged to account of Mellen, Ward & Co., and of course their property.

Other objections, somewhat more technical, may be suggested.

(*a*) The certificates having been made by the cashier when absent from the banking-house, were in violation of the 8th section of the act of Congress requiring its business to be done at its office or banking-house. None of the presumptions which would attach to payments made, or other acts done over the bank's counter, apply to these.

(*b*) Certified checks are against the policy of the Banking Act, which prohibits the issue of bills exceeding 90 per cent. of the bonds deposited. It is familiar history that certified checks have been used chiefly, if not wholly, to eke out a currency larger than the act allows.

They are equally illegal and void, as within the prohibition of the 23d section of the Banking Act, which forbids any banking association to issue post notes, or any *other notes*, to circulate as money than such as are authorized by the act. It is sufficient to bring the certified checks within the provision that they are capable of being so used, and that the general purpose for which they had been used was a substitute for bills.

****20** (*c*) The written contracts relied upon could not be offered in evidence, because not duly stamped. If the certificates were valid, and to bind the bank, they engrafted upon the checks new and distinct contracts, to wit, acceptances of bills, and must be stamped as such.

Reply: The defendant's view is, that in the absence of definition by charter, by-law, or vote, the law prescribes the extent and limit of the powers of a cashier. But this view is not supported either by principle or authority.
Doubtless there exist classes of commercial agencies, whose powers and duties are so fixed and defined by the common law, after ages of judicial proof and investigation, that they are not only no longer the subject of inquiry but cannot be varied and controlled as against the public by ***632** proof of special contract limiting those powers. Such are partners, shipmasters, brokers, factors, &c. The powers and duties of such agents are fixed by the law, not in the absence of powers prescribed by writing or contract (as is claimed for cashiers), but in utter disregard of such prescription. But a cashier, the offspring of modern commerce, is, as stated by Baron Parke of bill brokers, 'not a character known to the law with certain prescribed duties, but his employment is one that depends entirely on the course of dealing. It may differ in different parts of the country. The nature of these powers and duties in any instance, is a question of fact, and is to be determined by the usage and course of dealing in the particular place.'[32]

That this is the precise doctrine applicable to cashiers is obvious, since even the defendants must admit that, in the absence of regulations by charter, by-law, or vote, the powers and duties of a cashier may be shown by the course of dealing lawfully committed to his charge by the bank. Now if this be so, defendants' proposition must be, that in the absence of all regulation by charter or vote, and of all evidence of the powers actually exercised by a cashier with the knowledge and ratification of the bank, the law prescribes the powers of a cashier. The value of which doctrine, if true, will appear, whensoever such a state of facts shall (if ever) occur.

But in no one of the cases decided by this court and relied on by the defendants, has the court attempted to *rest its decision* upon an assumed judicial knowledge of the common law powers and duties of a cashier, where the acts in question were within the pale of the charter. There are in several of the cases *recitals* of what the court suppose are the ordinary powers of cashiers, but no judicial decision has turned upon those recitals.

In *Fleckner* v. *Bank of United States*,[33] an early case, the question was, whether a cashier had a right to indorse the note ***633** in suit. In the course of the judgment it is said: 'We are *very much inclined to think*' that the indorsement falls within the ordinary duties and rights of a cashier, *at least if his office be like that of similar institutions*. 'The cashier is usually,' &c. '*It does not seem too much to infer*.' 'But waiving this consideration.' *The case is decided on another ground*.

****21** *Minor* v. *Bank of Alexandria*,[34] was debt on a cashier's bond; the defence set up a usage sanctioned by directors, to allow parties to overdraw, and the case was decided on the ground that it was 'a usage to misapply the funds of the bank and connive at their withdrawal, *and could not be supported by any vote of the directors, however formal*.' The case states with great fulness the rights of the public in dealing with the officers of banks. 'The ordinary usage and practice of a bank, in the absence of counter proof, must be supposed to result from regulations prescribed by the board of directors, &c. It *would be not only inconvenient, but perilous, for the customers or any other persons dealing with the bank, to transact their business with the officers upon any other presumption*. The officers of a bank are held out to the public as having authority to act according to the general usage, practice, and course of their business, and their acts within the scope of such usage, would bind the bank in favor of third persons having no other knowledge.'

Then follows next the case of *Bank of the United States* v. *Dunn*,[35] in which the defence was set up by an indorser that prior to the discount of the note, both the president and cashier represented to him that the note was secured and his liability nominal. The evidence was held as inadmissible, both as contradicting the note and upon the ground that '*all discounts are made under the authority of directors, and it is for them to fix any conditions*.' 'The agreement was not made by persons who have power to bind the bank *in such cases*, nor have they power to bind the bank except in discharge of the ordinary duties.' There is no other or further remark in the case as to powers of cashiers.

The last case is the *United States* v. *Bank of Columbus*.[36] The question at issue was the authority of the cashier to contract with the United States in the name of the bank for the gratuitous transfer of $100,000 from New York to New Orleans. The important feature of the case as showing that it really decided a question *of corporate powers* is, that there was no offer of evidence to show the extent and character of the functions actually intrusted in the course of its business by this bank to its cashier, from which the inference might be drawn whether the bank had or had not intrusted him with powers involving the same principle.

****22** It has been determined by the same judge who delivered the opinion of this court in *United States Bank* v. *Dunn*, relied on by defendants, that 'the cashier of a bank authorized by its charter to deal in bills of exchange, may accept such bills as the agent of the bank. *This is in the scope of his agency*, and is sanctioned by universal usage.'[37]

It is argued:

(*a*) That in view of the testimony as to the transaction by which the gold was delivered to the defendants' cashier, it was not and could not be intended or legally held to be a sale or delivery of the gold by the plaintiffs to the defendants.

(*b*) That as a matter of law the transaction by which the plaintiffs originally received the gold, under the arrangement with Mellen, Ward & Co., must be held to be a loan by the plaintiffs on a pledge of the gold, and that, considered as a loan, it violated the provisions of section twenty-nine of the National Currency Act, and by reason thereof the plaintiffs cannot by law maintain a suit for the price of the gold under the sale to defendants.

1st. The ground on which the defendants assert that the question whether there was a sale of gold to defendants, is not to be submitted to the jury, is that there was in legal ***635** contemplation no evidence of such sale, but that the court must rule, as matter of law, that it was a sale and delivery to Mellen, Ward & Co.

This view assumes, for the purposes of the argument, that the contract of plaintiffs with Mellen, Ward & Co. was a contract to purchase the gold, with an agreement as to the right of Mellen, Ward & Co. to repurchase it. Now this right to repurchase was capable of being transferred to the defendants. Indeed the testimony shows that at the outset, it was agreed or contemplated that it would be so transferred 'in the course of a few days, and that the gold, when taken away, would go through, probably, some other bank, mentioning, perhaps, the State Bank.' The transfer of this right to the State Bank (within two days) was, in fact accomplished. There was a transfer to the State Bank of Mellen, Ward & Co.'s right to repurchase

the gold, and an exercise of that right by their cashier. Nor does the fact that the attempted payment was by checks of Mellen, Ward & Co. certified by the defendants' cashier negative the view that the State Bank were purchasers. The inference, without further evidence, would be strong that they made the same arrangement with Mellen, Ward & Co. as had been previously made with them by the plaintiffs (perhaps upon easier terms), as they agreed to pay the plaintiffs precisely what the plaintiffs had paid, viz., 125 per cent. The moment that the defendants got the gold, they had funds in their hands, and the certified checks could be drawn against those funds, and were drawn for the identical amount which the plaintiffs had agreed originally with Mellen, Ward & Co. to pay.

****23** But however all this might have appeared to a jury, it was a question to be submitted to them.

2d. As to the defendants' other proposition, that the arrangement between the plaintiffs and Mellen, Ward & Co. must in law be held to be a loan, with a pledge of the gold as security, it is submitted, that if there be any evidence of the amount of their capital stock upon which to rest the averments that if it were a loan, it exceeded ***636** the quantum permitted by the 29th section of the National Currency Act, such evidence was for a jury and not for a court.

Certain features of the transaction are relied on by the defendants which, if there were no direct evidence of what the exact contract was, and that it was intended by both parties to be a purchase and not a loan, might support, with more or less strength, the position that in law such features would constitute a loan. But the direct evidence of the terms of the contract negatives any inference which the jury might otherwise draw from these detached features. In such a conflict the question is for the jury, with instructions as to what facts, if found by them, would in law constitute a loan, and what a purchase.

But assume that the court or a jury should arrive at the conclusion that the transaction was a loan accompanied by a pledge, can the State Bank avoid their contract to pay the agreed price of their purchase of the pledge from us (an agreement made with the assent of the pledgor) on the ground that we received the pledge under a contract with the pledgor, which is illegal? Or can a party, who has accepted the draft of a pledgor given in settlement of a transaction which is an infraction of a statute, set up the illegality of that transaction to avoid his acceptance?

The minor objections are of small weight.

(*a*) The requirement that the '*usual* business' of the bank is to be transacted at its banking-house, means that the bank shall not carry on banking in distant places. Under the construction of the other side, how could two banks ever conclude any business between *themselves?* It would have to be done *at* the banking-house of one, and so *out* of the banking-house of the other. This business was done at the banking-house of the Merchants' Bank.

(*b*) 'Certified checks' are indirectly authorized by Congress, by being taxed. If they contravene the National Banking Act they do so by leave of the legislature.
(*c*) Being specifically taxed they do not require a stamp as acceptances. ***637**

Mr. Justice SWAYNE delivered the opinion of the court.

This is a writ of error to the Circuit Court of the United States for the District of Massachusetts. The plaintiff in error was the plaintiff in the court below. It appears, by the bill of exceptions, that upon the evidence in behalf of the plaintiff being closed, the defendant's counsel moved the court to instruct the jury that it was not sufficient to warrant them to find a verdict for the plaintiff upon either of the counts in the declaration. This instruction was given. The jury found for the defendant. The plaintiff excepted, and has brought that instruction here for review. This renders it necessary to examine the entire case as presented in the record. According to the settled practice in the courts of the United States, it was proper to give the instruction if it were clear the plaintiff could not recover. It would have been idle to proceed further when such must be the inevitable result. The practice is a wise one. It saves time and costs; it gives the certainty of applied science to the results of judicial investigation; it draws clearly the line which separates the provinces of the judge and the jury, and fixes where it belongs the responsibility which should be assumed by the court. The facts disclosed in the bill of exceptions are neither numerous nor complicated. The defendant called no witnesses. There is no conflict in the testimony. The questions which it is our duty to examine are questions of law. None are made upon the pleadings, and it is unnecessary to consider them. It is sufficient to remark, that the declaration is so framed as to meet the case in every legal aspect which it can assume.

****24** On the 26th of February, 1867, Fuller, the plaintiff's cashier, received from the Second National Bank of Boston $200,000 of gold certificates, and paid the bank, upon their delivery, the amount of their face and a premium of 25 per cent. Payment was made in currency and legal tender notes. The next day he received from the same bank $200,000 more of like certificates, and paid for them at the same rate in currency and a ticket of credit by

the Merchants' Bank in favor of the National Bank for $175,000. Both transaction were ***638** pursuant to an arrangement with Mellen, Ward & Co., brokers, in Boston. The market premium upon gold at that time was 40 per cent. It was understood between Fuller, the cashier, and Mellen, Ward & Co., that the latter might receive the same amount of gold from the Merchants' Bank, at any time thereafter, by paying the amount advanced, compensation for the trouble the bank had incurred, and interest at the rate of six per cent. There had been like transactions upon those terms between the parties prior to that time. The president of the bank was consulted in advance as to both the purchases from the Second National Bank, and approved them. The following testimony is taken from the record:

'George H. Davis testified as follows: I am the paying teller of the Merchants' Bank. From about the 1st of January, 1867, and previous to the 23d of February, the bank several times received gold, or gold certificates from Mellen, Ward & Co., for which it paid currency at the rate of $125 for $100 in gold. At that time they had deposited in the bank about $90,000 in gold. No note, memorandum, or check was taken connected with it in any way. The gold was added to the gold of the bank; on my cash book it was added to the item of gold, and the gold was mixed with the gold of the bank in the vault. If it consisted of certificates, they were put in a pocket-book kept in my trunk with other certificates and bills. (The paying teller's book was put in, and from the entries in it on the 26th, 27th, and 28th of February, 1867, it appeared that the gold received from Mellen, Ward & Co. was added to the gold of the bank.)'

On the 28th day of February, Carter, of the firm of Mellen, Ward & Co., and Smith, the cashier of the State Bank, called together at the Merchants' Bank. Carter said to Fuller, 'We have come in for gold.' Smith, the cashier, said, 'We have come to get an amount of gold,' and that he would 'pay for it by certifying these checks,' referring to two papers which Carter held in his hand. The teller handed Fuller 84 gold certificates of $5000 each, making the sum of $420,000. Fuller announced the amount. Smith said ***639** that was the amount wanted, and the amount covered by the checks. He received the certificates, certified the checks, and handed them over to the plaintiff's cashier. They were drawn by Mellen, Ward & Co. upon the State National Bank in favor of Fuller, the plaintiff's cashier, or order, and were certified 'Good; C. H. Smith, cashier.' One was for $250,000, and the other for $275,000. Smith thereupon left the bank with the certificates in his possession. Nothing was said by Fuller to Carter, or by Carter to Fuller, in relation to the checks, and Fuller did not know what checks Smith referred to until they were delivered to him. Smith did not certify or deliver the checks until he had got possession and control of the funds upon which his certificates were apparently founded, and this was known to the plaintiff's agent when he received the checks. Later, on the same day, Smith and Carter called again at the Merchants' Bank. Fuller was absent. Smith received $60,000 more of gold and gold certificates from the teller, and gave in return a check for $75,000, drawn by Mellen, Ward & Co. on the State Bank, payable to 'gold or bearer.' Like the two previous checks, it was certified 'Good; C. H. Smith, cashier.' This arrangement was in pursuance of the same agreement as that under which the gold certificates were delivered in the earlier part of the day. Both transactions were alike within its scope.

****25** On the 1st of March, Havens, the president of the Merchants' Bank, called at the State Bank and complained that Smith had not paid the checks. Smith said he was going out to get the money. Havens inquired, 'Didn't you have the money-the gold? Were not gold certificates delivered to you?' He answered, 'Yes; I had them here, but they are not here now. I am going out to get it, and will come in and attend to it.' Subsequently, in the same conversation, he said, 'You hold the State Bank.' Later in the day Havens called upon Stetson, the president of the State Bank. Stetson denied that Smith was authorized to certify the checks, and appealed to a director who was present. The director was silent. In an account which Fuller rendered ***640** to Mellen, Ward & Co. after their failure, showing the disposition of various collaterals which Mellen, Ward & Co. had deposited from time to time with the Merchants' Bank, the amount paid for gold was put down as a loan, and interest was charged, but in his testimony before the jury he denied that the money was loaned, and insisted that the gold was bought by the Merchants' Bank. The agreement between Mellen, Ward & Co. and the Merchants' Bank rested wholly in parol. No written voucher was given or received on either side touching any of the transactions between the parties. The record discloses nothing else in this connection which it is material to consider.

The State Bank was organized under the act of Congress 'to provide a national currency,' &c., of the 3d of June, 1864.[38] The eighth section of that act authorizes such associations, by their directors, to appoint a cashier and other officers, and to exercise, 'under this act, all such incidental powers as shall be necessary to carry on the business of banking by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; by loaning money on personal security; by obtaining, issuing, and circulating notes, according to the provisions of this act,' &c. It is further provided that the directors may, by by-laws,

regulate the manner in which its business shall be conducted and its franchises enjoyed; and that its general business shall be transacted at an office 'located in the place specified in its organization certificate.'

The 5th of the articles of association authorizes the board of directors to appoint a cashier and such other officers as may be necessary, and to define their duties. The 7th by-law declares that the cashier 'shall be responsible for the moneys, funds, and other valuables of the bank, and shall give bond,' & c. The 17th by-law requires that all 'contracts, checks, drafts, receipts, &c., shall be signed by ***641** the cashier or by the president, and that all indorsements necessary to be made by the bank shall be under the hand of the cashier or president,' unless absent.

****26** The by-laws contain nothing further upon this subject. The directors failed to define more specifically the powers and duties of the cashier.

Smith, the defendant's cashier, exercised habitually very large powers without any special delegation of authority. An account was kept on the books of the bank with him as cashier, which represented these transactions, and printed blank checks were kept in the bank to facilitate them. The checks given by him for the proceeds of bills discounted and for the purchase of exchange during the five months preceding the 23d of February, 1867, amounted in the aggregate to two and a half millions of dollars. This was exclusive of his clearing-house checks. His checks for money borrowed of other banks, during the six months preceding the same 23d of February, amounted to one million five hundred and forty-seven thousand dollars. A large number of the cashiers of other banks in Boston were examined, and testified that they exercised the same powers under like circumstances. There is no proof that either they or Smith ever certified checks. It is not shown what became of the gold. Perhaps some light is thrown on the subject by the remark of the president of the Merchants' Bank to the president of the State Bank, 'that the latter had better go to the sub-treasury, and that he would perhaps find his gold there.' We find no reason to doubt that both banks, as represented by their cashiers, acted in entire good faith throughout the transactions, until they were closed by the delivery of the last of the certified checks. Neither could then have anticipated the difficulties and the conflict which subsequently arose.

The first question presented for our consideration is, what was the title of the plaintiff, and what were the rights of Mellen, Ward & Co., in respect to the gold certificates delivered by the Second National Bank to the Merchants' ***642** Bank? No very searching analysis of the facts disclosed is necessary to enable us to find a satisfactory answer to this inquiry. It does not appear that Mellen, Ward & Co. had any connection with the certificates received from the Second National Bank until after the plaintiff took the action which they invoked, and came into possession of the property.

The Merchants' Bank applied for them, bought them, paid for them, received them, and deposited them with its other assets of like character. It does not appear that any special mark was put upon them, or that anything was done to distinguish them from the other effects of the bank with which they were mingled. Upon the face of the transaction it was a simple sale by the Second National Bank, whereby the entire title and property became vested in the plaintiff. But gold was then at a premium of 40 per cent. in currency. The Merchants' Bank paid but 25, according to the contract between the bank and Mellen, Ward & Co. The latter were to pay, and it is to be presumed did pay, the additional 15 per cent. This was a part of the consideration upon which the Merchants' Bank entered into the contract. It is evident that the bank did not agree to deliver to Mellen, Ward & Co. the identical gold certificates which were purchased, but gold, or its equivalent in certificates to the same amount, and any gold, or any certificates would have satisfied the contract. The bank cannot, therefore, be regarded as holding the certificates in pledge. The want of the element, that the identical certificates were to be delivered, is conclusive against that view of the subject. If Mellen, Ward & Co. had tendered performance and called for gold, and the bank had failed to respond, Mellen, Ward & Co. could have sustained an action for the breach of the contract. But they could not have maintained detinue, trover, or replevin against the bank. The real character of the transaction was, that the bank took the title and entire property, but Mellen, Ward & Co. had the right to purchase from the bank the like amount of gold, or its equivalent in certificates, according to the terms of the contract, which were, ***643** that they should pay what the bank paid, compensation for its trouble, and interest from the time the purchase by the bank was made.

****27** In respect to the $60,000 of gold and gold certificates delivered by the teller in the absence of the cashier, and the excess of gold certificates over $400,000 delivered by the cashier, the facts are substantially the same as those in regard to the $400,000, except that the excess of certificates, and what was delivered by the teller, had reference to gold and gold certificates deposited in the bank by Mellen, Ward & Co. This difference is not material. With this qualification the same remarks apply which have been made touching the $400,000 of certificates, and we are led to the same legal conclusions.

The transactions between the State Bank and the Merchants' Bank were apparently of the same character as that between the Merchants' Bank and the Second National Bank. What the understanding between Mellen, Ward & Co. and the defendant was is not disclosed in the evidence. But it is fairly to be inferred that it was the same as that between them and the Merchants' Bank. When the arrangement was proposed by Carter to Fuller, on the 22d of February, Carter said that 'when the gold was taken from the Merchants' Bank he thought it would go through some other bank or banks.' The assent of Mellon, Ward & Co. to the sale to the State Bank by the Merchants' Bank extinguished their claim upon the latter. The Merchants' Bank certainly had a title of some kind, and whatever it was it passed to the State Bank, unless the contract was void, because the State Bank had no corporate power, or its cashier had no authority to make the purchase. The act of Congress expressly authorizes the banks created under it to buy and sell coin. No question of *ultra vires* is therefore involved.
If the Merchants' Bank held the certificates as a pledge it had a special property which might be sold and assigned. The assignee in such cases becomes invested with all the legal rights which belonged to the assignor. Such is the ***644** rule of the common law, and it has subsisted from an early period.[39]

But we are entirely satisfied with the other view we have expressed upon the subject. *Modus et conventio vincunt legem*.

It is insisted by the defendant's counsel that the transaction was a loan to Mellen, Ward & Co. As the bank parted with its title, if there were a loan in the eye of the law, it would not in any wise affect the conclusions at which we have arrived.

Recurring to the subject of the authority of the cashier of the State Bank to make the purchase, and excluding from consideration for the present the certified checks, three views, we think, may be properly taken of the case in this aspect.

****28** 1. If the certificates and the gold actually went into the State Bank, as was admitted by Smith to Havens, then the bank was liable for money had and received, whatever may have been the defect in the authority of the cashier to make the purchase, and this question should have been submitted to the jury.

2. It should have been left to the jury to determine whether, from the evidence as to the powers exercised by the cashier, with the knowledge and acquiescence of the directors, and the usage of other banks in the same city, it might not be fairly inferred that Smith had authority to bind the defendant by the contract which he made with the Merchants' Bank.

3. Where a party deals with a corporation in good faith-the transaction is not *ultra vires*-and he is unaware of any defect of authority or other irregularity on the part of those acting for the corporation, and there is nothing to excite suspicion of such defect or irregularity, the corporation is bound by the contract, although such defect or irregularity in fact exists.

If the contract can be valid under any circumstances, an ***645** innocent party in such a case has a right to presume their existence, and the corporation is estopped to deny them.

The jury should have been instructed to apply this rule to the evidence before them.
The principle has become axiomatic in the law of corporations, and by no tribunal has it been applied with more firmness and vigor than by this court.[40]
Corporations are liable for every wrong of which they are guilty, and in such cases the doctrine of *ultra vires* has no application.[41]
****29** Corporations are liable for the acts of their servants while engaged in the business of their employment in the same manner and to the same extent that individuals are liable under like circumstances.[42]
Estoppel *in pais* presupposes an error or a fault and implies an act in itself invalid. The rule proceeds upon the consideration that the author of the misfortune shall not himself escape the consequences and cast the burden upon another.[43] Smith was the cashier of the State Bank. As such he approached the Merchants' Bank. The bank did not approach him. Upon the faith of his acts and declarations it parted with its property. The misfortune occurred through him, and as the case appears in the record, upon ***646** the plainest principles of justice the loss should fall upon the defendant. The ethics and the law of the case alike require this result.[44]
Those who created the trust, appointed the trustee and clothed him with the powers that enabled him to mislead, if there were any misleading, ought to suffer rather than the other party.[45]

In the *Bank of the United States* v. *Davis*,[46] Nelson, Chief Justice, said: 'The plaintiffs appointed the director and held him out to their customers and the public as entitled to confidence. They placed him in a position where he has been enabled to commit this fraud.'

The director had fraudulently appropriated the proceeds of a bill discounted for the drawer. It was held the drawer was not liable.

The reasoning of Justice Selden in the *Farmers' and Mechanics' Bank of Kent Co.* v. *The Butchers' and Drovers' Bank*[47] is also strikingly apposite in the case before us. He said: 'The bank selects its teller and places him in a position of great responsibility. Persons having no voice in his selection are obliged to deal with the bank through him. If, therefore, while acting in the business of the bank and within the scope of his employment, *so far as is known or can be seen by the party dealing with him*, he is guilty of misrepresentation, ought not the bank to be responsible?'
****30** The same principle was applied in the *New York and New Haven Railroad Co.* v. *Schuyler*.[48]

It was explicitly laid down by Lord Holt, in *Hern* v. *Nichols*.[49] He there said: 'For seeing somebody must be a loser by this deceit, it is more reason that he that employs and puts trust and confidence in the deceiver should be a loser than a stranger,' 'and upon this the plaintiff had a verdict.'

***647** Smith, by his conduct, if not by his declarations, avowed his authority to buy the certificates and gold in question from the Merchants' Bank, and the bank, under the circumstances, had a right to believe him.
We have thus far examined the controversy as if the certified checks were void or had not been given. It remains to consider that branch of the case. Bank checks are not inland bills of exchange, but have many of the properties of such commercial paper; and many of the rules of the law merchant are alike applicable to both. Each is for a specific sum payable in money. In both cases there is a drawer, a drawee, and a payee. Without acceptance, no action can be maintained by the holder upon either against the drawer. The chief points of difference are that a check is always drawn on a bank or banker. No days of grace are allowed. The drawer is not discharged by the laches of the holder in presentment for payment, unless he can show that he has sustained some injury by the default. It is not due until payment is demanded, and the statute of limitations runs only from that time. It is by its face the appropriation of so much money of the drawer in the hands of the drawee to the payment of an admitted liability of the drawer. It is not necessary that the drawer of a bill should have funds in the hands of the drawee. A check in such case would be a fraud.[50]
All the authorities, both English and American, hold that a check *may be* accepted, though acceptance is not usual.[51]

By the law merchant of this country the certificate of the bank that a check is good is equivalent to acceptance. It implies that the check is drawn upon sufficient funds in the hands of the drawee, that they have been set apart for its ***648** satisfaction, and that they shall be so applied whenever the check is presented for payment. It is an undertaking that the check is good them and shall continue good, and this agreement is as binding on the bank as its notes of circulation, a certificate of deposit payable to the order of the depositor, or any other obligation it can assume. The object of certifying a check, as regards both parties, is to enable the holder to use it as money. The transferee takes it with the same readiness and sense of security that he would take the notes of the bank. It is available also to him for all the purposes of money. Thus it continues to perform its important functions until in the course of business it goes back to the bank for redemption and is extinguished by payment.

****31** It cannot be doubted that the certifying bank intended these consequences, and it is liable accordingly. To hold otherwise would render these important securities only a snare and delusion.

A bank incurs no greater risk in certifying a check than in giving a certificate of deposit. In well-regulated banks the practice is at once to charge the check to the account of the drawer, to credit it in 'a certified check account,' and when the check is paid to debit that account with the amount. Nothing can be simpler or safer than this process.

The practice of certifying checks has grown out of the business needs of the country. They enable the holder to keep or convey the amount specified with safety. They enable persons not well acquainted to deal promptly with each other, and they avoid the delay and risks of receiving, counting, and passing from hand to hand large sums of money.

It is computed by a competent authority that the average daily amount of such checks in use in the city of New York, throughout the year, is not less than one hundred millions of dollars.

We could hardly inflict a severer blow upon the commerce and business of the country than by throwing a doubt upon their validity.
***649** Our conclusions as to their legal effect are supported by authorities of great weight.[52]
Congress has made them the subject of taxation by name.[53]

But it is strenuously denied that the cashier had authority to certify the checks in question. To this there are two answers:

1. In considering the question of his authority to buy the gold, the evidence that he had given his checks for loans to his bank, and for the proceeds of discounts, was fully considered. Our reasoning and the authorities cited upon

that subject apply here with equal force. We need not go over the same ground again. The questions whether the requisite authority was not inferable, and whether the principle of estoppel *in pais* did not apply, should in this connection also have been left to the jury.
2. As before remarked, the organic law expressly allowed the bank to buy coin and bullion. We have also adverted to the provisions of the by-laws, that the cashier shall be responsible 'for the moneys, funds, and all other valuables of the bank;' and that 'all contracts, checks, drafts, receipts, &c., shall be signed either by the cashier or president.' The power of the bank to certify checks has also been sufficiently examined. The question we are now considering is the authority of the cashier. It is his duty to receive all the funds which come into the bank, and to enter them upon its books. The authority to receive implies and carries with it authority to give certificates of deposit and other proper vouchers. Where the money is in the bank he has the same authority to certify a check to be good, charge the amount to the drawer, appropriate it to the payment of the check, and make the proper entry on the ***650** books of the bank. This he is authorized to do *virtute officii*. The power is inherent in the office.[54]
****32** The cashier is the executive officer, through whom the whole financial operations of the bank are conducted. He receives and pays out its moneys, collects and pays its debts, and receives and transfers its commercial securities. Tellers and other subordinate officers may be appointed, but they are under his direction, and are, as it were, the arms by which designated portions of his various functions are discharged. A teller may be clothed with the power to certify checks, but this in itself would not affect the right of the cashier to do the same thing. The directors may limit his authority as they deem proper, but this would not affect those to whom the limitation was unknown.[55]

The foundation upon which this liability rests was considered in an earlier part of this opinion. Those dealing with a bank in good faith have a right to presume integrity on the part of its officers, when acting within the apparent sphere of their duties, and the bank is bound accordingly.

In *Barnes* v. *The Ontario Bank*,[56] the cashier had issued a false certificate of deposit. In the *Farmers' and Mechanics' Bank* v. *The Butchers' and Drovers' Bank*,[57] and in *Mead* v. *The Merchants' Bank of Albany*,[58] the teller had fraudulently certified a check to be good. In each case the bank was held liable to an innocent holder.
It is objected that the checks were not certified by the ***651** cashier at his banking-house. The provision of the act of Congress as to the place of business of the banks created under it must be construed reasonably. The business of every bank, away from its office-frequently large and important-is unavoidably done at the proper place by the cashier in person, or by correspondents or other agents. In the case before us, the gold must necessarily have been bought, if at all, at the buying or the selling bank, or at some third locality. The power to pay was vital to the power to buy, and inseparable from it. There is no force in this objection.[59]

****33** It is also objected that each of the checks, after being certified, required an additional stamp. The act of Congress relating to the subject directs certified checks to be included in the circulation of the bank for the purpose of taxation.[60] This is a conclusive answer to the objection.

In *Brown* v. *London*,[61] judgment in a suit upon two accepted bills of exchange was arrested after verdict because 'entire damages' were given, and the count, upon one of the bills, failed to aver that by the custom of merchants and others trading in England the acceptor was obliged to pay. This was in 1671. Other decisions in this class of cases, not less remarkable, are familiar to those versed in the learning of the elder reports. The *law merchant* was not made. It grew. Time and experience, if slower, are wiser law makers than legislative bodies. Customs have sprung from the necessities and the convenience of business and prevailed in duration and extent until they acquired the force of law. This mass of our jurisprudence has thus grown, and will continue to grow, by successive accretions.

We have disposed of this case as it is before us.

How far it may be changed in its essential character, if at all, by a full development of the evidence on both sides in the further trial, which will doubtless take place, it is not for us to anticipate.

***652** The judgment below is REVERSED, AND A VENIRE DE NOVO AWARDED.

Mr. Justice MILLER was not present at the argument of this case, and did not participate in its decision.

Mr. Justice CLIFFORD (with whom concurred Mr. Justice DAVIS), dissenting.

****33** Persons uniting to form an association for carrying on the business of banking are required, as a condition precedent to their right to do so, to make an organization certificate, specifying, among other things, the name assumed by the association, the place where its operations of discount and deposit are to be conducted, designating

the State, Territory, or district, and also the particular county and city, town or village, and shall transmit the same, duly acknowledged, to the comptroller of the currency, to be recorded and carefully preserved in his office; and the provision is that the usual business of the association shall be transacted at an office or banking-house located in the place specified in their organization certificate.[62]

Such an association, when duly organized, have a succession by the name designated in the organization certificate for the period of twenty years, and they may adopt a common seal, may make contracts, sue and be sued, complain and defend in any court of law or equity as fully as natural persons, and may elect or appoint directors, and may exercise all such incidental powers as may be necessary to carry on the business of banking. They may also, by their board of directors, appoint a president, vice-president, cashier, and other officers, and define their duties, . . . and they may, by their directors, dismiss said officers, or any of them, at pleasure, and appoint others to fill their places. By the terms of the act the directors shall consist of 'not less than five,' and the express enactment is that the affairs of the association shall be managed by the directors.

****34** Evidence that that requirement is regarded as one of importance, ***653** and that it is intended to be peremptory, is also found in the provision prescribing the qualifications of directors as well as in the one defining their duties. None but citizens of the United States are eligible under any circumstances, and the further regulation is that three-fourths of the number must have resided in the State, Territory, or district, one year next preceding their election, and that they must be residents of the same during their continuance in office.
Besides these guarantees of fidelity, the additional requirement is that each director shall own in his own right at least ten shares of the capital stock, and when appointed or elected shall make oath that he will, so far as the duty devolves on him, diligently and honestly administer the affairs of the association, and will not knowingly violate, or willingly permit to be violated, any of the provisions of the act under which the association was formed.[63]

Organized under that act, as both of these banks were when they assumed the name and character of national associations, they are both subject to its provisions and bound by its regulations.

Three checks were held by the plaintiffs, each dated Boston, February 28th, 1867, and signed Mellen, Ward & Co., with the words, Good-C. H. Smith, cashier, written across the face of the checks. Separately described they read as follows: (1) State National Bank pay to J. K. Fuller, cashier, or order, two hundred and fifty thousand dollars. (2) State National Bank pay to J. K. Fuller, or order, two hundred and seventy-five thousand dollars. (3) State National Bank pay to Gold, or bearer, seventy-five thousand dollars.

Smith was the cashier of the defendant bank, and the plaintiffs claimed that the defendants, inasmuch as Mellen, Ward & Co. had failed, were liable to pay the whole amount, as the words written across the face of the respective checks were in the handwriting of their cashier; and the defendants refusing to pay the same as requested, the plaintiffs commenced an action of assumpsit against them in the Circuit Court, the declaration containing eleven counts.

***654** Eight of the counts are founded upon the checks, of which it will be sufficient to refer to the first, which alleges in substance that the signers of the checks made the same to enable the defendant bank to obtain from the plaintiff bank certain gold certificates held by the latter, of great value, and that the plaintiff bank received the checks and delivered to the defendant bank the gold certificates, and that the defendants, in consideration thereof, declared that the checks were good, and promised to pay the same on presentment, as more fully set forth in the record.

Two of the counts, to wit, the ninth and tenth, allege a sale and purchase of the gold certificates for the sum of six hundred thousand dollars, and that the defendants have refused to pay as they promised. Superadded to these is a count for money had and received for the same amount, which is in the usual form. Process was issued and served, and the defendants appeared and pleaded the general issue, and upon that issue the parties went to trial.

****35** Pursuant to the usual course the plaintiffs introduced the checks described in the declaration, and examined the officers of their bank in support of the cause of action therein set forth. They also read from the books of the defendant bank, produced for their use by the order of the court passed on their motion, the fifth of the articles of association of that bank, and article seventeen of their by-laws. Besides the officers of their own bank, they also examined the bookkeeper of the defendant bank in respect to the account of their cashier as exhibited in the general ledger of the bank.

Twenty-two of the cashiers of the national banks doing business in that city were also examined by the plaintiffs in respect to the powers of a cashier as exemplified in the usage there of such institutions, no one of whom testified that he, as cashier of a national bank, ever certified as good the check of a third person under any circumstances.

Certain other exhibits were also introduced in the course of the examination or cross-examination of the witnesses, as for example the letter of the president to the comptroller of the currency, and the exchange slip, so called, showing that ***655** the checks in suit were not sent to the clearing-house with the other transactions of that day, and that they remained in the hands of the paying teller until the president took the same the next day to present them to the State Bank.

No testimony was introduced by the defendants; but the court, when the plaintiffs rested, on the prayer of the defendants, instructed the jury that the plaintiffs, on the whole evidence, were not entitled to recover, and the jury, under that instruction, returned a verdict for the defendants. Exceptions were taken by the plaintiffs to that ruling, and they sued out a writ of error and removed the cause into this court.

Power to grant a peremptory non-suit is not vested in a Circuit Court; but the defendant may if he sees fit, at the close of the plaintiff's case, move the court to instruct the jury that the evidence introduced by the plaintiff is not sufficient to warrant the jury in finding a verdict in his favor, and that their verdict should be for the defendant, as was done in this case. Such a motion is not one addressed to the discretion of the court, but it presents a question of law which it is the duty of the court to decide in view of the whole evidence, and the decision of the court in granting or refusing the motion, is as much the subject of exceptions as any other ruling of the court in the course of the trial.
In considering the motion the court proceeds upon the ground that the facts stated by the witnesses examined by the plaintiff are true, but that those facts as proved, with every inference which the law allows to be drawn from them, would not warrant the jury in finding a verdict in his favor. When viewed in that light the plaintiff's case, as shown in the evidence, presents a question of law, and it is well settled by the decisions of this court, that it is the duty of the Circuit Court to give the instruction whenever it appears that the evidence is not legally sufficient to serve as the foundation of a verdict.[64]

****36** Founded as the ruling was upon the assumption that the cashier of the State Bank had no authority under the circumstances ***656** to certify the checks in suit, it becomes necessary to examine that question. Whether he had such authority or not presents a mixed question of law and fact dependent upon the evidence and the legal principles applicable to the case.

Testimony was introduced by the plaintiffs showing that the president of the plaintiff bank exercised very comprehensive powers, including the loan of money, discounts, and the general superintendence of all the affairs of the bank, he reporting and holding himself responsible to the directors for the performance of his duties.

On Saturday, the twenty-third of February, 1867, the cashier of the plaintiff bank informed the president, as the latter testified, that Mellen, Ward & Co. were going to purchase in New York a large amount of gold, and that they desired to know whether the bank would take it as it arrived, and pay for it at the rate of $125 in currency for every $100 of gold. Inquiries were made upon the subject by the president, and explanations were given to him by the cashier, but the result was that the president told the cashier that he might take the gold and pay for it on the same terms that he had taken gold on several previous occasions from the same parties.

Reference is there made to the conceded fact that those parties had, at several times within two or three months previous, brought gold into that bank and received currency for it on the same terms as those proposed to the cashier, and the president testified that he told the cashier that he might take the gold as it arrived on the same terms, and that he, the cashier, might give the parties the right to come into the bank at any time afterwards 'and take the gold from the bank, paying the bank for the gold $125 in currency for every $100 in gold, and such premium or compensation as would be equivalent to interest,' taking no obligation or note of any kind, but to rely entirely on the purchase of the gold.

Two hundred thousand dollars of the gold arrived on the twenty-sixth of the same month, and the president states ***657** that he was informed by the cashier on that day that it was in the Second National Bank, in gold certificates. Not being familiar with such certificates he advised the cashier that he had better go to the office of the assistant treasurer and ascertain whether the certificates were correct before taking them, as previously arranged. On the following day two hundred thousand dollars more in similar certificates arrived, and similar directions were given by the president to the cashier. Due inquiry was made at that office in both cases, and all of the certificates, amounting to four hundred thousand dollars, were received and transferred to the plaintiff bank.

Correspondence ensued between the comptroller of the currency and the president of the bank, and the president, in reply to the letter of the comptroller, stated that on the twenty-sixth of the same month the cashier of the bank made an advance to Mellen, Ward & Co. of two hundred and fifty thousand dollars in legal tender notes and currency upon two hundred thousand dollars in gold certificates, that no note or security was taken for the

amount of the advance except a check signed by the parties for fifty thousand dollars, to be kept in the teller's cash in order to balance his cash account; that on the following day a similar advance upon gold (certificates) was made by the cashier for the same amount to the same parties and in the same manner in all particulars, no note or obligation being taken for the amount so advanced.

****37** Prior to the first of these transactions the same parties, as the president states in the communication, had deposited in the bank the sum of ninety thousand dollars in gold, and received therefor currency at the rate of $125 for $100 in gold, the bank taking no note or obligation on account of the transaction.

Fuller, the cashier, was also examined, and he testified that the inquiry whether the bank would take the gold on its arrival and pay for it was made of him by Carter, the junior member of that firm, and that he, the witness, stated to him to the effect that he could not answer the question, ***658** that he should have to consult the president in regard to it, that he did consult the president of the bank, and that the president told him that if it would not interfere with their ability to make their regular discounts he might take the gold on the same terms as the bank had taken gold of those parties on previous occasions. Notice was accordingly given to Mellen, Ward & Co. by the cashier, as he states, either on that day or on the Monday following, that the bank would afford them the accommodation.

Gold had been taken by the bank of that firm before, and the cashier testified that 'they asked if the bank would take gold and pay for it at such time as either party might wish-either the firm of Mellen, Ward & Co., or the Merchants' Bank-at $125 currency for $100 gold, *they paying the bank for the trouble, &c., a sum equal to the interest on the amount of the currency loaned*, and the witness in response to that question, after having consulted the president, *said we would do it*.'

Evidently both parties understood that the deposit of the gold with the bank was only for a brief period, and in confirmation of that theory the cashier also testified that Carter said to him, in their preliminary interview, that they, the firm, wanted the bank 'to take the gold and pay for it, and that it would be taken away again in a few days, mentioning perhaps the last day of the month or the first day of the following month.' He also admits that when the first instalment was received he took a check from the parties for fifty thousand dollars, but he says it was without the knowledge of the president.

On the twenty-eighth of February, which was the last day of the month, at half-past one o'clock, Carter and the cashier of the defendant bank called at the plaintiff bank and went together to the desk of the cashier, they being outside of the counter. Carter said, 'We have come for the gold.' Smith, the cashier of the defendant bank, said, 'We have come in to get an amount of gold,' and that he would pay for it by certifying the two checks which he held in his hand when he saw that the gold was all right.

***659** Responsive to that remark the cashier of the plaintiff bank said, step to the paying teller, and he did so, passing on the outside of the counter to that desk, the cashier of the plaintiff bank passing to the same desk on the inside of the counter, and that the latter said to the paying teller, the cashier of the State Bank has come to take some gold, and the paying teller immediately handed to the cashier of the plaintiff bank the package containing eighty-four gold certificates of five thousand dollars each, saying, there are eighty-four in the package, to which Smith, the cashier of the State Bank, standing outside the counter, replied, that is the amount wanted, that is the amount of these checks. They were passed out to Smith and he certified the two checks and handed them to the cashier of the plaintiff bank. Both were certified in the bank by the cashier of the State Bank subsequent to the delivery to him of the gold certificates and not until he had examined the certificates; and the president, in his letter to the comptroller of the currency, states that the two checks, amounting to $525,000, were certified as good 'on the spot' by the cashier of the State National Bank.

****38** Davis, the paying teller of the plaintiff bank, was also examined by the plaintiffs, and he testified that the cashier on that day came down to his desk, on the inside of the counter, the cashier of the defendant bank, *accompanied by Carter*, being on the outside; that he, the paying teller, handed to the cashier of his bank eighty-four gold certificates of five thousand dollars each; that the cashier counted the same and passed them over the counter to the cashier of the State Bank; that the cashier of the latter bank handed back two checks drawn by Mellen, Ward & Co. on the State National Bank, one for $250,000, the other for $275,000, certified 'Good-C. H. Smith, cashier.' They were handed to the cashier and by him to the paying teller, and by the latter to the receiving teller to be added to his account for that day.

Later on the same day, and after the cashier had left the bank, Ward, of the firm of Mellen, Ward & Co., called at the bank and said to the paying teller, 'We shall want ***660** some more gold,' and immediately left the bank, and in a few minutes the cashier of the State Bank and Carter of the same firm came in, and the former handed to the paying teller a check for seventy-five thousand dollars, signed by Mellen, Ward & Co., with the words, 'Good-C. H. Smith, cashier,' written across the face of the

check, which is the third check described in the declaration. Carter wrote the check in the bank at the desk for customers, situated outside the counter, and it was certified at the same time by the cashier of the State Bank before it was handed to the paying teller.

The check, as the teller testified, called for $60,000 in gold, and he states that he handed thirty thousand, to wit, $10,000 in gold certificates and four bags of gold of five thousand each, to Smith, passing it over the counter, and that Carter took the gold and carried it away, but whether or not he also took the gold certificates he cannot state. Thirty thousand remained to be paid, and after Carter left, he, the teller, took from the vault of the bank six bags of gold, of five thousand each, and placed the same outside the counter in charge of Smith, he being the only person present. Some third person, however, came in while the gold was there, and the impression of the witness is that it was Mellen, of the firm of Mellen, Ward & Co., and that he assisted in carrying it away from the bank.

Evidently the first question upon the merits is whether the State Bank received the gold or the gold certificates, withdrawn from the Merchants' Bank, when the checks in suit were given; for if they did, or if they authorized their cashier to certify the same, they are clearly liable for the whole amount claimed by the plaintiffs. Evidence to show that they authorized their cashier to certify the checks is entirely wanting, and it is quite obvious from the whole case that neither the State Bank nor any of its officers, except the cashier, had the slightest knowledge of the transaction or of any of its incidents until the president of the plaintiff bank, at a quarter past two in the afternoon of the following ***661** day, presented the checks to the president of the State Bank for payment.

****39** When presented, the president of the State Bank took them and read them, and immediately replied that they had not authorized their cashier to certify checks, to which the president of the plaintiff bank rejoined in substance and effect as follows: 'He has certified checks, and those checks were given to the Merchants' Bank for gold, the property of that bank, delivered to him, and that he,' the president of that bank, 'wanted payment for that gold.' He did not pretend that they had conferred any actual authority upon the cashier to certify the checks, but evidently based his claim upon the ground of an implied legal liability, and there is not a scintilla of evidence in the case tending to show any express authority on the part of the cashier to certify the checks.

Suppose that is so, still it is suggested that there is some evidence tending to show that the gold and gold certificates, when they were withdrawn from the Merchants' Bank, were transferred to, and actually deposited in, the defendant bank, and the argument is that the Circuit Court erred in not submitting that question to the jury.

Before the president of the plaintiff bank visited the president of the State Bank he called on the cashier of that bank, and whatever evidence there is in the case applicable to the issue, which it is supposed should have been submitted to the jury, consists of the conversation which took place between those officers during that interview before the other officers of the defendant bank knew anything of the transaction.

Just after one o'clock of that day the president of the plaintiff bank called on the cashier of the State Bank with the checks in his hands, and he states the conversation as follows: 'I said to him, I thought you were coming in to pay the gold for those checks early in the morning. Question.-To pay the gold? Answer.-To pay the money. I didn't say gold; to pay the money on those checks early in the morning. The cashier replied, Yes, I am going out ***662** now to attend to it and get the money. Get the money? said I; didn't you have the money-the gold? Were not the gold certificates delivered to you? Yes, said he, I had them here, but they are not here now; I am going out to get it, and will come in and attend to it. I spoke rather abruptly and said he should do it immediately. He looked up and said, You hold the State Bank. I came back and laid the checks on the desk of the teller.'

Grave doubts were entertained by the circuit judges whether the evidence, if it had been objected to, would have been admissible, as it can hardly be maintained that the cashier, under the circumstances, was the agent of the bank to make any such admission in respect to a past transaction; and still graver doubts were entertained whether the supposed admission was understandingly made, as it was obvious that the cashier was abruptly and unexpectedly arraigned for his unauthorized and illegal acts in terms of complaint and in tones of accusation and command, but the judges were quite satisfied, even if the language as reported was deliberately employed, that the statement was untrue; that the admission, even if it was made, was contrary to the fact; that every dollar of the gold and of the gold certificates went directly from the Merchants' Bank to the office of the assistant treasurer for the benefit of the drawers of the checks, as the circumstances abundantly prove.

****40** Regarded in that light, it is settled law that the remark of the cashier was entitled to no weight, as it was an admission contrary to the fact. Direct proof to that effect was not introduced in this case, as the defendants did not introduce any testimony, but the circumstances shown in evidence were equally persuasive and

convincing, leaving no doubt in the mind of the Circuit Court that the whole fund withdrawn from the Merchants' Bank was transferred directly to the office of the assistant treasurer to supply a corresponding deficiency in the deposits in that institution which had been embezzled and loaned to the persons whose firm name was signed to the checks.

Some of the circumstances referred to have already been ***663** mentioned, and there are many others reported in the transcript which tend very strongly in the same direction. Enough is exhibited in the record to show beyond all doubt that Mellen, Ward & Co. were extensively engaged in speculations; that they were largely interested in copper stocks; that in their first interview with the cashier of plaintiff bank they disclosed to him the fact that they only wanted the bank to take the gold for a few days, naming the day when they would desire to withdraw the same, and the arrangement as completed with the cashier, and as sanctioned by the president of the bank, gave them the right to call for that amount of gold whenever they might see fit by paying for the same at the same rate, and an additional sum equal to interest from the time the gold was deposited in the bank to the time it should be withdrawn. Authority was given to the cashier to take the gold as it arrived, on the terms proposed, and he was told at the same time that the parties depositing it would be allowed to call for the same amount on the same terms, paying also for the trouble a sum equal to interest while it remained in the bank.

Weighed in the light of these explanations it must require the exercise of much incredulity not to see in the acts, conduct, and declarations of the parties plenary proof that the gold and gold certificates, for which the checks were given, were withdrawn from the bank in pursuance of that arrangement. First Carter appears, then Ward, then Carter again, and finally Mellen, the three being all the members of the firm.

They had informed the cashier through their junior partner that the gold 'would be taken away' on the last day of the month or the first day of the following month, and on the last day of the month Carter called and said 'we have come for the gold,' and when Ward came at a later hour on the same day, to give notice that their necessities were not fully supplied, he made no inquiry, nor did he submit any proposition, but said, 'we shall want some more gold,' and immediately left, showing conclusively that the contract had been previously made; and finally Mellen, the ***664** senior partner, called to assist in carrying away the last thirty thousand dollars, which, with the thirty thousand previously taken, was delivered by the teller in the absence both of the cashier and of the president.

****41** Loaned and withdrawn as the gold and gold certificates were but for one day, the president the next forenoon, when he found that the same were not returned, nor the amount of the checks paid, immediately took the matter into his own hands. He at once, or just before one o'clock, having previously '*heard that there was trouble at the sub-treasury*,' called upon the cashier of the State Bank, and failing to obtain satisfaction there, he proceded, at a quarter before two on the same afternoon, to the room occupied by the president and directors of that bank, and he states that he found the president of the bank and two or three other persons present. Much of what was said on the occasion has already been narrated and need not be repeated.

Two of the persons present were the president of the State Bank and his predecessor in that office, and the president of the plaintiff bank testified that they were considerably excited; that he informed them that *he had just heard that there was trouble at the sub-treasury*, that he thought *they had better go to that office*, adding that if they did *perhaps they would find their gold there*, offering at the same time to go with them if they desired him to do so, and it appears *that he and those two persons* went to the room of the assistant treasurer, and that he introduced them to that officer, saying that they had come to see *if a large amount of gold had not been placed there* to the credit of the State Bank.

What further was said or done on the occasion does not appear, as the plaintiffs' testimony stopped there in respect to that interview, and none was introduced by the defendants. Sufficient, however, was given to satisfy the court beyond doubt that every dollar of the gold and gold certificates was transferred to that institution for the benefit of the drawers of the checks, and that no part of the same was ever received by the defendant bank.

Courts of justice have sometimes said that it is necessary ***665** in all cases to leave the question to the jury if there is any evidence, even a scintilla, in support of the issue, but it is well settled law that the question for the judge is not whether there is literally no evidence, but whether there is none that ought *reasonably* to satisfy the jury that the fact sought to be proved is established.[65]

Judges are no longer required to submit a case to the jury merely because some evidence has been introduced by the party having the burden of proof, unless the evidence be of such a character that it would warrant a jury in finding a verdict in favor of that party.[66]

Formerly it used to be held, say the court in that case, that if there was what is called a scintilla of evidence in support of a case the judge was bound to leave it to the jury, but that a course of recent decisions has established a more reasonable rule, to wit, that in every case, before the evidence is left to the jury, there is or may be a

preliminary question for the judge, not whether there is literally no evidence, but whether there is any upon which a jury can properly proceed to find a verdict for the party producing it, upon whom the *onus* of proof is imposed.[67]
****42** Apply that rule to the present case and it is clear to a demonstration that the ruling was correct, as there is no evidence reported which would warrant a jury in finding that the gold or gold certificates or any part of the same ever went into the defendant bank.[68]

Express authority the cashier, either from the directors or under any act of Congress, to certify the checks of third persons is not pretended, and it appearing that no part of the funds withdrawn from the plaintiff bank was ever received by the defendant bank, or that they had any knowledge of the transaction prior to the interview between the presidents of the respective banks, the plaintiffs are forced ***666** to invoke usage as the source of the cashier's authority to certify the checks, or to put their case, as in the opinion of the court, upon the legal proposition that the power of the cashier to perform those acts is inherent in the office; that the certificates of the cashier import on their face that he was authorized to exercise that power in behalf of the bank, and that it makes no difference whether the acts were performed in the banking-house of the institution or elsewhere, provided it appears that he added to his signature the word cashier, at the time he certified the instruments.
Whether a usage exists or not, to confer power to do an act which otherwise would not be authorized, is a question of fact dependent upon the evidence, and he who alleges that such a usage exists must prove it, unless it is general and of such long standing that it has become incorporated into, and may be regarded as, a part of the commercial law, which cannot be pretended in this case, as it clearly appears that no such usage exists in the State where the transaction took place. No such evidence was introduced, and the settled rule of law in the highest judicial tribunal of the State is that the cashier of a bank possesses no such authority, unless it is specially delegated to him by the directors, which is in exact accordance with the rule prescribed in the act of Congress giving to the directors the power to appoint or elect a cashier and to manage the affairs of the institution.[69]
Such a power, say the court in that case, that is, the power of certifying checks, is in fact a power to pledge the credit of the bank to its customers, and is a power which, by the constitution of a bank, can alone be exercised by its president and directors, unless specially delegated by them, and consequently it cannot be implied as a resulting duty or authority *in any individual officer*. Evidence of usage, therefore, cannot confer any original, inherent, and implied power to certify such instruments. Checks had been certified in that case by the teller, but the rule as laid down is equally applicable ***667** to cashiers, as the court say that the authority is vested in the president and directors, and that it cannot be implied as a resulting duty *in any individual officer*, which includes the cashier as well as the teller.[70]

****43** Established as that rule was in that State more than twenty-five years ago, by the unanimous decision of the highest court of the State, it is not strange that no cashier in the State could be found who would testify that there was any such usage as is supposed by the plaintiffs. They called twenty-two cashiers, including the cashier of their own bank, but they did not venture to ask the question at all whether there was any such usage, though one or more of the number volunteered to say that none such existed, which was equally well proved by the silence of all the others. Proof of usage unthorizing a cashier to certify checks, even if such proof would confer such an authority, which is denied, is certainly wanting, as there is not a scintilla of evidence to that effect to be found in the record.
Evidence of usage is admissible in mercantile contracts to prove that the words in which the contract is expressed, in the particular trade to which the contract refers, are used in a particular sense, and different from the sense which they ordinarily import, and it is also admissible in certain cases for the purpose of annexing incidents to the contract in matters upon which the contract is silent, but it is never admissible to make a contract or to add a new element to the terms of a contract previously made by the parties. Such evidence may be introduced to explain what is ambiguous and doubtful, but it is never admissible to vary or contradict what is plain. Where the language employed is technical or ambiguous, such evidence is admitted for the purpose of defining what is uncertain, but it is never properly admitted to alter a general principle or rule of law, nor to make the legal rights or liabilities of the parties other or different from what they are by the common law.[71]

***668** Whether such evidence is admissible or inadmissible to prove such an authority, it is quite clear that there was none in this case of any kind, and certainly none which would have warranted the jury in finding that the cashier of the defendant bank had any authority whatever to bind his bank by his certificates that the checks were good.

****44** Interrogatories, however, were put to the cashiers examined as witnesses touching their powers in respect to other transactions, and they testified that the business at the clearing-house was usually conducted by the cashier of the bank, and that in adjusting balances occurring there the cashiers whose banks belonged to that association were accustomed to draw checks for that purpose, and that they were in the habit of receiving each other's

checks in such adjustments as the checks of their respective banks; and they also testified that they bought and sold New York funds, as their banks redeemed very largely in that city, which created a necessity for the daily use of such funds in conducting the usual and regular operations of the banks; but the Circuit Court was of the opinion that the evidence was entirely unimportant in this case, as there was no evidence of any usage showing that the cashiers were authorized to certify the checks of third persons, and the judges were confirmed in that conclusion by the fact that it had long been the settled law of the State that no individual officer of a bank possessed any such authority.

Giving full effect to the usage proved, it only shows that a cashier may borrow money of the other banks, in the settlement of balances through the clearing-house, and that he may sign the checks given for the same, and that he may buy and sell New York funds, that is, he may buy for use in redeeming their bills, and he may sell the same when they have an excess beyond what is necessary for that purpose; but the evidence, in the opinion of that court, had no ***669** tendency to prove that the cashier of a National bank might certify the checks of a third person, as in this case, as the settled law everywhere is, that a power evidenced by usage must be considered as defined and limited by the usage.[72]

Nothing remains but to examine the question, whether there is any such inherent power in the office of a cashier as is supposed by the plaintiffs, as it is clear that the act of Congress confers no such power, and that there is no proof of any such usage in the case even if it be admitted that evidence of usage would be sufficient to establish that theory. Special reference to the by-laws of the bank is unnecessary, as it is not pretended that they confer any such power upon the cashier, and there is not a particle of evidence that the directors, directly or indirectly, ever gave him any such power.

Before attempting to answer the inquiry, what are the usual and ordinary duties of a cashier, it becomes necessary to look somewhat more closely at the circumstances which attended the transaction at the time the checks were certified. None of the checks were signed by the drawers or certified by the cashier in the banking-house of the defendants. On the contrary, the cashier left his own bank and went to the banking-house of the plaintiffs, and there, in the presence of the cashier of the plaintiffs, who knew full well what the arrangement was between his bank and the signers of the checks, and that by virtue of that arrangement they had a right to withdraw from the bank on that day that amount of gold and gold certificates, and that he as cashier was fully authorized by the president of his bank to deliver it to them, on the terms and conditions specified in the arrangement.

****45** He knew, also, that he himself, as cashier, had no authority to certify checks; that the law of the State did not authorize such an act; that he had never done such an act; that it had never been done by the cashier of a National bank in that city; that the act of certifying these checks had not been ***670** done *in the usual course of business*, nor in the presence of the directors of the defendant bank, as he testifies that the first two checks, amounting to five hundred and twenty-five thousand dollars, were certified 'in the bank after the delivery and examination of the certificates;' and the president of the bank, in his letter to the comptroller of the currency, states that they were 'certified as good on the spot by the cashier of the State National Bank.'

Known to the cashier of the plaintiff bank as all the antecedent circumstances were, the judges of the Circuit Court did not entertain a doubt that he knew full well that the gold and gold certificates were withdrawn for the benefit of the drawers of the checks, and that the cashier of the defendant bank certified the checks as a mere surety or guarantor. Unmistakably he knew that the funds were withdrawn only for a day, for he testified that he was informed when the arrangement was made that the same would be taken away on the last day of the month or the first day of the following month, and the president, in his interview with the cashier of the defendant bank the next day, just before one o'clock, opened the conversation by saying, 'I thought you were coming in to pay the gold or the money on those checks early in the morning.' Both the president and cashier of the plaintiff bank knew what that arrangement was, and the cashier also knew all the circumstances which attended the execution of the checks and the delivery of the funds. Actual knowledge of all the circumstances on the part of the cashier of the plaintiffs is fully proved, and if he wanted more information he knew that the means of knowledge were at hand, as the cashier of the State Bank was there in his presence, and that if he was not satisfied with his answers he could ascertain the whole truth from the directors.

Suppose it be conceded, for the sake of the argument, that the checks were negotiable instruments, standing upon the same footing as bills of exchange and promissory notes, still the plaintiffs cannot recover if the cashier had no power to execute the certificates, as all the facts and circumstances ***671** were known to the cashier of their bank. Indorsees of such negotiable instruments for value in *the usual course* of business are not obliged to make inquiries, as was held in *Goodman* v. *Simonds*;[73] but it was also held in that case, and is believed to be settled law everywhere, that an indorsee in such a case must not wilfully shut his eyes to the means of knowledge which he knows are at hand, for the reason that such conduct is equivalent to notice, and is plenary evidence of bad faith.[74]

****46** Precisely the same rule was laid down by Baron Parke in the case of *May* v. *Chapman*,[75] and the same rule has been applied by this court in the case of *The Lulu*,[76] decided at the last term.

He knew that he himself had no authority to do such an act as cashier; that the law of the State forbade it; that no cashier of a National bank in that city had ever exercised any such authority, and that the means of ascertaining whether the cashier of the defendant bank had such authority were at hand, and the rule, under such circumstances, is well settled that the party must inquire before assuming to act or take the risk that the necessary authority exists.

Examined in the light of the undisputed circumstances, the case is as strong for the defendants as it would be if the defect of authority had been apparent on the face of the instruments, as it in fact was to one having such knowledge. Where the defect or infirmity appears on the face of the instrument, the question whether the party who took it had notice or not is a question of law, and must be determined by the court as matter of construction.[77]

Unable to maintain the suit upon these grounds, the plaintiffs are forced back to the grounds assumed by their president in his first interview with the president of the defendant bank, when he said, in effect, that your cashier has certified those checks and I want payment for the gold, ***672** and to that it comes at last. Undoubtedly the cashier of the defendant bank certified the checks, but the circumstances show that the cashier of the plaintiff bank must have known that he did so without the knowledge of the directors, and if the cashier of the defendant bank had no authority, and the cashier of the plaintiff bank knew it, it is clear to a demonstration that the defendant bank is not liable. Circumstances, altogether inconclusive, if separately considered, may, by their number and joint operation, especially when corroborated by moral coincidences, be sufficient to constitute the most convincing and conclusive proof.[78]

Repeated decisions of this court have determined the question that the power to certify the checks of third persons in behalf of the corporation is not inherent in the office of the cashier of a bank, and also that the exercise of such a power is not within the scope of his usual and ordinary duties.

****47** Cashiers of a bank are held out to the public as having authority to act according to the general usage, practice, and course of business conducted by the bank, and their acts, within the scope of such usage, practice, and course of business, will in general bind the bank in favor of third persons possessing no other knowledge.[79]

So where a contract was made by the president and cashier of a bank with the indorser of a promissory note due to the bank, that he should be discharged in a certain event, this court held that it was not a part of their duty to make such a contract, and that they had no power to bind the bank except in the performance of their ordinary duties, which was a much stronger case than the one before the court, as the president of the bank joined with the cashier in making the contract.[80]

His ordinary duties are quite extensive, but it is settled law in this court that they do not comprehend the making of a contract which involves the payment of money, without ***673** an express authority from the directors, unless it be such as relates to the usual and customary transactions of the bank.[81]

Authority to certify the checks in this case, except what is supposed to be implied, is not pretended, and if it were the theory could not be supported for a moment, as there is no such evidence reported and none such was introduced.

Recurring to the two principal checks it will be seen that the plaintiff bank or their cashier, which is the same thing, is the payee, and inasmuch as the same were certified in the presence of the cashier of the plaintiffs, who knew all the circumstances, the suggestion that they are innocent holders as against the defendants cannot be supported. If a bank may be held liable in any case upon a certificate of their cashier that a check is good when they have no funds of the drawer, it is not because the cashier is deemed authorized to make such a certificate, but because the bank is bound by his representation, notwithstanding it is false and unauthorized.[82]

Substantially the same concession is also made in the case of *North River Bank* v. *Aymar*,[83] and in *F. & M. Bank* v. *B. & D. Bank*.[84] Like concession is also made in the case of *Railroad Co.* v. *Schuyler*.[85] Evidently the case of the *Mechanics' Bank* v. *Railroad*,[86] makes the same concession, even if it does not fully sustain the English doctrine as exemplified in the leading case of *Grant* v. *Norway*,[87] which, in the judgment of the Circuit Court, contains the true rule.[88]

****48** Much vacillation is exhibited in the decisions of the New York courts upon this subject, but they agree at present that the certificate of the cashier or teller, as the case may be, if regular, in form, and unattended with any special circumstances, amounts to a representation that the drawer of the check has funds in the bank to meet the same, and that the ***674** certificate unexplained binds the bank whether accurate or erroneous, but that no such consequences will follow if there is anything on the face of the instrument to show the contrary, or if the payee or holder knew that the authority of the cashier to make the certificate depended upon the existence of funds in the bank to meet the liability, and that the bank had none such at the time, and that the payee or party presenting the check knew that fact.[89]

Carefully examined it will be found that in every one of the cases decided by the courts of that State where the more stringent rule is applied the check was presented at the bank in the *usual course of business*, and that the act of the cashier in making the certificate did in fact amount to an actual representation that the bank held the funds of the drawer to meet the demand.

Some of those decisions are doubtless inconsistent with the decisions of this court and with the English decisions and those of the Supreme Court of Massachusetts upon the same subject; but there is not one of them, if the facts of the case before the court are properly examined and understood, which will sustain the claim of the plaintiffs.

Beyond all question the cashier of the plaintiff bank represented his bank, he was an agent with full authority, and what he knew in respect to the transaction in question must be regarded as known to his bank. Viewed in the light of the circumstances it is clear that he did not receive the certificates as a representation that funds to that amount were in the State National Bank to meet the checks. He knew that the fact was not so, as the drawers were the customers of his own bank, and the case does not show a single instance in which they ever had any dealings with the defendant bank. Instead of that he regarded the acts of the certifying cashier as constituting the defendant bank a surety of the drawers of the checks to his bank, and the conduct of the president the next day in first arraigning the signer of the certificates before he presented the checks to the president ***675** of the defendant bank strongly confirms that view of the evidence.

Agents, held out as such by their principals for certain defined purposes, well known to the public, cannot bind their principals by any acts done outside of the scope of their authority, as defined by the well-known purposes of their agency. Masters of vessels are authorized to sign bills of lading, and the instruments when duly executed in *the usual course of business* bind the owners of the vessel if the goods were laden on board or were were actually delivered into the custody of the master, but it is well settled law that the owners are not liable if the party to whom the bill of lading was given had no goods or the goods described in the bill of lading were never put on board nor delivered into the custody of the master.[90] Like principles are applied in all cases where the authority of the agent is limited and the limitations as defined by the purposes of the agency are well known to the public.[91]

****49** Persons dealing with an agent, knowing that he acts only by virtue of a delegated power, must, at their peril, see in each case that the paper on which they rely 'comes within the power under which the agent acts.'[92]

Where the plaintiff in the suit is the payee of the instrument, the correctness of that rule cannot be questioned, and this court decided in that case that the same rule applies to every *subsequent taker* of the paper, adding, what is certainly correct, where the suit, as in this case, is in the name of the payee, 'that the protection which commercial usage throws around negotiable paper cannot be used to establish the authority by which it was originally issued.'

Cashiers are forbidden by the express decision of this court from making contracts on behalf of their banks not within the scope of their usual and ordinary powers, involving ***676** the payment of money, without an express delegation of authority from the directors.[93]

Checks signed at the clearing-house and contracts for the purchase and sale of New York funds are authorized by the directors, and are sanctioned by usage, but cashiers have no such authority to certify checks for third persons, which was well known to the cashier of the plaintiff bank.

Associations organized under the act of Congress to carry on the business of banking are required by the express words of the act to transact *their usual business* at an office or banking-house, located in the place specified in their organization certificate, and no individual officer ought to be allowed to leave his bank and go elsewhere to make large contracts without the instruction of the directors. Unless his power in that behalf is limited to the established place of business he may go wherever he pleases for that purpose, and if he certifies checks anywhere within the four seas of our continent, the banks is bound by his contracts. Stockholders and depositors should take warning if such is the law, as the National banks are liable at any moment to be overwhelmed with pecuniary obligations, and involved in utter ruin.

All Citations

77 U.S. 604, 1870 WL 12847, 19 L.Ed. 1008, 10 Wall. 604

Footnotes

1 §§ 22-27, 47, 50.

2 9 Metcalf, 313.

3 13 Stat. at Large, 278.

4 Bank of the United States *v.* Dandridge, 12 Wheaton, 64-70; Minor *v.* Bank of Alexandria, 1 Peters, 46-70; Wild *v.* Bank of Passamaquoddy, 3 Mason, 505; Nicoll *v.* American Insurance Company, 3 Woodbury & Minot, 530; (Maule, J.) in Smith *v.* Hull Glass Company, 8 C. B., 668, S. C. 11 Id. 897.

5 Agar *v.* Athenaeum Insurance Company, 3 C. B. (N. S.) 725; Royal Bank, &c. *v.* Turquand, 6 Ellis & Blackburn, 327; Prince of Wales Insurance Company *v.* Athenaeum Insurance Company, 3 C. B. (N. S.) 757, note.

6 Commercial Insurance Company *v.* Union Insurance Company, 19 Howard, 318.

7 Tripp *v.* Swanzey Manufacturing Company, 13 Pickering, 291.

8 Edition 1857, p. 573.

9 3 Dow, 219, 229.

10 1 Hill, 502.

11 Page 135, note.

12 Edition of 1856, p. 169, note.

13 2 Starkie, 324.

14 9 Bingham, 22.

15 See it *supra*, p. 607.

16 Ridgway *v.* Farmers' Bank, 12 Sergeant & Rawle, 256-261. As to the incidental powers of banks to borrow money, see Beers *v.* Phoenix Glass Company, 14 Barbour, 358.

17 Mussey *v.* Eagle Bank, 9 Met. 306.

18 Farmers' and Mechanics' Bank of Kent County, Maryland *v.* The Butchers' and Drovers' Bank, 4 Duer, 219; affirmed on appeal, 16 New York, 125; Willets *v.* Phoenix Bank, 2 Duer, 121.

19 8 Wheaton, 338.

20 1 Peters, 46.

21 6 Id. 51, and see United States *v.* The Bank of Columbus, 21 Howard, 356.

22 21 Howard, 356.

23 *supra*, 608.

24 Fearn *v.* Filica, 7 Manning & Granger, 513.

25 See, among other cases, Lowell Savings Bank *v.* Winchester, 8 Allen, 109; Zabriskie *v.* Cleveland, 23 Howard, 398; Pearce *v.* Madison, 21 Id. 443; Salem Bank, *v.* Gloucester Bank, 17 Massachusetts, 1.

26 Burnes *v.* Pennell, 2 House of Lords' Cases, 520, 521, 522.

27 See the distinctions set forth in 1 American Leading Cases, 4th ed., 549, Batty *v.* Carswell, Peck *v.* Harriott, and note.

28 Farmers' and Mechanics' Bank *v.* Butchers' and Drovers' Bank, 16 New York, 125; Schooner Freeman *v.* Buckingham, 18 Howard, 182; Lowell Savings Bank *v.* Winchester, 8 Allen, 109; Grant *v.* Norway, 10 Common Bench, 665.

29 Atlantic Bank *v.* Merchants' Bank, 10 Gray, 532; Skinner *v.* Merchants' Bank, 4 Allen, 290.

30 Manhattan Company *v.* Lydig, 4 Johnson, 377; Bullard *v.* Randall, 1 Gray, 605; Thatcher *v.* Bank of State of New York, 5 Sandford, 121.

31 Frost *v.* Cloutman et ux., 7 New Hampshire, 15.

32 Foster *v.* Pearson, 1 Crompton, Meeson & Roscoe, 858.

33 8 Wheaton, 360-1-2.

34 1 Peters, 72.

35 6 Peters, 51. ***634**

36 21 Howard, 356.

37 Lafayette Bank *v.* State Bank of Illinois, 4 McLean, 208. See also Sturges *v.* Bank of Circleville, 11 Ohio State, 153.

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39 Mores *v.* Conham, Owen, 123; Anon., 2d Salkeld, 522; Coggs *v.* Bernard, 3d Id. 268; Whitaker *v.* Sumner, 20 Pickering, 399, 405; Thompson *v.* Patrick, 4 Watts, 415; Story on Bailments, § 324.

40 Supervisors *v.* Schenck, 5 Wallace, 784; Knox Co. *v.* Aspinwall, 21 Howard, 539; Bissell *v.* Jeffersonville, 24 Id. 288; Moran *v.* Commissioners, 2 Black, 722; Gelpcke *v.* Dubuque, 1 Wallace, 203; Mercer Co. *v.* Hacket, Id. 93; Mayor *v.* Lord, 9 Id. 414; Royal British Bank *v.* Turquand, 6 Ellis & Blackburn, Q. B. & Ex. 327; The Farmers' Loan and Trust Co. *v.* Curtis, 3 Selden, 466; Stoney *v.* American Life Ins. Co., 11 Paige, 635; Society for Savings *v.* New London, 29 Connecticut, 174; Commonwealth *v.* The City of Pittsburg, 34 Pennsylvania State, 497; Commonwealth *v.* Allegheny County, 37 Id. 287.

41 Philadelphia and Raltimore Railroad Co. *v.* Quigley, 21 Howard, 209; Green *v.* London Omnibus Co., 7 C. B. N. S. 290; Life and Fire Ins. Co. *v.* Mechanic Fire Ins. Co., 7 Wendell, 31.

42 Ranger *v.* The Great Western Railway Co., 5 House of Lords Cases, 86; Thayer *v.* Boston, 19 Pickering, 511; Frankfort Bank *v.* Johnson, 24 Maine, 490; Angel and Ames on Corporations, §§ 382, 388.

43 Swan *v.* The British North Australasian Company, 7 Hurlstone & Norman, 603; Hern *v.* Nichols, 1 Salkeld, 289.

44 Dezell *v.* Odell, 3 Hill, 216.

45 Farmers' and Mechanics' Bank of Kent Co. *v.* Butchers' and Drovers Bank, 16 New York, 133; Welland Canal Co. *v.* Hathaway, 8 Wendell, 480

46 2 Hill, 465.

47 *Supra*.

48 38 Barbour Supreme Court, 536; S. C., affirmed, 34 New York, 30.

49 1 Salkeld, 289.

50 Grant on Banking, 89, 90; Keene *v.* Beard, 8 C. B. N. S. 373; Serle *v.* Norton, 2 Moody & Robinson, 404, n.; Boehm *v.* Sterling, 7 Term, 430; Alexander *v.* Burchfield, 7 Manning & Granger, 1067.

51 Robson *v.* Bennett, 2 Taunton, 395; Grant on Banking, 89; Ch. on Bills, 10 ed. 261; Boyd *v.* Emmerson, 2 Adolphus & Ellis, 184; Kilsby *v.* Williams, 5 Barnewall & Alderson, 816; Story on Promissory Notes, §§ 489, 490.

52 Bickford *v.* First National Bank, 42 Illinois, 238; Willets *v.* Phoenix Bank, 2 Duer, 121; Barnet *v.* Smith, 10 Foster, New Hamsphire, 256; Meads *v.* Merchants' Bank, 25 New York, 146; Farmers' and Mechanics' Bank *v.* Butchers' and Drovers' Bank, 4 Duer, 219; affirmed, 14 New York, 624; Brown *v.* Leckie et al., 43 Illinois, 497; Girard Bank *v.* Bank of Penn Township, 39 Pennsylvania State, 92.

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55 Commercial Bank of Lake Erie *v.* Norton et al., 1 Hill, 501; Bank of Vergennes *v.* Warren, 7 Id. 94; Beers *v.* The Phoenix Glass Company, 14 Barbour, 358; Farmers' and Mechanics' Bank *v.* Butchers' and Drovers' Bank, 14 New York, 624; North River Bank *v.* Aymar, 3 Hill, 262, 268; Barnes *v.* Ontario Bank, 19 New York, 156, 166.

56 19 New York, 156.

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58 25 New York, 146.

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60 13 Stat. at Large, 278, ch. 173, § 110.

61 1 Levinz, 298.

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63 13 Stat. at Large, 102.

64 Schuchardt *v.* Allens, 1 Wallace, 370; Parks *v.* Ross, 11 Howard, 362; Bliven *v.* N. E. Screw Company, 23 Howard, 433.

65 Ryder *v.* Woombwell, Law Rep. 4, Exchequer, 39.

66 Law Rep., 2 Privy Council Appeals, 335.

67 Jewell *v.* Parr, 13 C. B., p. 916; Toomey *v.* L. & B. Railway Company, 3 Id. N. S. p. 150; Wheelton *v.* Hardisty, 8 Ellis & Blackburne, 262, 266.

68 Schuchardt *v.* Allens, 1 Wallace, 369.

69 13 Stat. at Large, 102; Mussey *v.* Eagle Bank, 9 Metcalf, 313.

70 9 Ib. 313.

71 Oelricks et al. *v.* Ford, 23 Howard, 63; Barnard *v.* Kellogg et al., *supra*, 383; Insurance Company *v.* Wright, 1 Id. 457; Simmons *v.* Law, 3 Keyes, 219; Beirne *v.* Dord, 1 Selden, 97; Bliven *v.* Screw Company, 23 Howard, 431; Dickinson *v.* Gay et al., 7 Allen, 37; Dodd *v.* Farlow, 11 Id. 428; Spartali *v.* Benecke, 10 C. B. 222; Trueman *v.* Loder, 11 Adolphus & Ellis, 598; The Reeside, 2 Sumner, 567.

72 The Floyd Acceptances, 7 Wallace, p. 678.

73 20 Howard, 367.

74 Stagg *v.* Elliott, 12 C. B., N. S. 380.

75 16 Meeson & Welsby, 355.

76 *Supra*, 192.

77 Goodman *v.* Simonds, 20 Howard, 365; Andrews *v.* Pond et al., 13 Peters, 65; Fowler *v.* Brantly, 14 Id. 318; Brown *v.* Davis, 3 Term, 80.

78 Castle et al. *v.* Bullard, 23 Howard, 187.

79 Minor *v.* Mechanics' Bank, 1 Peters, 70.

80 United States Bank *v.* Dunn, 6 Peters, 59.

81 United States *v.* Bank of Columbus, 21 Howard, 364.

82 F. & M. Bank *v.* B. & D. Bank, 16 New York, 131.

83 3 Hill, 266.

84 14 New York, 631.

85 34 New York, 72.

86 3 Kernan, 615.

87 10 C. B. 686.

88 Kirk *v.* Bell, 12 English Law & Equity, 389; Coleman *v.* Riches, 29 Id. 329.

89 Clarke National Bank *v.* Bank of Albion, 52 Barbour, 596; Irving Bank *v.* Wetherald, 36 New York, 337; Mead *v.* Merchants' Bank, 25 Id. 145.

90 The Schooner Freeman, 18 Howard, 187.

91 Mussey *v.* Beecher, 3 Cushing, 511; Lowell Bank *v.* Winchester, 8 Allen, 109; Benoit *v.* Conway, 10 Id. 528; Grant *v.* Norway, 10 C. B. 665; Stagg *v.* Elliott, 12 Id. (N. S.), 373; Hubersty *v.* Ward, 8 Exchequer, 330; Alexander *v.* Mackenzie, 6 C. B. 766.

92 The Floyd Acceptances, 7 Wallace, 676.

93 United States *v.* Bank of Columbus, 21 Howard, 364.

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115 S.Ct. 810
Supreme Court of the United States

NATIONSBANK OF NORTH CAROLINA, N.A., et al., Petitioners,
v.
VARIABLE ANNUITY LIFE INSURANCE CO. et al.
Eugene A. LUDWIG, Comptroller of the Currency, et al., Petitioners,
v.
VARIABLE ANNUITY LIFE INSURANCE COMPANY et al.

Nos. 93–1612 and 93–1613. | Argued Dec. 7, 1994. | Decided Jan. 18, 1995.

After Comptroller of Currency granted national bank's application to sell annuities, insurance company challenged decision. The United States District Court for the Southern District of Texas, 786 F.Supp. 639, determined that National Bank Act permitted national banks to sell annuities. The Fifth Circuit Court of Appeals, 998 F.2d 1295, reversed. Certiorari was granted. The Supreme Court, Justice Ginsburg, held that determination of Comptroller of Currency that national banks may serve as agents in sale of annuities was reasonable construction of National Bank Act.

Court of Appeals reversed.

West Headnotes (6)

[1] **Annuities**
Nature, Creation, Requisites and Validity

29Annuities
29k14Nature, Creation, Requisites and Validity
29k15In general
(Formerly 29k1)

"Annuities" are contracts under which purchaser makes one or more premium payments to issuer in exchange for series of payments, which continue either for fixed period or for life of purchaser or designated beneficiary.

17 Cases that cite this headnote

[2] **Administrative Law and Procedure**
Permissible or reasonable construction
Administrative Law and Procedure
Plain, literal, or clear meaning; ambiguity

15AAdministrative Law and Procedure
15AIVPowers and Proceedings of Administrative Agencies, Officers and Agents
15AIV(C)Rules, Regulations, and Other Policymaking
15Ak428Administrative Construction of Statutes
15Ak433Permissible or reasonable construction
(Formerly 361k219(1))
15AAdministrative Law and Procedure
15AIVPowers and Proceedings of Administrative Agencies, Officers and Agents
15AIV(C)Rules, Regulations, and Other Policymaking
15Ak428Administrative Construction of Statutes
15Ak432Plain, literal, or clear meaning; ambiguity
(Formerly 361k219(2))

If statute is silent or ambiguous with respect to specific issue, question for court is whether agency's answer is based on permissible construction of statute; if administrator's reading fills gap or defines term in way that is reasonable in light of legislature's revealed design, administrator's judgment is given controlling weight.

139 Cases that cite this headnote

[3] **Banks and Banking**
Banking powers

52Banks and Banking
52IVNational Banks
52k258Banking powers

Comptroller of Currency reasonably concluded that brokerage of annuities is incidental power necessary to carry on business of banking under National Bank Act. National Bank Act, 12 U.S.C.A. § 24, subd. 7.

52 Cases that cite this headnote

[4] **Banks and Banking**
Banking powers

52Banks and Banking
52IVNational Banks
52k258Banking powers

"Business of banking" is not limited to enumerated powers in National Bank Act, and Comptroller of Currency therefore has discretion to authorize activities beyond those specifically enumerated; exercise of Comptroller's discretion, however, must be kept within reasonable bounds. National Bank Act, 12 U.S.C.A. § 24, subd. 7.

49 Cases that cite this headnote

[5] **Banks and Banking**
Banking powers

52Banks and Banking
52IVNational Banks
52k258Banking powers

National banks may serve as agents in the sale of annuities. National Bank Act, 12 U.S.C.A. § 24, subd. 7.

4 Cases that cite this headnote

[6] **Banks and Banking**
Banking powers

52Banks and Banking
52IVNational Banks
52k258Banking powers

Annuities may be reasonably classified as investments, rather than insurance, by Comptroller of Currency for purposes of National Bank Act; thus, it is not necessary to determine whether section of National Bank Act authorizing national banks located in towns of no more than 5,000 persons to sell insurance precludes national banks in more populous places from selling insurance. National Bank Act, 12 U.S.C.(1946 Ed.) § 92.

40 Cases that cite this headnote

****810 *Syllabus****

Petitioner national bank and its brokerage subsidiary applied to the Comptroller of ****811** the Currency, charged by Congress with superintendence of national banks, to allow the subsidiary to act as an agent in the sale of annuities. Under the proposed plan, bank customers could purchase a "variable annuity"—which invests payments in a designated way and yields income that varies with investment performance—a "fixed" annuity—which yields income that does not vary—or a hybrid account. Granting the application, the Comptroller typed the annuity sales "incidental" to "the business of banking" under the National Bank Act, 12 U.S.C. § 24 Seventh. The Comptroller further concluded that annuities are not "insurance" within the meaning of § 92; that provision, by expressly authorizing banks in towns of no more than 5,000 people to sell insurance, arguably implies that banks in larger towns may not sell insurance. Respondent Variable Annuity Life Insurance Co. (VALIC), which sells annuities, filed a suit challenging the Comptroller's decision. The District Court upheld the Comptroller's conclusions as a permissible reading of the Act. Reversing the District Court's judgment, the Court of Appeals held that § 92 bars banks not located in small towns from selling insurance, and rejected the Comptroller's conclusion that annuities are not insurance under § 92.

Held: The Comptroller's determination that national banks may serve as agents in the sale of annuities is a reasonable construction of the Act and therefore warrants judicial deference. Pp. 813–817.

(a) If a statute is silent or ambiguous with respect to the precise question at issue, the reviewing court must determine whether the answer reached by the agency charged with the statute's enforcement is based on a permissible construction. If an expert administrator's reading fills a gap or defines a term in a way that is reasonable in light of ***252** Congress' revealed design, the administrator's judgment is given controlling weight. Pp. 813–814.

(b) The Court respects as reasonable the Comptroller's conclusion that brokerage of annuities is an "incidental powe[r] ... necessary to carry on the business of banking" under § 24 Seventh. In interpreting "the business of banking" to include brokerage of financial investment instruments, the Comptroller better comprehends the Act's terms than does VALIC, whose reading confines national banks to the five activities listed in § 24 Seventh's first sentence and endeavors incidental thereto: discounting and negotiating evidences of debt; receiving deposits; buying and selling money; making loans; and obtaining, issuing, and circulating notes. The section's second sentence, which limits banks' "dealing in securities," recognizes that banks otherwise have the authority the sentence addresses, even though that authority is not specifically enumerated; Congress thus evidenced its intent to accord banks authority "to carry on the business of banking" through customer services not circumscribed by the five listed activities. The Comptroller therefore has discretion, within reasonable bounds, to permit banking activities beyond those the statute sets forth as exemplary. Here, the Comptroller reasonably concluded that the authority to sell annuities qualifies as part of the authority to purchase and sell financial investment instruments. Modern annuities, though more sophisticated than the standard savings bank deposits of old, answer essentially the same need. By providing customers with the opportunity to invest in one or more annuity options, banks are essentially offering financial investment instruments of the kind congressional authorization permits them to broker. Pp. 814–815.

(c) The Court further defers to the Comptroller's determination that annuities are properly classified as investments, not "insurance" within § 92's meaning. The Comptroller's classification of annuities, based on the tax deferral and investment features that distinguish them from insurance, is at least a reasonable interpretation of the controlling legislation. A key feature of insurance is that it indemnifies loss. As the Comptroller observes, annuities serve an important investment purpose and are functionally ****812** similar to other investments that banks typically sell. And though fixed annuities more closely resemble insurance than do variable annuities, fixed annuities too have significant investment features and are functionally similar to debt instruments. Moreover, mindful that fixed annuities are often packaged with variable annuities, the Comptroller reasonably chose to classify the two together. In light of the foregoing, the Court need not reach the question whether § 92, by negative implication, precludes ***253** national banks in places more populous than 5,000 from selling insurance. Pp. 815–817.

998 F.2d 1295 (CA5 1993), reversed.

GINSBURG, J., delivered the opinion for a unanimous Court.

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Opinion

***254** Justice GINSBURG delivered the opinion of the Court.

These consolidated cases present the question whether national banks may serve as agents in the sale of annuities. The Comptroller of the Currency, charged by Congress with superintendence of national banks, determined that federal law permits such annuity sales as a service to bank customers. Specifically, the Comptroller considered the sales at issue "incidental" to "the business of banking" under the National Bank Act, Rev.Stat. § 5136, as amended, 12 U.S.C. § 24 Seventh (1988 ed. and Supp. V). The Comptroller further concluded that annuities are not "insurance" within the meaning of § 92; that provision, by expressly authorizing banks in towns of no more than 5,000 people to sell insurance, arguably implies that banks in larger towns may not sell insurance. The United States District Court for the Southern District of Texas upheld the Comptroller's conclusions as a permissible reading of the National Bank Act, but the United States Court of Appeals for the Fifth Circuit reversed. We are satisfied that the Comptroller's construction of the Act is reasonable and therefore warrants judicial deference. Accordingly, we reverse the judgment of the Court of Appeals.

I

[1] Petitioner NationsBank of North Carolina, N.A., a national bank based in Charlotte, and its brokerage subsidiary sought permission from the Comptroller of the Currency, pursuant to 12 CFR § 5.34 (1994), for the brokerage subsidiary to act as an agent in the sale of

annuities. Annuities are contracts under which the purchaser makes one or more premium payments to the issuer in exchange for a series of payments, which continue either for a fixed period or for the life of the purchaser or a designated beneficiary. When a purchaser invests in a "variable" annuity, the purchaser's money is invested in a designated way and payments to the purchaser vary with investment performance. In a classic "fixed" annuity, in contrast, payments do not vary. Under ***255** the contracts NationsBank proposed to sell, purchasers could direct their payments to a variable, fixed, or hybrid account, and would be allowed periodically to modify their choice. The issuers would be various insurance companies. See Letter from J. Michael Shepherd, Senior Deputy Comptroller, to Robert M. Kurucza (Mar. 21, 1990), App. to Pet. for Cert. in No. 93–1612, pp. 35a–36a (Comptroller's Letter).

The Comptroller granted NationsBank's application. He concluded that national banks have authority to broker annuities within "the business of banking" under 12 U.S.C. § 24 Seventh. He further concluded that § 92, addressing insurance sales by banks in towns with no more than 5,000 people, did not impede his approval; for purposes of that provision, the Comptroller explained, ****813** annuities do not rank as "insurance." See Comptroller's Letter 41a–47a.

Respondent Variable Annuity Life Insurance Co. (VALIC), which sells annuities, challenged the Comptroller's decision. VALIC filed suit in the United States District Court for the Southern District of Texas seeking declaratory and injunctive relief pursuant to the Administrative Procedure Act, 5 U.S.C. § 706(2)(A), and 28 U.S.C. §§ 2201, 2202 (1988 ed. and Supp. V). The District Court granted summary judgment in favor of the Comptroller and NationsBank. *Variable Annuity Life Ins. Co. v. Clarke,* 786 F.Supp. 639 (1991). The United States Court of Appeals for the Fifth Circuit reversed. *Variable Annuity Life Ins. Co. v. Clarke,* 998 F.2d 1295 (1993). Relying on its decision in *Saxon v. Georgia Assn. of Independent Ins. Agents, Inc.,* 399 F.2d 1010 (1968), the Fifth Circuit first held that § 92 bars banks not located in small towns from selling insurance, and then rejected the Comptroller's view that annuities are not insurance for purposes of § 92. See 998 F.2d, at 1298–1302.

Four judges dissented from the failure of the court to grant rehearing en banc. The dissenters maintained that the panel had not accorded due deference to the Comptroller's reasonable statutory interpretations. *Variable Annuity* ***256** *Life Ins. Co. v. Clark[e],* 13 F.3d 833, 837–838 (CA5 1994).[1] We granted certiorari. 511 U.S. 1141, 114 S.Ct. 2161, 128 L.Ed.2d 885 (1994).

II

A

Authorizing national banks to "carry on the business of banking," the National Bank Act provides that such banks shall have power—

> "To exercise ... all such incidental powers as shall be necessary to carry on the business of banking; by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin, and bullion; by loaning money on personal security; and by obtaining, issuing, and circulating notes.... The business of dealing in securities and stock by the [bank] shall be limited to purchasing and selling such securities and stock without recourse, solely upon the order, and for the account of, customers, and in no case for its own account, and the [bank] shall not underwrite any issue of securities or stock...." 12 U.S.C. § 24 Seventh (1988 ed. and Supp. V).

[2] As the administrator charged with supervision of the National Bank Act, see §§ 1, 26–27, 481, the Comptroller bears primary responsibility for surveillance of "the business of banking" authorized by § 24 Seventh. We have reiterated:

> " 'It is settled that courts should give great weight to any reasonable construction of a regulatory statute adopted by the agency charged with the enforcement of that statute. The Comptroller of the Currency is charged with the enforcement of banking laws to an extent that warrants the invocation of this principle with ***257** respect to his deliberative conclusions as to the meaning of these laws.' " *Clarke v. Securities Industry Assn.,* 479 U.S. 388, 403–404, 107 S.Ct. 750, 759, 93 L.Ed.2d 757 (1987) (quoting *Investment Company Institute v. Camp,* 401 U.S. 617, 626–627, 91 S.Ct. 1091, 1097, 28 L.Ed.2d 367 (1971)).

Under the formulation now familiar, when we confront an expert administrator's statutory exposition, we inquire first whether "the intent of Congress is clear" as to "the precise question at issue." *Chevron U.S.A. Inc. v. Natural Resources Defense Council, Inc.,* 467 U.S. 837, 842, 104 S.Ct. 2778, 2781, 81 L.Ed.2d 694 (1984). If so, "that is the end of the matter." *Ibid.* But "if the statute is silent or ambiguous with respect to the specific issue, the question

for the court is whether the agency's answer is based on a permissible construction of the statute." *Id.,* at 843, 104 S.Ct., at 2782. If the administrator's reading fills a gap or defines a term in a way that is reasonable in light of the legislature's ****814** revealed design, we give the administrator's judgment "controlling weight." *Id.,* at 844, 104 S.Ct., at 2782.

[3] In authorizing NationsBank to broker annuities, the Comptroller invokes the power of banks to "broker a wide variety of financial investment instruments," Comptroller's Letter 38a, which the Comptroller considers "part of [banks'] traditional role as financial intermediaries," *ibid.,* and therefore an "incidental powe[r] ... necessary to carry on the business of banking." 12 U.S.C. § 24 Seventh; see also Interpretive Letter No. 494 (Dec. 20, 1989) (discussing features of financial investment instruments brokerage that bring this activity within the "business of banking") (cited in Comptroller's Letter 38a). The Comptroller construes the § 24 Seventh authorization of "incidental powers ... necessary to carry on the business of banking" as an independent grant of authority; he reads the specific powers set forth thereafter as exemplary, not exclusive.

VALIC argues that the Comptroller's interpretation is contrary to the clear intent of Congress because the banking power on which the Comptroller relies—"broker[ing] financial investment instruments"—is not specified in § 24 Seventh. ***258** Brief for Respondent 35–45. According to VALIC, the five specific activities listed in § 24 Seventh after the words "business of banking" are exclusive—banks are confined to these five activities and to endeavors incidental thereto. *Id.,* at 35–36. VALIC thus attributes no independent significance to the words "business of banking." We think the Comptroller better comprehends the Act's terms.

[4] The second sentence of § 24 Seventh, in limiting banks' "dealing in securities," presupposes that banks have authority not circumscribed by the five specifically listed activities. Congress' insertion of the limitation decades after the Act's initial adoption makes sense only if banks already *had* authority to deal in securities, authority presumably encompassed within the "business of banking" language which dates from 1863. VALIC argues, however, that the limitation was imposed by the Glass–Steagall Act of 1933, and that the power Glass–Steagall presupposed was specifically granted in the McFadden Act of 1927. Brief for Respondent 46. While the statute's current wording derives from the Glass–Steagall Act, see Act of June 16, 1933, ch. 89, § 16, 48 Stat. 184, the earlier McFadden Act does not bolster VALIC's case, for that Act, too, *limited* an activity already part of the business national banks did. See Act of Feb. 25, 1927, § 2(b), 44 Stat. 1226 ("*Provided,* That the business of buying and selling investment securities shall hereinafter be limited to buying and selling without recourse...."); see also *Clarke v. Securities Industry Assn.,* 479 U.S., at 407–408, 107 S.Ct., at 761–762 (even before the McFadden Act, banks conducted securities transactions on a widespread basis); 2 F. Redlich, The Molding of American Banking: Men and Ideas, pt. 2, pp. 389–393 (1951) (describing securities activities of prominent early national banks).[2]

***259 B**

As we have just explained, the Comptroller determined, in accord with the legislature's intent, that "the business of banking" described in § 24 Seventh covers brokerage of financial investment instruments, and is not confined to the examples specifically enumerated. He then reasonably concluded that the authority to sell annuities qualifies as part of, or incidental to, the business of banking. National banks, the Comptroller observed, are authorized to serve as agents for their customers in the purchase and sale of various financial investment instruments, Comptroller's Letter 38a,[3] and annuities are widely recognized as just such investment products. See D. Shapiro & T. Streiff, Annuities 7 ****815** (1992) (in contrast to life insurance, "[a]nnuities ... are primarily investment products"); 1 J. Appleman & J. Appleman, Insurance Law and Practice § 84, p. 295 (1981) ("Annuity contracts must ... be recognized as investments rather than as insurance.").

By making an initial payment in exchange for a future income stream, the customer is deferring consumption, setting aside money for retirement, future expenses, or a rainy day. For her, an annuity is like putting money in a bank account, a debt instrument, or a mutual fund. Offering bank accounts and acting as agent in the sale of debt instruments and mutual funds are familiar parts of the business of banking. See, *e.g., Securities Industry Assn. v. Board of Governors, FRS,* 468 U.S. 207, 215, 104 S.Ct. 3003, 3008, 82 L.Ed.2d 158 (1984) ("Banks long have arranged the purchase and sale of securities as an accommodation to their customers."); *First Nat. Bank of Hartford v. Hartford,* 273 U.S. 548, 559–560, 47 S.Ct. 462, 466, 71 L.Ed. 767 (1927) (banks have authority ***260** to sell mortgages and other debt instruments they have originated or acquired by discount).

[5] In sum, modern annuities, though more sophisticated than the standard savings bank deposits of old, answer essentially the same need. By providing customers with

the opportunity to invest in one or more annuity options, banks are essentially offering financial investment instruments of the kind congressional authorization permits them to broker. Hence, the Comptroller reasonably typed the permission NationsBank sought as an "incidental powe [r] ... necessary to carry on the business of banking."[4]

III

A

[6] In the alternative, VALIC argues that 12 U.S.C. § 92 (1988 ed., Supp. V) bars NationsBank from selling annuities as agent. That section provides:

> "In addition to the powers now vested by law in [national banks] any such [bank] located and doing business in any place the population of which does not exceed five thousand inhabitants ... may ... act as the agent for any fire, life, or other insurance company authorized by the authorities of the State in which said bank is located to do business in said State, by soliciting and selling insurance and collecting premiums on policies issued by such company...."

The parties disagree about whether § 92, by negative implication, precludes national banks located in places more populous than 5,000 from selling insurance. We do not reach ***261** this question because we accept the Comptroller's view that, for the purpose at hand, annuities are properly classified as investments, not "insurance."

Again, VALIC contends that the Comptroller's determination is contrary to the plain intent of Congress, or else is unreasonable. In support of its position that annuities are insurance, VALIC notes first that annuities traditionally have been sold by insurance companies. But the sale of a product by an insurance company does not inevitably render the product insurance. For example, insurance companies have long offered loans on the security of life insurance, see 3 Appleman & Appleman, Insurance Law and Practice § 1731, p. 562 (1967), but a loan does not thereby become insurance.

VALIC further asserts that most States have regulated annuities as insurance and that Congress intended to define insurance under § 92 by reference to state law. Treatment of annuities under state law, however, is contextual. States generally classify annuities as insurance when defining the powers of insurance companies and state insurance regulators. See, *e.g.,* 998 F.2d, at 1300, n. 2 (citing statutes). But in diverse settings, States have resisted lump classification of annuities as insurance. See, *e.g.,* ****816** *In re New York State Assn. of Life Underwriters, Inc. v. New York State Banking Dept.,* 83 N.Y.2d 353, 363, 610 N.Y.S.2d 470, 475, 632 N.E.2d 876, 881 (1994) (rejecting "assertion that annuities are insurance which [state-chartered] banks are not authorized to sell," even though state insurance law "includes 'annuities' in its description of 'kinds of insurance authorized' "); *In re Estate of Rhodes,* 197 Misc. 232, 237, 94 N.Y.S.2d 406, 411 (Surr.Ct.1949) (annuity contracts do not qualify for New York estate tax exemption applicable to insurance); *Commonwealth v. Metropolitan Life Ins. Co.,* 254 Pa. 510, 513–516, 98 A. 1072, 1073 (1916) (annuities are not insurance for purposes of tax that insurance companies pay on insurance premiums received within ***262** the State); *State ex rel. Equitable Life Assurance Soc. of United States v. Ham,* 54 Wyo. 148, 159, 88 P.2d 484, 488 (1939) (same).

As our decisions underscore, a characterization fitting in certain contexts may be unsuitable in others. See, *e.g., Atlantic Cleaners & Dyers, Inc. v. United States,* 286 U.S. 427, 433, 52 S.Ct. 607, 608–609, 76 L.Ed. 1204 (1932) ("meaning [of words] well may vary to meet the purposes of the law"; courts properly give words "the meaning which the legislature intended [they] should have in each instance"); cf. Cook, "Substance" and "Procedure" in the Conflict of Laws, 42 Yale L.J. 333, 337 (1933) ("The tendency to assume that a word which appears in two or more legal rules, and so in connection with more than one purpose, has and should have precisely the same scope in all of them, runs all through legal discussions. It has all the tenacity of original sin and must constantly be guarded against."). Moreover, the federal banking law does not plainly require automatic reference to state law here. The Comptroller has concluded that the federal regime is best served by classifying annuities according to their functional characteristics. Congress has not ruled out that course, see *Chevron,* 467 U.S., at 842, 104 S.Ct., at 2781; courts, therefore, have no cause to dictate to the Comptroller the state-law constraint VALIC espouses.

VALIC further argues that annuities functionally resemble life insurance because some annuities place mortality risk on the parties. Under a classic fixed annuity, the purchaser pays a sum certain and, in

exchange, the issuer makes periodic payments throughout, but not beyond, the life of the purchaser. In pricing such annuities, issuers rely on actuarial assumptions about how long purchasers will live.

While cognizant of this similarity between annuities and insurance, the Comptroller points out that mortality risk is a less salient characteristic of contemporary products. Many annuities currently available, both fixed and variable, do not feature a life term. Instead they provide for payments over a term of years; if the purchaser dies before the term ends, ***263** the balance is paid to the purchaser's estate. Moreover, the presence of mortality risk does not necessarily qualify an investment as "insurance" under § 92. For example, VALIC recognizes that a life interest in real property is not insurance, although it imposes a mortality risk on the purchaser. Tr. of Oral Arg. 42. Some conventional debt instruments similarly impose mortality risk. See Note, Reverse Annuity Mortgages and the Due–on–Sale Clause, 32 Stan.L.Rev. 143, 145–151 (1979).

B

VALIC also charges the Comptroller with inconsistency. As evidence, VALIC refers to a 1978 letter from a member of the Comptroller's staff describing annuity investments as insurance arrangements. Brief for Respondent 16–17; see Letter from Charles F. Byrd, Assistant Director, Legal Advisory Services Division, Office of the Comptroller of the Currency (June 16, 1978), App. to Brief in Opposition 1a–2a (Byrd Letter). We note, initially, that the proposal disfavored in the 1978 letter did not clearly involve a bank selling annuities as an agent, rather than as a principal. See Byrd Letter 1a ("[T]he bank would purchase a group annuity policy from an insurer and then sell annuity contracts as investments in trust accounts."). Furthermore, unlike the Comptroller's letter to NationsBank here, the 1978 letter does not purport to represent the Comptroller's position. Compare Byrd Letter 1a ("It is my opinion ...") with Comptroller's Letter 35a ("The OCC's legal position on this issue was announced in a [prior 1990 letter]. Since I find neither policy nor supervisory reasons to object ****817** to this proposal, the Subsidiary may proceed."). Finally, any change in the Comptroller's position might reduce, but would not eliminate, the deference we owe his reasoned determinations. See *Good Samaritan Hospital v. Shalala,* 508 U.S. 402, 417, 113 S.Ct. 2151, 2161, 124 L.Ed.2d 368 (1993) (quoting *NLRB v. Iron Workers,* 434 U.S. 335, 351, 98 S.Ct. 651, 660–661, 54 L.Ed.2d 586 (1978)).

The Comptroller's classification of annuities, based on the tax deferral and investment features that distinguish them ***264** from insurance, in short, is at least reasonable. See Comptroller's Letter 44a. A key feature of insurance is that it indemnifies loss. See Black's Law Dictionary 802 (6th ed. 1990) (first definition of insurance is "contract whereby, for a stipulated consideration, one party undertakes to compensate the other for loss on a specified subject by specified perils"). As the Comptroller observes, annuities serve an important investment purpose and are functionally similar to other investments that banks typically sell. See *supra,* at 814–815. And though fixed annuities more closely resemble insurance than do variable annuities, fixed annuities too have significant investment features and are functionally similar to debt instruments. Moreover, mindful that fixed annuities are often packaged with variable annuities, the Comptroller reasonably chose to classify the two together.

* * *

We respect as reasonable the Comptroller's conclusion that brokerage of annuities is an "incidental powe[r] ... necessary to carry on the business of banking." We further defer to the Comptroller's reasonable determination that 12 U.S.C. § 92 is not implicated because annuities are not insurance within the meaning of that section. Accordingly, the judgment of the Court of Appeals for the Fifth Circuit is

Reversed.

All Citations

513 U.S. 251, 115 S.Ct. 810, 130 L.Ed.2d 740, 63 USLW 4076, Fed. Sec. L. Rep. P 98,511

Footnotes

* The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Lumber Co.,* 200 U.S. 321, 337, 26 S.Ct. 282, 287, 50 L.Ed. 499.

1 The dissenters also observed that 6 of the court's 13 active judges were disqualified from participating in the case. 13 F.3d, at 834.

2 We expressly hold that the "business of banking" is not limited to the enumerated powers in § 24 Seventh and that the Comptroller therefore has discretion to authorize activities beyond those specifically enumerated. The exercise of the Comptroller's discretion, however, must be kept within reasonable bounds. Ventures distant from dealing in financial investment instruments—for example, operating a general travel agency—may exceed those bounds.

3 The Comptroller referred to Interpretive Letter No. 494 (Dec. 20, 1989) (approving brokerage of agricultural, oil, and metals futures).

4 Assuring that the brokerage in question would not deviate from traditional bank practices, the Comptroller specified that NationsBank "will act only as agent, ... will not have a principal stake in annuity contracts and therefore will incur no interest rate or actuarial risks." Comptroller's Letter 48a.

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636 F.Supp.2d 857
United States District Court,
D. Minnesota.

NSM RESOURCES CORPORATION, Plaintiff,
v.
TARGET CORPORATION, Defendant.

Civil No. 07–2501 (DWF/SRN). | Dec. 3, 2008.

Synopsis
Background: Trademark owner filed action against retailer alleging infringement under the Lanham Act and common law. Retailer moved for summary judgment.

Holdings: The District Court, Donovan W. Frank, J., held that:

[1] res judicata did not apply;

[2] "HUCK" mark was suggestive;

[3] retailers use of mark was not confusingly similar to owner's use of mark;

[4] competitive proximities of products factor only slightly favored owner;

[5] retailer did not intentionally chose trademarked name, "HUCK" for its accused shoe in order to confuse customers;

[6] lack of evidence of actual confusion weighed in favor of conclusion that there was no consumer confusion;

[7] ordinary consumer likely would not have been confused about differences between trademarked skate shoes for children that had been marketed with action sports theme and accused standard men's running shoe; and

[8] retailer did not infringe upon owner's trademark.

Motion granted.

West Headnotes (24)

[1] **Judgment**
Consent or agreement

228Judgment
228XIIIMerger and Bar of Causes of Action and Defenses
228XIII(A)Judgments Operative as Bar
228k570Judgment on Discontinuance, Dismissal, or Nonsuit
228k570(6)Consent or agreement

Res judicata did not apply to bar subsequent trademark infringement action between parties based upon prior stipulation stating, "The parties in the above-entitled case hereby stipulate to dismiss this case with prejudice. Each party [is] to pay its own costs and attorney fees," since there was no indication that parties intended to settle claims asserted in subsequent action. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

Cases that cite this headnote

[2] **Judgment**
Nature and requisites of former recovery as bar in general

228Judgment
228XIIIMerger and Bar of Causes of Action and Defenses
228XIII(A)Judgments Operative as Bar
228k540Nature and requisites of former recovery as bar in general

Res judicata bars litigants from bringing claims on grounds that were raised or could have been raised when: (1) a court of competent jurisdiction rendered the prior judgment; (2) the prior judgment was a final judgment on the merits; and (3) both cases involved the same cause of action and the same parties or their privies.

Cases that cite this headnote

[3] **Judgment**

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Scope and Extent of Estoppel in General

228Judgment
228XIVConclusiveness of Adjudication
228XIV(C)Matters Concluded
228k713Scope and Extent of Estoppel in General
228k713(1)In general

Relitigation of specific issues is barred by the doctrine of collateral estoppel.

Cases that cite this headnote

[4] **Judgment**
Consent or agreement

228Judgment
228XIIIMerger and Bar of Causes of Action and Defenses
228XIII(A)Judgments Operative as Bar
228k570Judgment on Discontinuance, Dismissal, or Nonsuit
228k570(6)Consent or agreement

When parties to a suit agree to dismiss a claim with prejudice, the dismissal acts as a final adjudication on the merits for res judicata purposes; this is true even when a party is mistaken as to the preclusive effect of such a stipulation.

Cases that cite this headnote

[5] **Judgment**
Consent or agreement

228Judgment
228XIIIMerger and Bar of Causes of Action and Defenses
228XIII(A)Judgments Operative as Bar
228k570Judgment on Discontinuance, Dismissal, or Nonsuit
228k570(6)Consent or agreement

Where a dismissal with prejudice is based on a stipulation between the parties, principles of res judicata apply in a modified form to the matters specified in the settlement agreement rather than the claims in the original complaint.

Cases that cite this headnote

[6] **Trademarks**
Indication of origin or ownership; identification
Trademarks
Adoption and use
Trademarks
Nature and Extent of Use

382TTrademarks
382TIIMarks Protected
382Tk1028Indication of origin or ownership; identification
382TTrademarks
382TIVCreation and Priority of Rights
382Tk1132Use of Mark
382Tk1135Adoption and use
382TTrademarks
382TIVCreation and Priority of Rights
382Tk1132Use of Mark
382Tk1136Nature and Extent of Use
382Tk1136(1)In general

A common law trademark may arise from the adoption and actual use of a word, phrase, logo, or other device to identify goods or services with a particular party.

Cases that cite this headnote

[7] **Trademarks**
Infringement

382TTrademarks
382TVIIIViolations of Rights
382TVIII(A)In General
382Tk1418Practices or Conduct Prohibited in General; Elements
382Tk1421Infringement

The same analysis is applied to determine trademark infringement whether the mark is registered or is a common law mark.

Cases that cite this headnote

[8] **Trademarks**
Nature of Confusion

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1083Nature of Confusion
382Tk1084In general

On a trademark infringement claim under the Lanham Act, the test of likelihood of confusion encompasses any type of confusion, including confusion as to origin, source, sponsorship, affiliation, or connection. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

Cases that cite this headnote

[9] **Trademarks**
Factors considered in general

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1081Factors considered in general

When evaluating likelihood of confusion on a trademark infringement claim under the Lanham Act, a court must consider: (1) the strength of the infringed trademark; (2) the similarity between the plaintiff's and defendant's marks; (3) the competitive proximities of the parties' products; (4) the alleged infringer's intent to confuse the public; (5) the evidence of actual confusion; and (6) the degree of care reasonably expected of potential customers. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

Cases that cite this headnote

[10] **Trademarks**
Suggestive terms or marks

382TTrademarks
382TIIMarks Protected
382Tk1038Suggestive terms or marks

"HUCK" mark was suggestive, since some degree of imagination and thought was required to connect HUCK mark and products for which it was used, but extent to which it could be protected under Lanham Act was slight due to third party and popular usage. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

Cases that cite this headnote

[11] **Trademarks**
Examination and comparison; construction as entirety
Trademarks
Appearance, sound, and meaning

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1093Relationship Between Marks
382Tk1097Examination and comparison; construction as entirety
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1093Relationship Between Marks
382Tk1098Appearance, sound, and meaning

A court may consider the visual, aural, and definitional attributes of the marks at issue, and also may compare the trade dress of the products, when determining on a claim of infringement under the Lanham Act whether the total effect of the two marks is confusingly similar. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

Cases that cite this headnote

[12] **Trademarks**
Examination and comparison; construction as entirety

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1093Relationship Between Marks
382Tk1097Examination and comparison; construction as entirety

When analyzing the similarity of two marks on a claim of infringement under the Lanham Act, a court must look to the overall impression created by the marks rather than merely comparing their individual features. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

Cases that cite this headnote

[13] **Trademarks**
Appearance, sound, and meaning

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1093Relationship Between Marks
382Tk1098Appearance, sound, and meaning

Trademark owner's "HUCK" mark as applied to children's skate shoe and retailer's "HUCK" mark as applied to adult men's running shoe were not confusingly similar, weighing in favor of conclusion that retailer's use of mark was not infringing under Lanham Act, since, among other things, owner's "HUCK" was in stylized, bubble letters with lightning bolt emanating from it and it appeared numerous times on both shoe box and shoe, and retailer's "HUCK" did not appear on shoe itself but in largely unremarkable, standard typeface, and was displayed in small font as model name near identification of size of shoe, on tag attached to shoe, and on placard on shelf identifying shelving location of shoe.

Cases that cite this headnote

[14] **Trademarks**
Markets and territories; competition

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1100Relationship Between Goods or Services Underlying Marks
382Tk1104Markets and territories; competition

A showing of direct competition is not required when analyzing consumer confusion under the competitive proximities of the products factor on a claim of trademark infringement under the Lanham Act; rather, this factor requires a broader examination of the products' relationship in the market. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

Cases that cite this headnote

[15] **Trademarks**
Markets and territories; competition

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1100Relationship Between Goods or Services Underlying Marks
382Tk1104Markets and territories; competition

Where products are related, it is reasonable for consumers to think that the products come from the same source and confusion is more likely, when analyzing consumer confusion under the competitive proximities of the products factor on a claim of trademark infringement under the Lanham Act; however, where products are wholly unrelated, this factor weighs against a finding that confusion is likely. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

Cases that cite this headnote

[16] **Trademarks**
Markets and territories; competition

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1100Relationship Between Goods or Services Underlying Marks
382Tk1104Markets and territories; competition

Competitive proximities of products factor only slightly favored trademark owner when analyzing consumer confusion on infringement claim under Lanham Act, where owner's product was skate shoe for children and competitor's shoe was adult men's running shoe and they were sold in similar discount store

setting and for same or similar price, but products were marketed and sold for different purposes and because owner had removed most clearly competitive product from market before retailer began selling accused shoe. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

Cases that cite this headnote

[17] **Trademarks**
Markets and territories; competition

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1100Relationship Between Goods or Services Underlying Marks
382Tk1104Markets and territories; competition

Owner that stopped selling trademarked children's skate shoe one year before retailer's accused shoe appeared for sale potentially could establish infringement against retailer, since direct competition was not required to establish trademark infringement. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

Cases that cite this headnote

[18] **Trademarks**
Knowledge, intent, and motives; bad faith

382TTrademarks
382TVIIIViolations of Rights
382TVIII(A)In General
382Tk1437Knowledge, intent, and motives; bad faith

Proof of bad intent is not required for success in a trademark infringement case; however, the absence of such intent is a factor to be considered. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

Cases that cite this headnote

[19] **Trademarks**
Intent; knowledge of confusion or similarity

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1111Intent; knowledge of confusion or similarity

Retailer did not intentionally chose trademarked name "HUCK" for its accused shoe in order to confuse customers, weighing in favor of conclusion that retailer's use of mark was not infringing under Lanham Act, where owner's contact with retailer was fairly incidental, decisionmakers had not heard of owner's products or seen any of samples of owner's products at time that they named accused shoe, and name chosen for accused product was "wholly arbitrary" in that it was "used for zoning purposes and internal use," and is not used for marketing. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

Cases that cite this headnote

[20] **Trademarks**
Actual confusion

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1083Nature of Confusion
382Tk1086Actual confusion

The evidence of actual confusion factor for analyzing consumer confusion on a claim of trademark infringement under the Lanham Act gives weight to the number and extent of instances of actual confusion. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

Cases that cite this headnote

[21] **Trademarks**
Actual confusion

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of

Confusion
382Tk1083Nature of Confusion
382Tk1086Actual confusion

Lack of evidence of actual confusion on claim of trademark infringement under Lanham Act weighed in favor of conclusion that there was no consumer confusion. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

Cases that cite this headnote

[22] **Trademarks**
Persons confused; circumstances of sale

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1112Persons confused; circumstances of sale

Consumers were likely to exercise at least moderate degree of care when purchasing shoes regardless of where and at what price point shoes were purchased, and thus it was unlikely that ordinary consumer would have been confused about differences between trademarked skate shoes for children that had been marketed with action sports theme and accused standard men's running shoe, weighing in favor of conclusion that retailer's use of mark was not infringing under Lanham Act; consumers were likely to try on shoes they purchased and consumers were likely to evaluate numerous aspects of shoes, including comfort, color and appearance, and intended function, in addition to price. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

Cases that cite this headnote

[23] **Trademarks**
Miscellaneous particular cases; determinations based on multiple factors

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1082Miscellaneous particular cases; determinations based on multiple factors

Retailer did not infringe upon owner's trademark, where only two factors for analyzing consumer confusion favored owner, on trademark infringement claim under the Lanham Act, and those did so only slightly. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a); Fed.Rules Civ.Proc.Rule 56, 28 U.S.C.A.

Cases that cite this headnote

[24] **Trademarks**
Alphabetical listing

382TTrademarks
382TXITrademarks and Trade Names Adjudicated
382Tk1800Alphabetical listing

HUCK.

Cases that cite this headnote

Attorneys and Law Firms

***860** Jerome S. Rice, Esq., Jerome S. Rice & Associates, for Plaintiff.

James R. Steffen, Esq., and Timothy J. Cruz, Esq., Faegre & Benson LLP, for Defendants.

MEMORANDUM OPINION AND ORDER

DONOVAN W. FRANK, District Judge.

INTRODUCTION

This matter is before the Court upon Defendant Target Corporation's ("Target") motion to dismiss and motion for summary judgment. Plaintiff NSM Resources Corporation ("NSM") opposes the motions. For the

reasons set forth below, the Court denies Target's motion to dismiss and grants Target's motion for summary judgment.

BACKGROUND

NSM markets and sells toys, shoes and clothing under the trademarks HUCK and HULK in the United States. NSM's products are associated with an "action sports" context. (Doc. No. 31 ¶ 13, Ex. M at 19.) One of NSM's owners, Zane Murdock ("Murdock"), indicated that he considers action sports to include skateboarding, biking, wake boarding, surfing, kayaking, base jumping, sky diving, and rock climbing. In this context, the word "huck" is a verb meaning "to catch air" and it has been described by NSM as follows:

> Used in the action sports arena when explaining athletes becoming airborne. This occurs after going off of jumps, ramps, cliffs or specific elements of respective sports: skiers huck cliffs, base jumpers huck free standing objects, wakeboarders huck the wake created by a boat, surfers huck waves, snowboarders huck in halfpipes, skateboarders huck ramps and onto and off of rails.

(*Id.* ¶ 1, Ex. A.) According to NSM, the word huck was invented in the late 1990s by a group of professional skiers in the Lake Tahoe area who own NSM along with Murdock and who used this term to describe their "aerial maneuvers." (*Id.*)

NSM alleges that Target infringed on its HUCK trademark by selling men's athletic shoes with the model name Huck under its house brand, PROSPIRIT, in 2006. NSM contacted Target, informing Target that NSM believed that it was infringing on NSM's mark. Target indicated that it did not believe it was infringing, and denied that any likelihood of customer confusion existed. Nonetheless, Target changed the model name for the PROSPIRIT shoe in question to "Samuel." (*Id.* ¶ 6, Ex. F.)

NSM subsequently filed this suit alleging Target violated section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), and common law infringement. Target moves for summary judgment with respect to these claims. In addition, Target moves for dismissal of this action under the doctrine of *res judicata,* which Target contends applies due to a stipulation into which NSM and Target entered in connection with a separate action in Nevada.

DISCUSSION

I. Motion to Dismiss

A. Standard of Review

Target has moved for dismissal arguing that NSM fails to state a claim upon which relief may be granted. Fed.R.Civ.P. 12(b)(6). In deciding a motion to dismiss pursuant to Rule 12(b)(6), a court assumes all facts in the complaint to be true and construes all reasonable inferences from those facts in the light most favorable to the complainant. *Morton v. Becker,* 793 F.2d 185, 187 (8th Cir.1986). In doing so, however, a court need not accept as true ***861** wholly conclusory allegations, *Hanten v. Sch. Dist. of Riverview Gardens,* 183 F.3d 799, 805 (8th Cir.1999), or legal conclusions drawn by the pleader from the facts alleged. *Westcott v. City of Omaha,* 901 F.2d 1486, 1488 (8th Cir.1990). A court may consider the complaint, matters of public record, orders, materials embraced by the complaint, and exhibits attached to the complaint in deciding a motion to dismiss under Rule 12(b)(6). *Porous Media Corp. v. Pall Corp.,* 186 F.3d 1077, 1079 (8th Cir.1999).

To survive a motion to dismiss, a complaint must contain "enough facts to state a claim to relief that is plausible on its face." *Bell Atl. Corp. v. Twombly,* 550 U.S. 544, 127 S.Ct. 1955, 1974, 167 L.Ed.2d 929 (2007). Although a complaint need not contain "detailed factual allegations," it must contain facts with enough specificity "to raise a right to relief above the speculative level." *Id.* at 1964–65. This standard "calls for enough fact [s] to raise a reasonable expectation that discovery will reveal evidence of [the claim]." *Id.* at 1965.

B. Failure to State a Claim

[1] In June 2008, NSM filed a suit against Target and its law firm, Faegre & Benson, LLP, in the United States District Court for the District of Nevada styled as *NSM Resources Corporation v. Target Corporation,* Case No. 3:08–CV–00357 (D.Nev.2008) (the "Nevada Action"). NSM asserted trademark infringement claims, among others, in that suit. In September 2008, the parties entered into a stipulation for dismissal with prejudice (the "Stipulation") of the Nevada Action. On September 17,

2008, a judgment was entered dismissing the Nevada Action with prejudice. (Doc. No. 53 ¶ 11, Ex. K.)

Target asserts that the judgment issued in the Nevada Action bars NSM's claims in this action. Target contends that the first judgment entered, regardless of whether it occurs in the first-filed or a later filed suit, is to be given preclusive effect when the same claims are asserted in both cases.

[2] [3] "The doctrine of *res judicata* applies to repetitive suits involving the same cause of action." *Lundquist v. Rice Mem'l Hosp.,* 238 F.3d 975, 977 (8th Cir.2001). *Res judicata* precludes the relitigation of claims rather than the relitigation of specific issues, which is barred by the doctrine of collateral estoppel. *Canady v. Allstate Ins. Co.,* 282 F.3d 1005, 1014 (8th Cir.2002). *Res judicata,* therefore, bars litigants from bringing claims on grounds that were raised or could have been raised when: (1) a court of competent jurisdiction rendered the prior judgment; (2) the prior judgment was a final judgment on the merits; and (3) both cases involved the same cause of action and the same parties or their privies. *Banks v. Int'l Union Elec., Elec., Tech., Salaried and Machine Workers,* 390 F.3d 1049, 1052 (8th Cir.2004); *Canady,* 282 F.3d at 1014. A claim is barred by *res judicata* if it arises out of the same nucleus of operative facts as the prior claim. *Banks,* 390 F.3d at 1052.

[4] As a general principle, Target's arguments are correct. When parties to a suit agree to dismiss a claim with prejudice, the dismissal acts as a "final adjudication on the merits" for *res judicata* purposes. *Larken, Inc. v. Wray,* 189 F.3d 729, 732 (8th Cir.1999). This is true even when a party is mistaken as to the preclusive effect of such a stipulation. For instance, in *Nemaizer v. Baker,* the Second Circuit considered whether a stipulation for dismissal with prejudice operated as *res judicata* on a subsequent suit where the plaintiff asserted the stipulation was not intended to have such an effect.[1] ***862** 793 F.2d 58 (2d Cir.1986). The court declared that while the consequences of entering into the agreement were not fully weighed and the choice to enter the agreement was a poor one, the court could not set aside the settlement. *Id.* at 62. The court held that the stipulation and resulting order barred future actions. *Id.* It is clear, then, that NSM would be barred from bringing a future suit based on the claims asserted in the Nevada Action.

[5] It is not equally clear, however, that the dismissal in the Nevada Action bars NSM from continuing with its claims before this Court. Where a dismissal with prejudice is based on a stipulation between the parties, principles of *res judicata* apply in a modified form to the matters specified in the settlement agreement rather than the claims in the original complaint. *Norfolk S. Corp. v. Chevron, USA, Inc.,* 371 F.3d 1285, 1288 (11th Cir.2004) ("A judgment dismissing an action with prejudice based upon the parties' stipulation, unlike a judgment imposed at the end of an adversarial proceeding, receives its legitimating force from the fact that the parties consented to it.").

In this case, the Stipulation is two sentences long. In its entirety it states: "The parties in the above-entitled case hereby stipulate to dismiss this case with prejudice. Each party [is] to pay its own costs and attorney fees." (Doc. No. 53 ¶ 9, Ex. I.) There is no indication in this document that the parties intended to settle the claims asserted in the matter pending before this Court. Thus, this settlement is different from that in *TCBY* in which the parties submitted a much broader proposed order providing for the dismissal of "all claims pending before the Court, and all claims arising out of the transaction or occurrence that is the subject matter of this lawsuit with prejudice." 2 F.3d at 290. Therefore, the Court declines to dismiss the Complaint pursuant to the doctrine of *res judicata.*

II. Motion for Summary Judgment

A. Standard of Review

Summary judgment is proper if there are no disputed issues of material fact and the moving party is entitled to judgment as a matter of law. Fed.R.Civ.P. 56(c). The Court must view the evidence, and the inferences that may be reasonably drawn from the evidence, in the light most favorable to the nonmoving party. *Enter. Bank v. Magna Bank of Mo.,* 92 F.3d 743, 747 (8th Cir.1996). However, as the Supreme Court has stated, "[s]ummary judgment procedure is properly regarded not as a disfavored procedural shortcut, but rather as an integral part of the Federal Rules as a whole, which are designed 'to secure the just, speedy, and inexpensive determination of every action.' " *Celotex Corp. v. Catrett,* 477 U.S. 317, 327, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986) (quoting Fed.R.Civ.P. 1).

The moving party bears the burden of showing that there is no genuine issue of material fact and that it is entitled to judgment as a matter of law. *Enter. Bank,* 92 F.3d at 747. The nonmoving party must demonstrate the existence of specific facts in the record that create a genuine issue for trial. *Krenik v. County of Le Sueur,* 47 F.3d 953, 957 (8th Cir.1995). A party opposing a properly supported motion for summary judgment may not rest upon mere allegations or denials but must set forth specific facts showing that there is a genuine issue for trial. ***863**

Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 256, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986).

B. Trademark Infringement

[6] [7] NSM has alleged trademark infringement under the Lanham Act of its federally registered mark and common law trademark infringement.[2] To prevail, NSM must prove (1) ownership of a valid trademark; and (2) likelihood of confusion between NSM's HUCK mark and Target's use of the Huck model name. *First Bank v. First Bank Sys., Inc.,* 84 F.3d 1040, 1044 (8th Cir.1996). NSM's mark is federally registered and Target does not challenge NSM's ownership of the mark. Therefore, this case turns on whether there is a likelihood of confusion between the two marks.

[8] Trademark law protects an owner against use of its mark on any product or service that would reasonably be thought by the buying public to come from the same source. 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition,* § 24.6 (4th ed. 1998). Thus, the test of likelihood of confusion encompasses any type of confusion, including confusion as to origin, source, sponsorship, affiliation, or connection. *Id.*

[9] When evaluating likelihood of confusion, a court must consider: (1) the strength of the infringed trademark; (2) the similarity between the plaintiff's and defendant's marks; (3) the competitive proximities of the parties' products; (4) the alleged infringer's intent to confuse the public; (5) the evidence of actual confusion; and (6) the degree of care reasonably expected of potential customers. *SquirtCo. v. Seven–Up Co.,* 628 F.2d 1086, 1091 (8th Cir.1980). While none of these factors is dispositive, a court must use the factors at the summary judgment stage "as a guide to determine whether a reasonable jury could find a likelihood of confusion." *Duluth News–Tribune v. Mesabi Publ. Co.,* 84 F.3d 1093, 1096 (8th Cir.1996).

1. Strength of the Trademark

Trademarks are considered to fall into one of four categories: (1) arbitrary or fanciful, (2) suggestive, (3) descriptive, or (4) generic. *Id.* These categories are differentiated in a spectrum from strongest to weakest.

> An arbitrary or fanciful trademark is the strongest type of mark and is afforded the highest level of protection. At the other end of the spectrum, a generic term is one that is used by the general public to identify a category of goods, and as such merits no trademark protection. Suggestive and descriptive marks fall somewhere in between. A suggestive mark is one that requires some measure of imagination to reach a conclusion regarding the nature of the product. A descriptive mark, on the other hand, immediately conveys the nature or function of the product and is entitled to protection only if it has become distinctive by acquiring a secondary meaning.

Id. (citations omitted).

[10] Target contends that the HUCK mark is descriptive and, therefore, is entitled only to minimal protection. Target bases its argument on NSM's description of the verb "to huck" as an action sports- ***864** related activity and the connection between the active sports context and NSM's products. The Court disagrees.

Descriptive terms are used describe all goods of a similar nature. *Schwan's IP, LLC v. Kraft Pizza Co.,* 460 F.3d 971, 974 (8th Cir.2006). Such a term describes the ingredients, characteristics, qualities, or other features of the product, and must be so associated with the product that it becomes a designation of the source rather than of a characteristic of the product. *Id.*; *see also Frosty Treats Inc. v. Sony Computer Entm't Am. Inc.,* 426 F.3d 1001 (8th Cir.2005) (holding "Frosty Treats" conveyed immediate idea of the qualities and goods sold by company selling frozen desserts from ice cream trucks and no imagination was required to reach a conclusion as to the nature of the goods); *Home Builders Ass'n of Greater St. Louis v. L & L Exhibition Mgmt.,* 226 F.3d 944 (8th Cir.2000) (stating that trade show names, "The St. Louis Builders Home and Garden Show," and "The St. Louis Builders Home and Remodeling Show," were descriptive because the terms described the characteristics of the shows but also identified the sponsor or source in a way that left competitors free to adopt other equally descriptive but not inherently confusing names). The word huck, however, does not describe the ingredients, characteristics, qualities, or other features of shoes and clothing, the products to which NSM attaches the HUCK mark. Rather, some degree of imagination and thought is required to connect the HUCK mark and the products for

which it is used. Therefore, the Court concludes that the HUCK mark is suggestive.

Nonetheless, the word huck is not exclusively used by NSM, nor is it used exclusively within the action sports context NSM seeks to evoke with its products. Target notes that the word huck and variants thereof are used by other parties on shoes and clothing. Further, according to the U.S. Patent and Trademark Office database, there are over sixty references to "live" marks incorporating the word huck. (Doc. No. 31 ¶ 12, Ex. L.) Additionally, the name "Huck" is commonly known in the English language as the nickname of the title character in Mark Twain's popular American novel *Adventures of Huckleberry Finn.* Therefore, Target contends the NSM's mark is in a crowded field and is entitled to lesser protection. The Court agrees that NSM's HUCK mark is entitled to lesser protection due to third party usage of the word huck. *Gen. Mills, Inc. v. Kellogg Co.,* 824 F.2d 622, 626–627 (8th Cir.1987) (stating that "evidence of third party usage of similar marks on similar goods is admissible and relevant to show that the mark is relatively weak and entitled to a narrower scope of protection").

The Court concludes, viewing the facts in the light most favorable to NSM, that this factor favors NSM because the mark is suggestive. The degree to which it favors NSM, however, is only slight due to third party and popular usage.

2. Similarity Between the Trademarks

[11] [12] In analyzing the similarity of two marks, a court must look to the overall impression created by the marks rather than merely comparing their individual features. *Id.* at 627 (upholding trial court's decision comparing color schemes, lettering styles, and box designs for two cereals in determining marks were dissimilar). The use of identical, even dominant, words in common does not automatically mean that the two marks are similar. *Id.* The Court may consider the marks' visual, aural, and definitional attributes and may also compare the trade dress of the products in determining whether the total effect of the two marks is confusingly similar. *Luigino's, Inc. v. Stouffer Corp.,* 170 F.3d 827, 830 (8th Cir.1999).

***865** [13] Viewing the evidence in the light most favorable to NSM, the Court concludes that the marks are not similar. This dispute is principally about the marks as applied to a children's shoe made by NSM and the adult men's running shoe made by Target. Though both products use the word huck, the word is displayed differently on the products. First, the name is displayed in different fonts and different sizes on the children's shoe made by NSM and the adult men's shoe sold by Target. NSM's HUCK is in stylized, bubble letters with a lightning bolt emanating from it and it appears numerous times on both the shoe box and the shoe. Conversely, Target's use of the word huck appears in a largely unremarkable, standard typeface, and is displayed in a small font as the model name near the identification of the size of the shoe, on a tag attached to the shoe, and on a placard on the shelf identifying the shelving location of the shoe. Target's Huck model name also does not appear on the shoe itself.

Further, NSM's HUCK is central to the identity of the product NSM markets, whereas Target's use of the word huck is secondary to its house mark. Target used Huck as a model name for a shoe within its line of house brand PROSPIRIT shoes. The dominant feature of both the presentation of the Target shoe and its marketing is the PROSPIRIT mark, not the model name of the shoe. *Id.* at 831 (holding that the prominent display of house marks conveys perceptible distinctions between two products and citing similar cases).

The Court concludes that there is little, if any, similarity between the marks, notwithstanding that both use the same word. This factor favors Target.

3. Competitive Proximities of the Products

[14] [15] A showing of direct competition is not required for the analysis under this factor. *Kemp v. Bumble Bee Seafoods, Inc.,* 398 F.3d 1049, 1056 (8th Cir.2005); *see also Mutual of Omaha Ins. Co. v. Novak,* 836 F.2d 397, 399 (8th Cir.1987) (holding no direct competition required because "confusion, not competition, is the touchstone of trademark infringement"). Rather, this factor requires a broader examination of the products' relationship in the market. *Kemp,* 398 F.3d at 1056. Where products are related, it is reasonable for consumers to think that the products come from the same source and confusion is more likely. *Id.* Where products are wholly unrelated, however, this factor weighs against a finding that confusion is likely. *Id.*

[16] Here, the primary products in dispute are both shoes. NSM's product is a skate shoe for children, while Target's shoe is an adult men's running shoe. While the two products may not be in direct competition, they are similar because they are both footwear. In addition, they

were sold in a similar discount store setting (Target and K–Mart) and for the same or a similar price.

[17] Target notes that by the time it began selling its Huck model PROSPIRIT shoes, NSM had stopped selling its children's skate shoe bearing the HUCK mark. Target, therefore, contends that there was no competition between the products. Target relies on a decision from this district to make this point. *Boo, Inc. v. Boo.com Group Ltd.,* No. 00–cv–1872 (PAM/JGL), 2002 WL 334417 (D.Minn. Feb. 21, 2002). In that case, however, the analysis of competition between the parties turned, in part, on the fact that the plaintiff had ceased doing business entirely. *Id.* at *1–*2 (noting that the plaintiff had no full-time employees, the owners of the plaintiff did not perform any day-to-day functions, and the plaintiff produced no income). Here, NSM did not stop doing business, it merely stopped selling one of ***866** its products, the children's skate shoe, the year before Target's PROSPIRIT Huck shoe appeared for sale. The removal of one product from a company's line-up, even if it is the most similar product to the accused product, is not determinative because direct competition is not required to establish trademark infringement. NSM, therefore, could potentially establish infringement even if a shoe was not the product in question.

The Court concludes, viewing the facts in the light most favorable to NSM, that the products are related and that this factor favors NSM. The Court determines, however, that this factor only slightly favors NSM because the two products were marketed and sold for different purposes (children's versus adult shoes) and because NSM had removed the most clearly competitive product from the market before Target began selling the accused shoe, which would decrease the likelihood of customer confusion.

4. Intent to Confuse the Public

[18] Proof of bad intent is not required for success in a trademark infringement case. *Davis v. Walt Disney Co.,* 430 F.3d 901, 904 (8th Cir.2005). The absence of such intent, however, is a factor to be considered. *Id.*

[19] NSM argues that Target intentionally began infringing on the HUCK mark after Murdock met with Target representatives and showed them NSM products and a PowerPoint presentation including information regarding the products and sales figures. The record, however, does not support NSM's argument.

Though NSM suggests in its brief that a meeting between Murdock and Target occurred, in Murdock's deposition he admitted he did not meet with any personnel from Target. On two occasions, Murdock visited Target headquarters and stopped in at the reception desk. He did not remember if he left any materials on the first occasion. On the second occasion, he came to Minneapolis with the hope that he could request a special meeting with Target staff member Todd Marshall ("Marshall"), but did not have an appointment. When he arrived, however, Marshall informed Murdock that Marshall was "very busy" and would be unable to meet with him, and Marshall advised Murdock to drop off any product samples at Target's "Bullseye Center." (Doc. No. 31 ¶ 13, Ex. M at 134–135.) Murdock left one pair of shoes, two Huck Dolls and his PowerPoint presentation. One week later, Murdock e-mailed Marshall to inquire whether Marshall had received the samples and information. According to Murdock, Marshall indicated he had received them and that Target was not interested in selling NSM's products. NSM's contact with Target was, therefore, fairly incidental.

The record also reflects that there was no connection between Target's receipt of these sample products and the decision to apply the Huck style name to a PROSPIRIT men's athletic shoe. The Target staff members involved in choosing the Huck model name for Target's men's athletic shoes were Ryan Waymire ("Waymire") and Matthew Faltesek ("Faltesek"). Faltesek was the merchandise coordinator for the Huck model shoe and was responsible for choosing the name. Waymire was Faltesek's supervisor.

Target's merchandise coordinators use baby name books when choosing model names for their house brand products.[3] ***867** Faltesek was assigned to choose model names for men's shoes beginning with the letters "H" and "S." (Doc. No. 33 ¶ 2.) Faltesek initially chose "Huckleberry," for this model, but Waymire suggested shortening the name to Huck because Waymire was concerned that the word Huckleberry would not fit on the packaging to be used.[4] (*Id.*) Faltesek selected Huckleberry in reference to the Mark Twain character and, at the same time, selected Sawyer and Samuel as model names, which are also names related to Mark Twain. (*Id.*) Neither Waymire nor Faltesek had heard of NSM's products or seen any of the samples of NSM's products at the time they named the accused shoe.

According to Faltesek, the style or model name chosen for a product is "wholly arbitrary," "used for zoning purposes and internal use," and is not used for marketing.[5] (Doc. No. 40 ¶ 5, Doc. No. 43, Ex. E at 24.) Waymire testified

that the style name chosen for Target's products is equivalent to a style number. (Doc. No. 40 ¶ 6, Doc. No. 43, Ex. F at 33.) He also testified that the style name allows Target staff members to determine which box a shoe belongs with if the shoe has been removed from the box and where the box should be put on the shelves. (*Id.* Ex. F at 28.)

Even viewing the facts in the light most favorable to NSM, the Court concludes that there is no evidence that Target intentionally chose the name Huck for its PROSPIRIT shoe in order to confuse customers. This factor favors Target.

5. Evidence of Actual Confusion

[20] The fifth factor gives weight to the number and extent of instances of actual confusion. *Duluth News–Tribune,* 84 F.3d at 1098. When evaluating evidence at the summary judgment stage, only admissible evidence is considered. Fed.R.Civ.P. 56; *Duluth News–Tribune,* 84 F.3d at 1098.

[21] NSM's evidence of customer confusion is limited to a statement made by Murdock that he was informed by "a close business contact" that Target was selling a shoe named Huck and that this was "extremely confusing and upsetting to [him] and [his] business." (Doc. No. 45 ¶ 3.) At the hearing before this Court, NSM also stated that the case began when friends of Murdock advised him that Target was selling a Huck shoe. NSM did not submit affidavits from any of these persons averring to any confusion. In its brief, NSM explains that it did not provide survey evidence of customer confusion because: (1) it is a small company and cannot afford to conduct a survey; (2) it was "too shocked" when it discovered Target's Huck shoe to conduct an expensive survey; and (3) it could not conduct a survey to measure customer confusion because Target changed the name of the shoe to Samuel. (Doc. No. 39 at 11–12.) NSM also ***868** asserts that evidence of actual customer confusion "cannot be an important factor" in the Court's analysis. (*Id.* at 12.)

No single *SquirtCo* factor is dispositive in determining trademark infringement. *Gateway, Inc. v. Companion Prods., Inc.,* 384 F.3d 503, 509 (8th Cir.2004). The Court may not, however, ignore a factor in the analysis because a party has failed or is unable to produce evidence regarding that factor. NSM has not produced evidence of actual customer confusion beyond Murdock's assertion. This is insufficient and this factor, therefore, weighs in Target's favor.

6. Degree of Care of Potential Customers

[22] In evaluating the sixth factor, a court looks to the degree of care expected of an ordinary purchaser. *Duluth News–Tribune,* 84 F.3d at 1099. Courts consider consumer confusion less likely where consumers exercise a high degree of care in choosing a product, such as when goods are expensive and are chosen after careful consideration, or when the purchasers are sophisticated. *Kemp,* 398 F.3d at 1055. Target asserts that customers exercise a high degree of care in purchasing footwear, even if that footwear is sold at a low price. NSM conversely argues that consumers shopping at discount stores do so to buy at low prices and do not exercise a high degree of care in making a discount shoe purchase.

The Court concludes that consumers are likely to exercise at least a moderate degree of care when purchasing shoes regardless of where and at what price point the shoes are purchased. Shoes are not, generally, an impulse item that consumers take off the shelf without thought. Rather, consumers are likely to try on the shoes they purchase and, more likely than not, try on more than one pair in order to reach their decision. Also, consumers are likely to evaluate numerous aspects of shoes, including comfort, color and appearance, and intended function (e.g. running shoes, dress shoes, sandals), in addition to price.

Given the degree of care with which consumers select shoes, the Court concludes that it is unlikely that the ordinary consumer would be confused about the differences between skate shoes for children marketed with an action sports theme and a standard men's running shoe. This factor favors Target.

[23] The Court concludes that only two of the *SquirtCo* factors favor NSM, and those do so only slightly. Based on its evaluation of all of the factors, even considering the record in the light most favorable to NSM, there is insufficient evidence for a reasonable jury to find Target infringed upon NSM's trademark. Therefore, the Court grants Target's motion for summary judgment.

CONCLUSION

The Court denies Target's motion to dismiss because it concludes that NSM's claims are not barred by *res judicata.* The Court, however, grants Target's motion for

summary judgment with respect to NSM's claims of trademark infringement.

Accordingly, **IT IS HEREBY ORDERED** that:

1. The Defendant's Motion to Dismiss (Doc. No. 49) is **DENIED.**

2. The Defendant's Motion for Summary Judgment (Doc. No. 28) is **GRANTED** with respect to all claims in the Plaintiff's Complaint.

3. The Plaintiff's Complaint (Doc. No. 1) is **DISMISSED WITH PREJUDICE.**

LET JUDGMENT BE ENTERED ACCORDINGLY.

All Citations

636 F.Supp.2d 857

Footnotes

1 *Nemaizer* has been cited favorably by the Eighth Circuit. *See TCBY Sys., Inc. v. EGB Assocs., Inc.,* 2 F.3d 288 (8th Cir.1993) (discussing *Nemaizer* and holding that a stipulation for dismissal with prejudice barred consideration of claims and that mistake as to legal effect of a dismissal was not grounds to void the settlement agreement).

2 Registration is *prima facie* evidence of the validity of a trademark. 15 U.S.C. § 1115(a). Even without registration, however, a common law trademark may arise from the adoption and actual use of a word, phrase, logo, or other device to identify goods or services with a particular party. *First Bank,* 84 F.3d at 1044. Courts apply the same analysis to determine trademark infringement whether the mark is registered or is a common law mark. *See, e.g., Minn. Specialty Crops, Inc. v. Minn. Wild Hockey Club, LP,* No. 00–cv–2317 (JTF/FLN), 2002 WL 1763999 (D.Minn. July 26, 2002).

3 According to Waymire, Target did not do searches to determine whether its product style names were trademarked by another party. (Doc. No. 31 ¶ 15, Ex. O at 32.) The Court notes that Target may wish to exercise some greater degree of care in the future in choosing style names than it did in this case.

4 NSM disputes that the name Huck was chosen because Huckleberry was too long, noting that Target has named another of its shoes "Quadrilateral," which NSM asserts is also a long name. (Doc. No. 39 at 8.) This is too tenuous a link to support a finding that Target intended to confuse the public regarding the source of its accused shoe.

5 NSM disputes Target's assertion that the style or model names given to its products are without special significance. NSM asked Waymire if he would name a shoe "vomit," and Waymire responded that he would not. (Doc. No. 40 ¶ 6, Doc. No. 43 Ex. F at 29.) NSM, therefore, contends that the names Target selects are not completely arbitrary. It is too substantial a leap, however, for this Court to conclude that because Target would not select an obviously repulsive word to attach to a product, its style names become more than an internal aid and zoning device, especially when there is no contrary evidence in the record to rebut Faltesek and Waymire's testimony regarding Target's product naming conventions.

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Neutral
As of: October 12, 2015 6:43 PM EDT

2012 TTAB LEXIS 70

Trademark Trial and Appeal Board

March 08, 2012, Decided

Opposition No. 91190886 to application Serial No. 79048720 filed on November 22, 2007

Reporter
2012 TTAB LEXIS 70

O.C. Seacrets, Inc. v. Hotelplan Italia S.p.A.

Prior History:

O.C. Seacrets, Inc. v. Hotelplan Italia S.p.A., 2010 TTAB LEXIS 228 (Trademark Trial & App. Bd., June 7, 2010)

Disposition: **[*1]**

Decision: The opposition is sustained as to opposer's claim of priority and likelihood of confusion under Section 2(d) of the Trademark Act. Registration is refused as to the goods and services in International Classes 16, 35, 39, 41 and 43. The application will proceed to registration in International Classes 36 and 38.

Core Terms

hotel, travel, goods and services, registration, restaurant, advertize, likelihood of confusion, secret, entertainment, transport, channel, restaurant and bar, customer, region, ocean, sport, fame, third-party, nightclub, print, card

Counsel

Barth X. deRosa and Melissa A. Alcantara of Dickson Wright LLC for O.C. Seacrets.

Mark Lebow of Young & Thompson for Hotelplan Italia S.p.A.

Panel: Before Kuhlke, Cataldo, and Mermelstein, Administrative Trademark Judges.

Opinion By: Kuhlke, Karen

Opinion

THIS OPINION IS NOT A PRECEDENT OF THE T.T.A.B.

Opinion by Kuhlke, Administrative Trademark Judge:

Applicant, Hotelplan Italia S.p.A., seeks registration of the mark SECRETS LINE in standard characters on the Principal Register for goods and services identified in the application as:

> Travel books, travel magazines, travel pamphlets, printed matter, namely, travel brochures, maps and travel guides, in International Class 16;
>
> Advertising and promotional campaigns for third parties; business administration of hotels, restaurants, pensions, residences, villas, holiday homes, hostels, camping sites for third **[*2]** parties; providing office functions; study, plan, realization, managing and organizing of fidelity programs for customers, namely, promoting the goods and services of others by means of a preferred customer benefit program featuring supporter fidelity cards that contain the personal data of the owner for use in conjunction with traveling; conducting incentive bonus schemes in the

field of business administration, promotional and advertising campaigns for third parties through the distribution of prepaid stored value cards for the purpose of promoting and rewarding loyalty; market research and analysis services, in International Class 35;

Monetary and financial affairs, namely, issuing of travel checks and letters of credit from brokers or travel agencies, in International Class 36;

Telecommunications services, namely, local and long distance transmission of voice, data, graphics by means of telephone, telegraphic, cable, and satellite transmissions; transmission of messages, images, information, sounds and data by internet, by satellite and by cable, in International Class 38;

Travel agencies and tour operators services, namely, organization and reservations of travel **[*3]** arrangement and travel tickets booking; arranging of cruises and excursions; escorting of travelers and tour conducting; organization and arrangement of sight-seeing tours; consultancy and information relating to travels, transportation and tourism, namely, timetables, airlines tariffs and organizing and cruises; organizing and rental of transportation services, namely, making reservations and bookings for transportation and transportation services by air, road, rail and sea, in International Class 39;

Education services, namely, providing seminars, workshops and training courses in the fields of tourism and hotel trade; organization of sporting and cultural activities, namely, triathlons, and sporting events pertaining to tennis, swimming, golf, gymnastics, volleyball, ski and painting; organizing educational courses, congresses, conventions, exhibitions and meetings, featuring the subject matter of tourism for training staff involved in tourist activities; organizing of sports competitions and sports events in the field of football, tennis, volleyball, swimming, golf, gymnastics and skiing for the entertainment of staff involved in tourist activities; recreation and entertainment **[*4]** services, namely, organizing sports competitions, sports competitions with prizes, conducting parties featuring party games, planning arrangement of showing movies, shows, plays or musical performances, organization of dancing events and organization of games for children; publication of books, magazines, travel magazines and travel guides, in International Class 41; and

Reservation of hotel rooms for travelers, booking of campground facilities, hostels, arranging temporary housing accommodations, reservations of holiday villages for travelers, reservation of restaurants, in International Class 43.

The application was filed on November 22, 2007, under Section 66 of the Trademark Act, *15 U.S.C. § 1141*, with a foreign priority date of September 17, 2007. The application includes a disclaimer for the word LINE.

Opposer, O.C. Seacrets, Inc., has opposed registration of applicant's mark on the ground that, as applied to applicant's goods and services in International Classes 16, 35, 39, 41 and 43, the mark so resembles opposer's previously used and registered mark SEACRETS for, inter alia, restaurant, bar, hotel, nightclub and live entertainment services, **[*5]** and a wide variety of collateral goods and services (e.g., a ″credit card″ for use on the property to encourage customer loyalty and cross-promotion campaigns for travel and hotel stays in Jamaica) as to be likely to cause confusion under Section 2(d) of the Trademark Act, *15 U.S.C. § 1052(d)*. In addition, opposer asserts the ground that applicant's mark falsely

suggests a connection with opposer under Section 2(a) of the Trademark Act, *15 U.S.C. § 1052(a)*. [1]

Applicant has filed an answer admitting that ″it has not yet used its mark in the United States with respect to the goods and services identified in its application″ and denying the remaining salient allegations.

The Record

By operation **[*6]** of the Trademark Rules, the pleadings herein and the file of the opposed application are of record. Opposer submitted the testimony, with accompanying exhibits, of Leighton Moore, opposer's President and Owner, and Gary Figgs, opposer's Vice President and Chief Financial Officer. In addition, opposer submitted, under 17 notices of reliance: (1) title and status copies of opposer's pleaded registration for the mark SEACRETS for restaurant and bar services and several other registrations and applications owned by opposer for SEACRET-formative marks for a variety of goods and services; (2) certain of opposer's discovery requests and applicant's responses thereto; (3) printed publications; (4) samples of opposer's print advertising; (5) third-party registrations; (6) dictionary definitions; and (7) a prior Board decision involving opposer.

Applicant submitted, under a notice of reliance, various documents (applicant's brochures, invoices, photographs of promotional articles, etc.) described as ″corresponding in part to Opposer's Trial Exhibit No. 147,″ which consists of applicant's documentary response to opposer's Interrogatory Nos. 8 and 9. Opposer, in its brief, did not object to the **[*7]** documents submitted under applicant's notice of reliance. It is not clear if applicant intended to submit these documents under Trademark *Rule 2.120(j)(5)*, wherein a party may submit its discovery responses ″which should in fairness be considered so as to make not misleading what was offered by the receiving or inquiring party.″ Many of the documents appear simply to be duplicates of those submitted by opposer under its notice of reliance. We have considered these documents for whatever probative value they may have.

Applicant did not take any testimony, cross examine opposer's witnesses or file a brief. However, opposer in its brief, states that the parties ″stipulated to Applicant having a 'continuing objection to the introduction of evidence related to the mark SEACRET DESTINATIONS on the grounds that this mark, its registration and common law use was not pleaded by Opposer as a basis for opposing Applicant's application.'″ Br. p. 11. In general, because applicant did not file a brief, the objections would be considered waived; however, in view of the stipulation we consider the objection to be maintained. The mark SEACRET DESTINATIONS was not pleaded and applicant's objection **[*8]** is sustained to the extent that we have not considered use of this mark. However, we have considered the evidence pertaining to applicant's provision of travel agency services, albeit under a different mark, to the extent it shows that such services are related to opposer's other services (restaurant, bar, hotel, travel promotion and entertainment services) and the complementary nature of these services.

Standing and Priority

Opposer has made its pleaded registration properly of record. Registration No. 2102604 is for the mark SEACRETS in typed form for ″restaurant and bar services.″ The registration issued on October 7, 1997, based on an application filed on October 31, 1995. Section 8 and 15 affidavits have been accepted and acknowledged, and the registration has been renewed. In view thereof,

[1] The opposition was not brought against the services listed in International Classes 36 and 38. On April 2, 2010, the Board entered judgment in favor of applicant on the fraud claim and denied opposer's motion to add the claim of no bona fide intent to use the mark.

opposer has established its standing to oppose registration of applicant's mark. In addition, its priority is not in issue as to its restaurant and bar services. See *King Candy Co., Inc. v. Eunice King's Kitchen, Inc., 496 F.2d 1400, 182 USPQ 108 (CCPA 1974)*.

Moreover, opposer has established prior use of its mark SEACRETS in connection with various other goods and services, **[*9]** in particular, hotel services. Applicant has admitted that it has not begun use of the mark in the United States. [2] Therefore, the date of first use upon which applicant may rely is September 17, 2007. Opposer has established that it has used the mark SEACRETS in connection with the provision of nightclub and entertainment services since 1988, [3] hotel services since at least as early as the spring of 1999, [4] and promoting travel to other destinations since approximately 1994. [5]

Likelihood of Confusion

Our likelihood of confusion determination under Section 2(d) is based on an analysis of all of the probative facts in evidence that are relevant to the factors set forth in *In re E. I. du Pont de Nemours and Co., 476 F.2d 1357, 177 USPQ 563 (CCPA 1973)*. See also, *In re Majestic Distilling Co., Inc., 315 F.3d 1311, 65 USPQ2d 1201 (Fed. Cir. 2003).* **[*10]**

We begin with the factor of fame because fame "plays a 'dominant' role in the process of balancing the du Pont factors." *Recot Inc. v. Becton, 214 F.3d 1322, 54 USPQ2d 1894, 1897 (Fed. Cir. 2000)*. "[T]he fame of a mark may be measured indirectly, among other things, by the volume of sales and advertising expenditures of the goods traveling under the mark, and by the length of time those indicia of commercial awareness have been evident." *Bose Corp. v. QSC Audio Products, Inc., 293 F.3d 1367, 63 USPQ2d 1303, 1305 (Fed. Cir. 2002)*.

Opposer has expended significant sums on a broad-based advertising program in a variety of media, including, print, cable television (e.g., ESPN, USA, MTV, CNN, TNT), radio (approximately 5000 radio spots per year), Internet and billboards. See Moore Test. pp. 154-171, and Figgs Test. pp. 105-124. The advertising, other than on the Internet, is only regional and not national in scale. For example, the print advertising only appears in publications circulated in the Delmarva (Delaware, Maryland, Virginia) Peninsula. In addition, the radio spots are limited to the same region. In keeping with this localized strategy, opposer also **[*11]** routinely uses banner pulls on airplanes that traverse the beach and "bus wraps" on Ocean City, Maryland buses where the entire bus is dedicated solely to the promotion of the SEACRETS resort.

Opposer has used its mark for more than 22 years and has generated significant income, hosting nearly one million people per year at its complex. It has received numerous awards, including, in 2010, being recognized as the 8th largest nightclub in the entire United States. We note, however, that its restaurants, bars, nightclub and hotel are in one location, on the Mid-Atlantic coast in Ocean City, Maryland. In addition, the record shows that opposer's promotion and marketing of its services under this mark, is concentrated in the region around Ocean City, Maryland. However, by seeking a geographically unrestricted mark, we must consider that applicant seeks to market its goods and services throughout the United States, including in Ocean City, Maryland, and the

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[2] Answer P 2; Opp. Trial Exh. 142 (Applicant's Response to Admission Request No. 6).

[3] Moore Test. pp. 12, 87.

[4] Moore Test. p. 92.

[5] Figgs Test. pp. 166-169; Moore Test. pp. 76-77.

surrounding region. Thus, while this evidence falls short of demonstrating nationwide fame, it does demonstrate that opposer has attained a substantial degree of renown in the Mid-Atlantic region surrounding Ocean City, Maryland. See **[*12]** *ProQuest Information and Learning Co. v. Island, 83 USPQ2d 1351 (TTAB 2007)*. Strength is measured in degrees and while the record evidence does not show a level of consumer exposure and recognition to warrant a finding of fame, it does establish SEACRETS as a strong mark with significant regional renown which should be accorded a wider scope of protection. *Lacoste Alligator S.A. v. Maxoly Inc., 91 USPQ2d 1594, 1597 (TTAB 2009)* (″Because of the extreme deference that we accord a famous mark in terms of the wide latitude of legal protection it receives, and the dominant role fame plays in the likelihood of confusion analysis, it is the duty of the party asserting that its mark is famous to clearly prove it″); *Leading Jewelers Guild Inc. v. LJOW Holdings LLC, 82 USPQ2d 1901 (TTAB 2007)*.

We now consider the similarity or dissimilarity of the marks when compared in their entireties in terms of appearance, sound, connotation and commercial impression. *Palm Bay Imports, Inc. v. Veuve Clicquot Ponsardin Maison Fondee En 1772, 396 F.3d 1369, 73 USPQ2d 1689, 1692 (Fed. Cir. 2005)*.

The points of similarity between opposer's mark SEACRETS and **[*13]** applicant's mark SECRETS LINE are greater than the points of dissimilarity. The dominant portion of applicant's mark is the first term SECRETS. Applicant has disclaimed the word LINE and the record shows that LINE is merely descriptive of applicant's hotel related services wherein it ″distributes hotel stays of affiliated hotels all over the world,″ [6] because it immediately describes a feature of applicant's services, namely, the provision of a line of hotels. [7]

Opposer's mark SEACRETS is phonetically identical to the SECRETS portion of applicant's mark. The only difference in appearance of the common term is the addition of the letter ″A″ to opposer's mark, which merely serves as a play on its location near the ocean. While opposer's mark, **[*14]** when viewed, has the additional connotation of the ″sea,″ it retains the connotation of ″secrets″ which is the same as applicant's mark SECRETS. We note that opposer presented evidence to support this conclusion. Opposer conducted a study of the visitors to its website and found that 27% of them used the natural spelling ″secrets″ to locate SEACRETS. Figgs Test. pp. 145-150. The overall commercial impressions of SEACRETS and SECRETS LINE is very similar.

Thus, we find the marks to be similar in appearance, sound, connotation and commercial impression and this factor weighs in favor of a likelihood of confusion.

We turn then to a consideration of the goods and services, channels of trade and classes of purchasers. We must make our determinations under these factors based on the goods and services as they are recited in the registration and application. See *In re Elbaum, 211 USPQ 639 (TTAB 1981)*. The goods and services need not be identical or directly competitive in order for there to be a likelihood of confusion. Rather, the respective goods and services need only be related in some manner or the conditions surrounding their marketing be such that they could be encountered **[*15]** by the same purchasers under circumstances that could give rise to the mistaken belief that the goods and services come from a common source. *In re Martin's Famous Pastry Shoppe, Inc., 748 F.2d 1565, 223 USPQ 1289 (Fed. Cir. 1984)*.

As noted above, the opposition has been brought against the goods and services in International

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[6] Opp. Trial Exh. 143 (Answer to Interrogatory No. 7 wherein applicant defines LINE as ″selection or collection of exclusive hotel properties″).

[7] Opp. Trial Exhs. 171 (third-party registrations with LINE disclaimed) and 356 (definitions for the word LINE).

Classes 16, 35, 39, 41 and 43. It is opposer's position that applicant's goods and services are essentially hotel services that also include goods and services commonly associated with hotel, bar and restaurant services. The evidence of record shows that applicant "distributes hotel stays" by advertising and promoting third-party hotels or villas and taking reservations through its website. [8]

In addition to its registered restaurant and bar services, opposer provides entertainment and hotel services under the SEACRETS mark. Opposer also uses its SEACRETS mark in connection with a variety of ancillary goods and services **[*16]** relevant to each of the opposed classes. While opposer does not actually publish travel maps and brochures, it sponsors such publications and it places its advertisements in such publications which are distributed in the same channels as applicant's identified travel maps and brochures in International Class 16.

Opposer has for over a decade engaged in cooperative advertising with other companies such as Air Jamaica and Couples Resort and has promoted its own "Gold Card" to promote customer loyalty on its property. These services are similar to the "advertising and promotional campaigns for third parties" and "distribution of prepaid stored value cards for the purpose of promoting and rewarding loyalty" in International Class 35 of the application.

With regard to applicant's International Class 39 services, opposer submitted several third-party use-based registrations that include both restaurant, bar and/or hotel services, and the arranging of various types of transportation services to support a finding that opposer's restaurant and bar services are related to applicant's various travel arranging services. [9] Third-party registrations which individually cover the services in issue **[*17]** and are based on use in commerce may serve to suggest that the listed services are of a type which may emanate from a single source. See *In re Albert Trostel & Sons Co., 29 USPQ2d 1783 (TTAB 1993)*. We find the third-party registrations probative on this issue. Moreover, we observe that in 2003, opposer, through a sister company, began offering its travel agency services which include making bookings for transportation. [10]

As to applicant's services **[*18]** in International Classes 41 and 43, opposer has used its SEACRETS mark in connection with a multitude of entertainment services (hosting nightly concerts, parties, fireworks, beauty pageants, etc.) and has provided reservation services for its hotel services. [11]

In view thereof, we find opposer's restaurant, bar, nightclub, hotel and affiliated services to be related to applicant's goods and services in each of the opposed classes. At a minimum, all of applicant's goods and services are related to opposer's restaurant, bar and hotel services as to be likely to cause confusion as to sponsorship. *General Mills Inc. v. Fage Dairy Processing Industry SA, 100 USPQ2d 1584, 1594 (TTAB 2011)*, quoting *Hilson Research, Inc. v. Society for Human Resource Management, 27 USPQ2d 1423, 1429 (TTAB 1993)* **[*19]** (likelihood of confusion encompasses confusion of sponsorship, affiliation or

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[8] App. Trial Exhs. 4 and 5; Opp. Trial Exh. 142.

[9] Opp. Trial Exh. 172 (e.g., Reg. No. 3002499 for making reservations and bookings for transportation, arranging of cruises, hotel, restaurant and bar services; Reg. No. 3182547 for making reservations and bookings for transportation, booking seats for travel and escorting of travelers and restaurant services; Reg. No. 1866988 for arranging of excursions for others and hotel, restaurant and bar services; and Reg. No. 3021969 for travel reservation services, escorting of travelers, hotel and restaurant services)

[10] Moore Test. pp. 54-57.

[11] While taking reservations for its own hotel would not be registrable as a separate service, it supports the close relationship between the provision of hotel accommodations and a hotel reservation service.

connection). See also *Visa International Service Ass'n v. Visa Hotel Group, Inc., 561 F. Supp. 984, 218 USPQ 261 (D.C.Nev. 1983)* (″Although these financial and hotel services are different and noncompetitive, they exist as complementary products in the same general industry, i.e., the travel and entertainment industry, and they are definitely related.″)

Moreover, because there are no limitations as to channels of trade or classes of purchasers in the application, we must consider all ordinary channels of trade and classes of purchasers for such goods and services. See *Hewlett-Packard Co. v. Packard Press Inc., 281 F.3d 1261, 62 USPQ2d 1001 (Fed. Cir. 2002)*; *Canadian Imperial Bank v. Wells Fargo Bank, 811 F.2d 1490, 1 USPQ2d 1813 (Fed. Cir. 1987)*; *Genesco Inc. v. Martz, 66 USPQ2d 1260, 1268 (TTAB 2003)* and *In re Smith and Mehaffey, 31 USPQ2d 1531 (TTAB 1994)*. Thus, applicant's channels of trade and classes of customers encompass opposer's presumed and established channels of trade and classes of customers.

In view of the above, the du Pont **[*20]** factors of the similarity of the goods and services, the channels of trade and classes of purchasers favor a finding of likelihood of confusion.

On balance, the relevant du Pont factors weigh in favor of a likelihood of confusion. In view of the strength of opposer's mark, the similarity of the marks, the related nature of the goods and services, and the overlap in the channels of trade and classes of customers, we conclude that there is a likelihood of confusion between opposer's mark SEACRETS and applicant's standard character mark SECRETS LINE such that registration of applicant's mark is barred under Trademark Act Section 2(d). As noted above, applicant submitted very limited evidence, did not take any testimony or present any legal argument to rebut opposer's showing.

To the extent there is any doubt, we must resolve that doubt in favor of opposer as the prior user and registrant. *Giant Food, Inc. v. Nation's Foodservice, Inc., Giant Food, Inc. v. Nation's Foodservice, Inc., 710 F.2d 1565, 218 USPQ 390, 395 (Fed. Cir. 1983)*.

In view of our decision on opposer's claim of likelihood of confusion, we do not reach the claim of false suggestion of a connection.

9 F.Supp.2d 1347
United States District Court,
S.D. Florida.

POPULAR BANK OF FLORIDA, a Florida corporation, Plaintiff,
v.
BANCO POPULAR DE PUERTO RICO, and Banco Popular N.A. (Florida), Defendants.

No. 97–2751–CIV. | June 5, 1998.

Financial institution which had been operating for nearly 20 years in south Florida area under the name "Popular Bank" sued to enjoin defendant from using its alleged confusingly similar mark in offering banking and financial services in south Florida market. On plaintiff's motion for preliminary injunction, the District Court, Gold, J., held that: (1) plaintiff satisfied burden of demonstrating priority of its use in south Florida market; (2) plaintiff's mark, while merely descriptive, had acquired a secondary meaning deserving of trademark protection; and (3) plaintiff satisfied burden of demonstrating likelihood of consumer confusion, so as to be entitled to preliminary injunctive relief.

Motion granted.

West Headnotes (41)

[1] **Injunction**
Grounds in general; multiple factors

212Injunction
212IIPreliminary, Temporary, and Interlocutory Injunctions in General
212II(B)Factors Considered in General
212k1092Grounds in general; multiple factors
(Formerly 212k138.1)

Party seeking preliminary injunction must demonstrate: (1) substantial likelihood of success on merits; (2) irreparable harm should injunction not be granted; (3) threatened injury to movant that outweighs any potential harm to nonmovant; and (4) that granting of injunction would not be adverse to public interest.

Cases that cite this headnote

[2] **Injunction**
Extraordinary or unusual nature of remedy
Injunction
Clear showing or proof

212Injunction
212IIPreliminary, Temporary, and Interlocutory Injunctions in General
212II(A)Nature, Form, and Scope of Remedy
212k1075Extraordinary or unusual nature of remedy
(Formerly 212k147, 212k138.1)
212Injunction
212VActions and Proceedings
212V(E)Evidence
212k1567Weight and Sufficiency
212k1572Clear showing or proof
(Formerly 212k147)

Issuance of preliminary injunction is extraordinary equitable remedy which should not be granted absent clear showing that moving party has met its burden of proof.

Cases that cite this headnote

[3] **Injunction**
Preservation of status quo

212Injunction
212IIPreliminary, Temporary, and Interlocutory Injunctions in General
212II(A)Nature, Form, and Scope of Remedy
212k1074Preservation of status quo
(Formerly 212k138.3)

Preserving court's ability to render meaningful decision after trial on merits is primary justification for granting preliminary injunction.

Cases that cite this headnote

[4] **Injunction**

Findings and conclusions

212Injunction
212VActions and Proceedings
212V(G)Determination
212k1596Findings and conclusions
(Formerly 212k152)

Findings made on application for preliminary injunction are not controlling at later hearing on permanent injunction.

Cases that cite this headnote

[5] **Trademarks**
Infringement

382TTrademarks
382TVIIIViolations of Rights
382TVIII(A)In General
382Tk1418Practices or Conduct Prohibited in General; Elements
382Tk1421Infringement
(Formerly 382k332 Trade Regulation)

Defendant is liable for trademark infringement if, without consent of prior user or registrant, he uses in commerce any reproduction, counterfeit, copy or colorable imitation of registered mark which is likely to cause confusion. Lanham Trade–Mark Act, § 32(1)(a), 15 U.S.C.A. § 1114(1)(a).

Cases that cite this headnote

[6] **Trademarks**
Infringement

382TTrademarks
382TVIIIViolations of Rights
382TVIII(A)In General
382Tk1418Practices or Conduct Prohibited in General; Elements
382Tk1421Infringement
(Formerly 382k332 Trade Regulation)

To prevail in trademark infringement action, plaintiff must show three things: (1) that plaintiff was the first to use trademark in same market; (2) that plaintiff's mark is valid; and (3) that defendant's use of contested mark is likely to confuse consumers. Lanham Trade–Mark Act, § 32(1)(a), 15 U.S.C.A. § 1114(1)(a).

1 Cases that cite this headnote

[7] **Trademarks**
Scope and Priority of Use; Multiple Users, Markets, or Territories

382TTrademarks
382TIVCreation and Priority of Rights
382Tk1132Use of Mark
382Tk1137Scope and Priority of Use; Multiple Users, Markets, or Territories
382Tk1137(1)In general
(Formerly 382k66.1 Trade Regulation)

Right to exclusive use of particular mark or name as trademark is ordinarily founded on priority of appropriation; the first to use mark on product or service in particular geographic market acquires rights in the mark in that market.

1 Cases that cite this headnote

[8] **Trademarks**
Particular cases
Trademarks
Foreign use; foreign users

382TTrademarks
382TIVCreation and Priority of Rights
382Tk1132Use of Mark
382Tk1137Scope and Priority of Use; Multiple Users, Markets, or Territories
382Tk1137(2)Particular cases
(Formerly 382k67 Trade Regulation)
382TTrademarks
382TIVCreation and Priority of Rights
382Tk1132Use of Mark
382Tk1138Foreign use; foreign users
(Formerly 382k67 Trade Regulation)

While defendant bank had been using the word "popular" in its name for more than 100 years in Puerto Rico, plaintiff bank was the first to use

the words "popular bank" to describe the financial and banking business which it conducted in south Florida area and demonstrated priority of its use in south Florida market, where defendant bank, up until quite recently, had only a minimal number of credit card accounts in south Florida area, and conducted no advertising and engaged in only minimal mailings and promotional activities in south Florida market.

Cases that cite this headnote

[9] **Trademarks**
Scope and Priority of Use; Multiple Users, Markets, or Territories

382TTrademarks
382TIVCreation and Priority of Rights
382Tk1132Use of Mark
382Tk1137Scope and Priority of Use; Multiple Users, Markets, or Territories
382Tk1137(1)In general
(Formerly 382k66.1 Trade Regulation)

Only where marks are used in same geographic market does principle of prior appropriation and use control to vest senior user with exclusive rights.

2 Cases that cite this headnote

[10] **Trademarks**
Questions of Law or Fact

382TTrademarks
382TIXActions and Proceedings
382TIX(E)Trial and Judgment
382Tk1682Questions of Law or Fact
382Tk1683In general
(Formerly 382k704 Trade Regulation)

Actual geographic area that party carves out for its trademark is question of fact, and court delimits this area by examining party's reputation, advertising, and sales in territory at issue.

1 Cases that cite this headnote

[11] **Trademarks**
Scope and Priority of Use; Multiple Users, Markets, or Territories

382TTrademarks
382TIVCreation and Priority of Rights
382Tk1132Use of Mark
382Tk1137Scope and Priority of Use; Multiple Users, Markets, or Territories
382Tk1137(1)In general
(Formerly 382k66.1 Trade Regulation)

To establish prior use of mark in particular territory, party must, at minimum, prove level of use in ordinary course of business in that territory sufficient to acquire rights in mark; insignificant or sporadic use cannot establish owner's exclusive right to its mark. Restatement (Third) of Unfair Competition § 19 comment b.

Cases that cite this headnote

[12] **Trademarks**
Scope and Priority of Use; Multiple Users, Markets, or Territories

382TTrademarks
382TIVCreation and Priority of Rights
382Tk1132Use of Mark
382Tk1137Scope and Priority of Use; Multiple Users, Markets, or Territories
382Tk1137(1)In general
(Formerly 382k66.1 Trade Regulation)

Sales are important consideration in defining trademark owner's territory, and the number and dollar amounts of sales in area, number of customers, pattern of sales over time, and potential growth of sales are all relevant factors that should be considered by court in determining actual use of mark.

Cases that cite this headnote

[13] **Trademarks**
Scope and Priority of Use; Multiple Users, Markets, or Territories

382TTrademarks
382TIVCreation and Priority of Rights
382Tk1132Use of Mark
382Tk1137Scope and Priority of Use; Multiple Users, Markets, or Territories
382Tk1137(1)In general
(Formerly 382k66.1 Trade Regulation)

Party who has established reputation in area may acquire exclusive rights to its mark in that area, even though product bearing its name is not sold in area.

Cases that cite this headnote

[14] **Trademarks**
Scope and Priority of Use; Multiple Users, Markets, or Territories

382TTrademarks
382TIVCreation and Priority of Rights
382Tk1132Use of Mark
382Tk1137Scope and Priority of Use; Multiple Users, Markets, or Territories
382Tk1137(1)In general
(Formerly 382k66.1 Trade Regulation)

Extent to which advertising has carried reputation of mark into new territory is factor to be considered in deciding whether that territory has been successfully appropriated by mark's owner.

Cases that cite this headnote

[15] **Trademarks**
Scope and Priority of Use; Multiple Users, Markets, or Territories

382TTrademarks
382TIVCreation and Priority of Rights
382Tk1132Use of Mark
382Tk1137Scope and Priority of Use; Multiple Users, Markets, or Territories
382Tk1137(1)In general
(Formerly 382k66.1 Trade Regulation)

Evidence as to nature and extent of advertising and other promotional activities, regarding geographic distribution of catalogs and flyers, and as to geographic origins of orders and customer inquiries are all relevant factors in determining geographic scope of trademark.

Cases that cite this headnote

[16] **Trademarks**
Scope and Priority of Use; Multiple Users, Markets, or Territories

382TTrademarks
382TIVCreation and Priority of Rights
382Tk1132Use of Mark
382Tk1137Scope and Priority of Use; Multiple Users, Markets, or Territories
382Tk1137(1)In general
(Formerly 382k66.1 Trade Regulation)

Trademark owner may establish enforceable common-law rights based on its natural zone of expansion.

1 Cases that cite this headnote

[17] **Trademarks**
Marks Protected
Trademarks
Capacity to Distinguish or Signify; Distinctiveness

382TTrademarks
382TIIMarks Protected
382Tk1020In general
(Formerly 382k4 Trade Regulation)
382TTrademarks
382TIIMarks Protected
382Tk1029Capacity to Distinguish or Signify; Distinctiveness
382Tk1030In general
(Formerly 382k10 Trade Regulation)

To be entitled to trademark protection, mark must be valid and distinctive.

Cases that cite this headnote

[18] **Trademarks**
Practices or Conduct Prohibited in General; Elements

382TTrademarks
382TVIIIViolations of Rights
382TVIII(A)In General
382Tk1418Practices or Conduct Prohibited in General; Elements
382Tk1419In general
(Formerly 382Tk1421, 382k331 Trade Regulation)

Court may not reach question of likelihood of consumer confusion until persuaded that putative mark is sufficiently distinctive to warrant trademark protection.

Cases that cite this headnote

[19] **Trademarks**
Levels or categories of distinctiveness in general; strength of marks in general

382TTrademarks
382TIIMarks Protected
382Tk1033Levels or categories of distinctiveness in general; strength of marks in general
(Formerly 382k10, 382k4 Trade Regulation)

Strength and distinctiveness of mark is vital consideration in determining scope of protection it should be accorded.

Cases that cite this headnote

[20] **Trademarks**
Descriptive Terms or Marks
Trademarks
Suggestive terms or marks
Trademarks
Arbitrary or fanciful terms or marks

382TTrademarks
382TIIMarks Protected
382Tk1035Descriptive Terms or Marks
382Tk1036In general
(Formerly 382k15 Trade Regulation)
382TTrademarks
382TIIMarks Protected
382Tk1038Suggestive terms or marks
(Formerly 382k15 Trade Regulation)
382TTrademarks
382TIIMarks Protected
382Tk1039Arbitrary or fanciful terms or marks
(Formerly 382k15 Trade Regulation)

Mark used by plaintiff bank, which consisted of the laudatory word "popular" joined with the commercially descriptive word "bank" and geographic identifier, was merely a "descriptive mark" and not one which was arbitrary, fanciful or suggestive, so as to be entitled to trademark protection only if bank could show that mark had acquired secondary meaning.

Cases that cite this headnote

[21] **Trademarks**
Acquired distinctiveness; secondary meaning

382TTrademarks
382TIIMarks Protected
382Tk1035Descriptive Terms or Marks
382Tk1037Acquired distinctiveness; secondary meaning
(Formerly 382k13 Trade Regulation)

To prove that descriptive mark has acquired secondary meaning, mark's owner must demonstrate that primary significance of mark in minds of consuming public is not the product but the producer.

Cases that cite this headnote

[22] **Trademarks**
Secondary Meaning

382TTrademarks
382TIXActions and Proceedings
382TIX(C)Evidence
382Tk1620Weight and Sufficiency
382Tk1628Secondary Meaning

382Tk1628(1)In general
(Formerly 382k587 Trade Regulation)

High degree of proof is necessary to establish secondary meaning for descriptive term which suggests basic nature of product or service.

Cases that cite this headnote

[23] **Trademarks**
Descriptive Terms or Marks

382TTrademarks
382TIIMarks Protected
382Tk1035Descriptive Terms or Marks
382Tk1036In general
(Formerly 382k13 Trade Regulation)

Descriptive mark acquires secondary meaning, so as to be deserving of trademark protection, if substantial number of existing or prospective customers understand designation when used in connection with business to refer to particular person or enterprise.

1 Cases that cite this headnote

[24] **Trademarks**
Acquired distinctiveness; secondary meaning

382TTrademarks
382TIIMarks Protected
382Tk1035Descriptive Terms or Marks
382Tk1037Acquired distinctiveness; secondary meaning
(Formerly 382k13 Trade Regulation)

Factors which court considers in deciding whether descriptive mark has acquired secondary meaning include: (1) length and manner of use; (2) nature and extent of advertising and promotion; (3) efforts made by user of mark to promote conscious connection in public's mind between mark and user's product; and (4) extent to which public actually identifies mark with user's product.

2 Cases that cite this headnote

[25] **Trademarks**
Consumer data and market research; tests and surveys

382TTrademarks
382TIXActions and Proceedings
382TIX(C)Evidence
382Tk1620Weight and Sufficiency
382Tk1628Secondary Meaning
382Tk1628(3)Consumer data and market research; tests and surveys
(Formerly 382k587 Trade Regulation)

While secondary meaning may be proven by customer survey evidence, survey is not required to demonstrate that descriptive mark has acquired secondary meaning.

Cases that cite this headnote

[26] **Trademarks**
Particular cases

382TTrademarks
382TIXActions and Proceedings
382TIX(C)Evidence
382Tk1620Weight and Sufficiency
382Tk1628Secondary Meaning
382Tk1628(2)Particular cases
(Formerly 382k587 Trade Regulation)

Plaintiff bank satisfied its burden of showing that the merely descriptive mark under which it had offered banking and financial services in south Florida area had acquired secondary meaning in minds of consuming public, based on evidence as to length of time over which it had operated under mark (nearly 20 years), based on evidence as to substantial sums it had spent in advertising and promoting its mark, and based on evidence of actual consumer confusion when defendant bank began to operate in same market under similar name; accordingly, plaintiff's mark was deserving of trademark protection.

5 Cases that cite this headnote

[27] **Trademarks**
Nature of Confusion
Trademarks
Infringement

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1083Nature of Confusion
382Tk1084In general
(Formerly 382k334.1 Trade Regulation)
382TTrademarks
382TVIIIViolations of Rights
382TVIII(A)In General
382Tk1418Practices or Conduct Prohibited in General; Elements
382Tk1421Infringement
(Formerly 382k334.1 Trade Regulation)

Ultimate question, for purposes of determining liability in trademark infringement action, is whether there is likelihood that consumers will be confused about relationship or affiliation between plaintiff's products or services and defendant's products or services.

Cases that cite this headnote

[28] **Trademarks**
Extent or degree of confusion

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1083Nature of Confusion
382Tk1085Extent or degree of confusion
(Formerly 382k334.1 Trade Regulation)

"Likelihood of confusion," of kind required to support trademark infringement claim, means probable rather than mere possible confusion.

Cases that cite this headnote

[29] **Trademarks**
Factors considered in general

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1081Factors considered in general
(Formerly 382k334.1 Trade Regulation)

Factors which courts consider in assessing likelihood of confusion in trademark infringement case are: (1) strength of plaintiff's mark; (2) similarity of design; (3) similarity of service; (4) similarity of service outlets and customers; (5) similarity of advertising media used; (6) defendant's intent; and (7) any actual confusion.

Cases that cite this headnote

[30] **Trademarks**
Actual confusion
Trademarks
Nature of Marks

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1083Nature of Confusion
382Tk1086Actual confusion
(Formerly 382k334.1 Trade Regulation)
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1090Nature of Marks
382Tk1091In general
(Formerly 382k334.1 Trade Regulation)

While no single factor is dispositive, in trademark infringement case, in assessing likelihood of consumer confusion, greater weight is given to the type of mark and to evidence of actual confusion.

1 Cases that cite this headnote

[31] **Trademarks**
Weight and sufficiency

382TTrademarks

382TIXActions and Proceedings
382TIX(F)Injunctions
382Tk1701Preliminary or Temporary Injunctions
382Tk1707Proceedings
382Tk1707(6)Weight and sufficiency
(Formerly 382k596 Trade Regulation)

Financial institution which had been operating for nearly 20 years in south Florida market under the name "popular bank" satisfied burden of showing likelihood of consumer confusion when financial institution which had been operating in Puerto Rico under the name "Banco Popular" expanded into area, and was entitled to preliminary injunction to prevent this second institution from offering services in south Florida under that confusingly similar name, given evidence as to similarity of marks, similarity of goods and services and of retail outlets used, and of actual confusion by first institution's customers; second institution would suffer no significant harm from entry of injunction, given recency of its entry into south Florida market and its limited financial investment in that area.

Cases that cite this headnote

[32] **Trademarks**
Actual confusion

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1083Nature of Confusion
382Tk1086Actual confusion
(Formerly 382k334.1 Trade Regulation)

One of the most important factors in determining whether defendant's use of its mark is likely to cause consumer confusion is whether there has been actual confusion, i.e., reported instances of individuals who have been actually confused about source of services because of similarities between parties' trademarks.

3 Cases that cite this headnote

[33] **Trademarks**
Actual confusion

382TTrademarks
382TIXActions and Proceedings
382TIX(C)Evidence
382Tk1620Weight and Sufficiency
382Tk1629Similarity; Likelihood of Confusion
382Tk1629(2)Actual confusion
(Formerly 382k596 Trade Regulation)

While evidence of actual confusion is not required to support finding that likelihood of confusion exists, evidence of actual confusion is best evidence of likelihood of confusion in trademark infringement case.

4 Cases that cite this headnote

[34] **Trademarks**
Actual confusion

382TTrademarks
382TIXActions and Proceedings
382TIX(C)Evidence
382Tk1620Weight and Sufficiency
382Tk1629Similarity; Likelihood of Confusion
382Tk1629(2)Actual confusion
(Formerly 382k596 Trade Regulation)

No absolute measure exists as to how many instances of misdirected correspondence or the like are sufficient to establish actual confusion by consumers as to source of goods or services; rather, court must evaluate evidence of actual confusion in light of totality of circumstances presented by trade mark infringement case.

1 Cases that cite this headnote

[35] **Evidence**
Statements showing physical or mental condition; state of mind

157Evidence
157VIIIDeclarations
157VIII(A)Nature, Form, and Incidents in General
157k268Statements showing physical or mental condition; state of mind

Testimony by employee of plaintiff bank that, after defendant bank began to advertise under confusingly similar name, she had received more than 3,000 telephone calls from confused customers inquiring as to services promised in defendant's advertisements was admissible as evidence of actual consumer confusion in trademark infringement case, despite defendant's hearsay objection; testimony was admissible, under hearsay exception, in order to prove inquiring consumers' state of mind. Fed.Rules Evid.Rule 803(3), 28 U.S.C.A.

7 Cases that cite this headnote

[36] **Trademarks**
Actual confusion

382TTrademarks
382TIXActions and Proceedings
382TIX(C)Evidence
382Tk1620Weight and Sufficiency
382Tk1629Similarity; Likelihood of Confusion
382Tk1629(2)Actual confusion
(Formerly 382k596 Trade Regulation)

Evidence of misdirected telephone calls is probative of actual consumer confusion in trademark infringement action.

1 Cases that cite this headnote

[37] **Trademarks**
Actual confusion

382TTrademarks
382TIXActions and Proceedings
382TIX(C)Evidence
382Tk1620Weight and Sufficiency
382Tk1629Similarity; Likelihood of Confusion
382Tk1629(2)Actual confusion
(Formerly 382k596 Trade Regulation)

While evidence of misdirected telephone calls is probative of actual consumer confusion in trademark infringement action, how much weight should be accorded to such evidence is determined by the number of consumers misled and form of testimony.

Cases that cite this headnote

[38] **Trademarks**
Infringement in general
Trademarks
Particular cases

382TTrademarks
382TIXActions and Proceedings
382TIX(C)Evidence
382Tk1613Admissibility
382Tk1615Infringement in general
(Formerly 382k596 Trade Regulation)
382TTrademarks
382TIXActions and Proceedings
382TIX(C)Evidence
382Tk1620Weight and Sufficiency
382Tk1629Similarity; Likelihood of Confusion
382Tk1629(3)Particular cases
(Formerly 382k596 Trade Regulation)

Testimony by employee of plaintiff bank that, after defendant bank began to advertise under confusingly similar name, she had received more than 3,000 telephone calls from confused customers inquiring as to services specified in defendant's advertisements, while admissible as evidence of actual consumer confusion in trademark infringement action, was not entitled to the substantial weight that would be accorded to in-court testimony by allegedly confused consumers themselves; plaintiff bank, by failing to present evidence in the best and most complete manner, had deprived defendant of any opportunity to cross-examine allegedly confused consumers.

2 Cases that cite this headnote

[39] **Trademarks**
Intent; knowledge of confusion or similarity

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1111Intent; knowledge of confusion or similarity

(Formerly 382k334.1 Trade Regulation)

In assessing likelihood of consumer confusion for trademark infringement purposes, courts examine defendant's subjective intent; finding that defendant has acted in bad faith is sufficient to justify inference of confusing similarity.

1 Cases that cite this headnote

[40] **Trademarks**
Intent; knowledge of confusion or similarity
Trademarks
Knowledge, intent, and motive; bad faith

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1111Intent; knowledge of confusion or similarity
(Formerly 382k334.1 Trade Regulation)
382TTrademarks
382TIXActions and Proceedings
382TIX(C)Evidence
382Tk1601Presumptions and Burden of Proof
382Tk1610Knowledge, intent, and motive; bad faith
(Formerly 382k334.1 Trade Regulation)

To determine whether trademark infringement defendant has acted in bad faith, so as to permit inference of confusing similarity, court must examine whether defendant adopted its mark with intention of capitalizing on plaintiff's reputation and good will and any confusion between his and senior user's product.

Cases that cite this headnote

[41] **Trademarks**
Presumptions and burden of proof

382TTrademarks
382TIXActions and Proceedings
382TIX(F)Injunctions
382Tk1701Preliminary or Temporary Injunctions
382Tk1707Proceedings
382Tk1707(4)Presumptions and burden of proof
(Formerly 382k626 Trade Regulation)

If plaintiff presents sufficiently strong showing of likelihood of confusion in trademark infringement action, court may presume irreparable harm, for purpose of deciding whether preliminary injunction should issue.

Cases that cite this headnote

Attorneys and Law Firms

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ORDER GRANTING PLAINTIFF'S MOTION FOR PRELIMINARY INJUNCTION

GOLD, District Judge.

Popular Bank of Florida asks this Court to grant a preliminary injunction prohibiting Banco Popular de Puerto Rico and Banco Popular N.A. (Florida) from using the marks Banco Popular or Popular Express, in Dade, Broward, Monroe, and Palm Beach Counties.[1] The critical inquiry before the Court is whether Popular Bank of Florida has demonstrated a substantial likelihood of success on the merits by showing that its rights to the mark are prior and superior and that defendants' use of the mark Banco Popular or Popular Express is likely to cause consumer confusion.

I. FACTS

Popular Bank of Florida is a full-service commercial bank which specializes in international correspondent banking, personal banking, and domestic mortgage lending. Over 100 people are currently employed in Popular Bank's two Miami offices. At the end of 1996, Popular Bank had

assets of $310.1 million. Popular Bank has been providing financial and banking services under the name Popular Bank of Florida since 1979. Plaintiff ***1352** registered its Popular Bank of Florida service mark with the Florida Secretary of State in 1990. In the six-year period prior to 1979, Popular Bank of Florida had been operating under the name and service mark Popular Bank of Hialeah.

Banco Popular de Puerto Rico is a full-service commercial bank headquartered in Puerto Rico. With over $15.08 billion in assets, Banco Popular de Puerto Rico is the largest bank in Puerto Rico, and clearly dwarfs Popular Bank of Florida in terms of size and assets. Banco Popular has been rendering banking and financial services in Puerto Rico since 1893. Banco Popular N.A., the owner of Banco Popular de Puerto Rico, is a national banking association, owned by Popular Corporation, a holding company under the laws of the territory of Puerto Rico. Currently, Banco Popular has a network of 56 banks located in Chicago, New York, Dallas, Los Angeles, and Orlando. Defendants registered the mark Banco Popular with the United States Patent and Trade Office (PTO) and a Certificate of Registration was issued in March, 1995.

In late 1996, Banco Popular initiated a marketing campaign to increase its recognition in the Hispanic community on the continental United States. In January, 1997, it hired as its spokesperson, Don Mario Kreutzberger, well-known in the Hispanic community as Don Francisco, host of the popular Spanish-language variety program entitled "Sabado Gigante." Four television commercials were created for Banco Popular to be shown on "Sabado Gigante" in cities with substantial Hispanic television audiences including Miami. A goal of the television advertising campaign was to promote the Banco Popular name and mark in Florida.

In May 1997, Banco Popular acquired Seminole National Bank, which has its principal place of business in Sanford, Florida and operates three branches in Sanford and Orlando, Florida. Defendants changed the name of Seminole National Bank to "Banco Popular." In October, 1997, Banco Popular acquired twelve established check-cashing facilities in Miami. Applications for approval to operate the outlets were submitted to the Federal Reserve Bank and the Department of Banking and Finance of the State of Florida. Banco Popular plans to operate these check-cashing facilities under the name "Popular Cash Express." Popular Bank argues that the customer confusion generated by Banco Popular's television commercials has been immense. In the months following the initial broadcast of the commercials, Popular Bank received thousands of phone calls from consumers seeking the banking services of Banco Popular De Puerto Rico.

The complaint seeks injunctive relief and damages under several causes of action including: (1) service mark infringement under section 43(a) of the Lanham Act, 15 U.S.C. section 1115(a); (2) unfair competition in violation of section 43(a) of the Lanham Act, 15 U.S.C. section 1125(a); (3) unlawful dilution of the plaintiff's service marks in violation of section 43(c) of the Lanham Act, 15 U.S.C. section 1125(c); and (4) service mark infringement and unfair competition under Florida common law. Plaintiff seeks to enjoin the defendants from using the name or mark "Banco Popular" or any other mark, such as Popular Express, in Broward, Dade, and Monroe counties. Popular Bank contends that it is entitled to an injunction to prevent "reverse" confusion. According to plaintiff, its reputation and good will is threatened because customers who have seen the television commercials contact Popular Bank in order to obtain the services advertised by Banco Popular and become disappointed and angry at Popular Bank when informed that those services are not available.

On May 1, 1998, the Court held a hearing on plaintiff's motion for preliminary injunction at which time the parties presented evidence concerning the issues of priority of use, the validity of the mark, and whether the defendants' trademark is the same or confusingly similar to the plaintiff's mark Popular Bank so as to confuse consumers about the origin of the goods or services.

II. LEGAL STANDARD FOR PRELIMINARY INJUNCTION

[1] [2] [3] [4] A party seeking a preliminary injunction must demonstrate: (1) a substantial likelihood of success on the merits; (2) irreparable harm should the injunction not be ***1353** granted; (3) the threatened injury to the plaintiff outweighs any potential harm to the defendant; and (4) granting the injunction would not be adverse to the public interest. *Canal Authority v. Callaway,* 489 F.2d 567, 572 (5th Cir.1974). *See also Warren Pub. Inc. v. Microdos Data Corp.,* 115 F.3d 1509 (11th Cir.1997); *Haitian Refugee Ctr., Inc. v. Nelson,* 872 F.2d 1555, 1561–62 (11th Cir.1989). The issuance of a preliminary injunction is an extraordinary equitable remedy which should not be granted absent a clear showing that the moving party has met its burden of proof. *Cafe 207 v. St. Johns County,* 989 F.2d 1136, 1137 (11th Cir.1993). Preserving the court's ability to render a meaningful decision after a trial on the merits is the primary justification for granting a

preliminary injunction. *Tefel v. Reno,* 972 F.Supp. 623, 633 (S.D.Fla.1997). Findings made on an application for preliminary injunction are not controlling at a later hearing on a permanent injunction. *E. Remy Martin & Co. v. Shaw–Ross Int'l Imports, Inc.,* 756 F.2d 1525, 1527 n. 1 (11th Cir.1985). With these basic principles in mind, the Court now turns to the merits of the preliminary injunction application in this case.

LIKELIHOOD OF SUCCESS ON THE MERITS

[5] [6] Under either the common law or statutory law, the principles of trademark infringement are the same. *Tally–Ho, Inc. v. Coast Community College Distr.,* 889 F.2d 1018, 1025–26 (11th Cir.1989). A defendant is liable for trademark infringement if, without the consent of a prior user or registrant, he uses "in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark" which is likely to cause confusion. *John H. Harland Co. v. Clarke Checks, Inc.,* 711 F.2d 966, 972 (11th Cir.1983)(quoting 15 U.S.C. section 1114(1)(a)). To prevail in a trademark infringement action, the plaintiff must show three things: first, that it was the first to use the trademark in the same market; second, that its mark is valid; and third, that the defendant's use of the contested mark is likely to confuse consumers. *Dieter v. B & H Indus. of S.W. Fla., Inc.,* 880 F.2d 322, 326 (11th Cir.1989); *Burger King Corp. v. Mason,* 710 F.2d 1480, 1491 (11th Cir.1983). *See also Lone Star Steakhouse & Saloon, Inc. v. Longhorn Steaks, Inc.,* 106 F.3d 355, 360 (11th Cir.1997)*; Investacorp, Inc. v. Arabian Investment Banking Corp. (Investcorp) E.C.,* 931 F.2d 1519, 1521 (11th Cir.1991); *American Television and Communications Corporation v. American Communications and Television, Inc.,* 810 F.2d 1546, 1548 (11th Cir.1987); *Conagra, Inc. v. Singleton,* 743 F.2d 1508, 1512 (11th Cir.1984).

A. PRIORITY OF USE.

[7] [8] The right to the exclusive use of a particular mark or name as a trademark is ordinarily founded on priority of appropriation. *Columbia Mill Co. v. Alcorn,* 150 U.S. 460, 463–64, 14 S.Ct. 151, 37 L.Ed. 1144 (1893). The first to use a mark on a product or service in a particular geographic market acquires rights in the mark in that market. *Tally–Ho, Inc.,* 889 F.2d at 1022–23. In this case, each party contends that it was first to use the mark. Priority of use therefore is a critical threshold issue which must be resolved before the issues of validity and likelihood of confusion are addressed. *See Lone Star Steakhouse & Saloon, Inc.,* 106 F.3d at 360.

Banco Popular alleges that it is a famous and well-known bank that has been operating in Puerto Rico under the trade name and service mark Banco Popular since 1893. It argues that it has superior trademark rights because it has been doing business in Florida for nearly thirty years, is well-known by those in the banking trade, and that South Florida is within its zone of natural expansion. Responding to Banco Popular's argument, Popular Bank contends that Banco Popular may be well-established in Puerto Rico, but it is a newcomer to the South Florida area.

In contrast, Popular Bank has been advertising and doing business under the mark Popular Bank of Florida continuously since September 29, 1979. In 1982, Popular Bank was purchased by its present owners from Popular Bancshares, Inc., a bank holding company. Popular Bancshares was a wholly-owned subsidiary of Inversiones Internacionales Dos, Ltd. According to plaintiff, Inversiones was in turn controlled by defendant ***1354** Banco Popular de Puerto Rico. In light of these facts, plaintiff argues that when it purchased Popular Bank from an entity closely related to the defendant in 1982, it purchased the mark Popular Bank, including the "goodwill" of the seller. Consequently, in 1982 Banco Popular withdrew from engaging in banking operations in the State of Florida until it entered the market in April, 1997 by purchasing the banks in Central Florida and by broadcasting its commercials to South Florida on the "Sabado Gigante" show.[2]

[9] [10] Resolution of the priority issue is governed by common law principles which recognize exclusive trademark rights based on actual use, business presence and reputation, and zone of natural expansion. *Tally–Ho, Inc.,* 889 F.2d at 1025–27. These controlling principles which determine the relative rights to use the same or confusingly similar marks in the same and different geographical areas originate from the Supreme Court's decisions in *Hanover Star Milling Co. v. Metcalf,* 240 U.S. 403, 36 S.Ct. 357, 60 L.Ed. 713 (1916), and *United Drug Co. v. Theodore Rectanus Co.,* 248 U.S. 90, 39 S.Ct. 48, 63 L.Ed. 141 (1918). In *Hanover Star Milling,* the Court drew a basic distinction between: (1) the concurrent use of the same or confusingly similar marks in the same market, and (2) the use of those marks in separate and remote geographic markets. Only where the marks are used in the same geographic market does the principle of prior appropriation and use control to vest the senior user with exclusive rights. *Hanover,* 240 U.S. at 416, 36 S.Ct. 357. *United Drug Co. v. Theodore Rectanus*

extended *Hanover,* holding that a senior user enters the junior user's territory subject to whatever rights the junior has acquired. *United Drug Co.,* 248 U.S. at 100, 39 S.Ct. 48. The actual geographic area a party carves out is a question of fact, and a court delimits the area by examining the party's reputation, advertising, and sales in the territory at issue. *Thrifty Rent–A–Car Sys., Inc. v. Thrift Cars, Inc.,* 639 F.Supp. 750, 753 (D.Mass.1986)(citing 2 McCarthy, *Trademarks and Unfair Competition* section 26:12 at 309 (2d ed.1984)).

[11] **1. Common Law Rights Based on Actual Use.** To establish prior use of a mark in a particular territory, a party must, at a minimum, prove a level of use in the ordinary course of business in that territory sufficient to acquire rights in the mark. *Restatement (Third) of Unfair Competition* section 19 comment b (1995). Insignificant or sporadic use cannot establish an owner's exclusive right to its mark. The Court finds that Banco Popular failed to make any significant penetration of the South Florida market until it started airing its commercials in early 1997.

Estela Martinez de Miranda, an Assistant Vice President at Banco Popular, testified that Banco Popular de Puerto Rico has provided banking services to more than 13,500 Florida residents over the past thirty-five years. A closer examination of the evidence, however, reveals that Banco Popular never had 13,500 deposit account holders in Florida, the number of account holders was considerably less than 13,500, perhaps closer to 800. The exact number was never established. Many of the persons listed as account holders merely held credit card accounts and a great number of those credit card accounts were purchased by Banco Popular from another bank. Banco Popular's mark was not even prominently displayed on the credit cards. The Court finds that credit card use of this type is qualitatively different from providing traditional banking services, and that the credit cards were insufficient to establish consumer recognition of the mark in connection with traditional banking services.

[12] Sales are an important consideration in delimiting a trademark owner's territory. *Sweetarts v. Sunline, Inc.,* 380 F.2d 923, 929 (8th Cir.1967). The number and dollar amounts of the sales in the area, the number of customers, the pattern of sales over time, and the potential growth of sales are all relevant factors that should be considered by the court in determining actual use. *Id.; see also Restatement (Third) of Unfair Competition* section 19 comment. According to defendants' tax returns, during the years 1990 ***1355** through 1994, the defendants derived virtually no income from Florida.

[13] [14] [15] **2. Common Law Rights Based on Reputation and Business Presence.** A party who has established a reputation in an area may acquire exclusive rights to its mark there, even though the product bearing its mark is not sold in the area. *Peaches Entertainment, Corp. v. Entertainment Repertoire Assoc.,* 62 F.3d 690 (5th Cir.1995); *Stork Restaurant v. Sahati,* 166 F.2d 348 (9th Cir.1948); *Chase Fed. Sav. & Loan Ass'n. v. Chase Manhattan Fin. Servs.,* 681 F.Supp. 771 (S.D.Fla.1987). The extent to which advertising has carried the reputation of the mark into a new territory is a factor to be considered in deciding whether the territory has been successfully appropriated by the mark's owner. *Thrifty Rent–A–Car Sys., Inc.,* 639 F.Supp. at 753. If goods bearing the trademark are transported by purchasers to other areas, or if the business attracts customers from different locations, the trademark may become known in areas far removed from the user's immediate location. *Restatement (Third) of Unfair Competition* section 19 comment b (1995). Thus evidence relating to the nature and extent of advertising and other promotional activities, the geographic distribution of catalogs and flyers, the geographical origins of orders and customer inquiries, are relevant factors in determining the geographic scope of a mark. *Id.*

Defendants claim to have spent significant amounts of money in South Florida for advertising and promotion prior to their Spring 1997 television campaign, but they failed to present any evidence in support of this claim. The only activity Banco Popular participated in that could be construed as advertising was the mailing of promotional materials from the bank to then-existing account holders. In light of the small number of account holders prior to 1997, defendants' volume of advertising can only be characterized as minimal. The testimony at trial established that Banco Popular had no business presence in South Florida prior to April 1997. Seven construction loans to developers were the only business Banco Popular did in Florida.

Defendants' evidence in support of their "zone of reputation" claim is inadequate to show that they had achieved a reputation in South Florida which would entitle them to trademark protection. Most zone of reputation cases involve businesses that have engaged in nationwide advertising resulting in widespread consumer recognition. *E.g. Stork Restaurant v. Sahati,* 166 F.2d 348 (9th Cir.1948)(Stork Club mark was entitled to nationwide protection based on its extensive advertising, stories in magazines with nationwide distribution, and mention on nationwide radio broadcasts). No evidence of consumer recognition was shown here prior to 1997. On this evidence, the Court finds that Banco Popular did not

establish trademark rights based on reputation and business presence.

[16] **3. Common Law Rights based on Zone of Natural Expansion.** A trademark owner may also establish enforceable common-law rights based on its natural zone of expansion. *Tally–Ho, Inc. v. Coast Community College Dist.,* 889 F.2d 1018 (11th Cir.1989); *Chase Fed. Sav. & Loan Assoc.,* 681 F.Supp. at 773. Under this doctrine, a prior user who can prove neither use nor current association with the mark in the disputed area can still prevail over a subsequent good-faith user by establishing that the area is within the zone of the prior user's probable or natural expansion. Under the common law, the senior user could not monopolize markets that neither his use nor reputation could reach, but the "zone of natural expansion" doctrine provides the senior user with some limited "breathing space" in which to expand beyond its current use. *Tally–Ho, Inc.,* 889 F.2d at 1027–28. Some authorities, however, have concluded that the policy justification for the doctrine of zone of natural expansion has been eroded by statutory mechanisms, such as section 7(c), 15 U.S.C. section 1057(c), which protect federally registered marks through the concept of constructive notice. See *e.g., Raxton Corp. v. Anania Assoc., Inc.* 635 F.2d 924 (1st Cir.1980); *Restatement (Third) of Unfair Competition* section 19 comment e. Others have stated that a close examination of the leading zone of expansion cases shows that in fact each or those decisions rested upon a finding of secondary meaning or bad faith, or both. *E.g., Tally–Ho, Inc.,* 889 F.2d at 1028; *beef & brew v. Beef & Brew, Inc.,* 389 F.Supp. 179, 185–86 (D.Or.1974). Even in cases recognizing ***1356** the zone of natural expansion doctrine, the resulting zone of natural expansion has been "narrowly defin[ed]." *Tally–Ho,* 889 F.2d at 1028, quoting, McCarthy, section 26:8.

Geographical proximity is a significant factor in the zone of natural expansion doctrine. *Id.* In *Tally–Ho,* both parties were operating in Florida. Here there is a great geographical distance between Puerto Rico and Florida. Market penetration, another factor in determining the zone of natural expansion, has been shown to be *de minimus* in this case. *See Tally–Ho.* Evidence concerning a third factor, actual expansion history, shows that Banco Popular has slowly been expanding into areas in the United States that have substantial Hispanic populations. But this fact alone is insufficient to entitle Banco Popular to trademark rights in South Florida.

B. VALIDITY OF THE MARK.

[17] [18] [19] To be entitled to trademark protection, a mark must be valid and distinctive. *Freedom Sav. & Loan Ass'n v. Way,* 757 F.2d 1176 (11th Cir.1985). A Court may not reach the question of likelihood of confusion until persuaded that the putative mark is sufficiently distinctive to warrant protection. *Blau Plumbing, Inc. v. S.O.S. Fix-it, Inc.,* 781 F.2d 604, 610 (7th Cir.1986). The strength and distinctiveness of the plaintiff's mark is a vital consideration in determining the scope of protection it should be accorded.[3] *John H. Harland Co. v. Clarke Checks, Inc.,* 711 F.2d 966, 973 (11th Cir.1983). Distinctive marks are fanciful, arbitrary, or suggestive, and are deserving of protection. Thus the next issue the Court must decide is whether the words "Popular", "Bank", or "of Florida" are in fact protectable.

In ascending order of strength, there are four categories of distinctiveness in classifying a mark: (1) generic, (2) descriptive, (3)suggestive, and (4) arbitrary or fanciful. *Home Savings of America v. Home Savings Ass'n.,* 219 U.S.P.Q. 157 (S.D.Tex.1982). A generic mark is one which suggests the basic nature of the service. *See, e.g., Investacorp, Inc.,* 931 F.2d at 1522–23(the term "Milk Delivery" is an example of a generic service mark for a hypothetical milk delivery service). Because it has no distinctiveness, a generic mark is incapable of achieving trade name protection. *Id.* If the Court were to extend protection to a generic term, a competitor could not describe his goods and services as what they are. *Ice Cold Auto Air of Clearwater, Inc. v. Cold Air & Access., Inc.,* 828 F.Supp. 925, 931 (M.D.Fla.1993). For this reason, generic names are regarded by the law as free for all to use. McCarthy, *Trademarks and Unfair Competition* section 12.01[1].

A descriptive mark identifies a characteristic or quality of a product or service, such as its intended use, ingredients, dimensions, or desirable features. *See, e.g., Investacorp, Inc.,* 931 F.2d at 1522–23(Barn Milk is a descriptive term). Descriptive marks include marks that are simply descriptive, laudatorily descriptive, and geographically descriptive. *See Great Southern Bank v. First Southern Bank,* 625 So.2d 463, 468 (Fla.1993)(friendly, dependable, preferred, first, and great are examples of laudatory descriptive marks; southern is geographically descriptive). A term that is likely to be perceived by prospective purchasers as merely descriptive of the nature, qualities, or other characteristics of the product or service, or as a mere geographical description of the origins of the goods or services, or as the personal name of a person connected with the goods or services, is not inherently distinctive. *Restatement (Third) of Unfair Competition* section 14. A descriptive term is not automatically protectable, but it may achieve that status once it has acquired a secondary meaning. *Ice Cold Auto Air of Clearwater, Inc.,* 828 F.Supp. at 931.

A suggestive mark suggests some characteristic of the product or service to which it is applied, but requires the consumer to use his imagination to determine the nature or the product or service. *John H. Harland Co.,* 711 F.2d at 974. *See also Great Southern Bank,* 625 So.2d at 467(suggestive marks include Artype for cutout letters for artists, ***1357** Coppertone for sun tan oil, Gobble Gobble for processed turkey meat, and Heartwise for low-fat foods). Because a suggestive mark is inherently distinctive, it can be protected without evidence that it has acquired secondary meaning. *Id.* An arbitrary or fanciful mark bears no relationship to the product or service with which it is associated. *See Great Southern Bank,* 625 So.2d at 467(for example Ivory Soap is not made of ivory, Old Crow whiskey is not distilled from old crows, and Royal baking powder is not used exclusively by royalty). A purely fanciful or arbitrary mark is generally considered strong and is given protection over a wide range of related products and variations of the mark). *Id.* (quoting 1 J.T. McCarthy, *Trademarks & Unfair Competition* section 11:24, at 398 (1973). A composite mark is tested by looking at it as a whole, rather than by separate parts. *Great Southern Bank,* 625 So.2d at 469.

[20] Applying the tests suggested above, the Court finds that the trademark Popular Bank of Florida consists of the laudatory word "Popular" joined with the commercially descriptive word "Bank" and the geographically descriptive term "of Florida." Thus, taken as a whole, "Popular Bank of Florida" is a descriptive mark. It is entitled to protection only if the plaintiff shows that the mark has acquired secondary meaning. *See Great Southern Bank v. First Southern Bank,* 625 So.2d 463 (Fla.1993)(name "First Southern Bank" is merely descriptive and not entitled to protection without proof of secondary meaning)[4]; *Home Sav. of Am. v. Home Sav. Ass'n,* 219 U.S.P.Q. 157, 159 (S.D.Tex.1982)(descriptive terms "Home" and "Home Savings" entitled to protection where plaintiff presented evidence of secondary meaning).

[21] [22] [23] Secondary meaning is the connection in the consumer's mind between the mark and the provider of the product or service. *Ice Cold Auto Air of Clearwater, Inc.,* 828 F.Supp. at 931(citing *Investacorp, Inc.,* 931 F.2d at 1525). To prove secondary meaning, the plaintiff must demonstrate that "the primary significance of the term in the minds of the consuming public is not the product but the producer." *Vision Ctr. v. Opticks, Inc.,* 596 F.2d 111, 118 (5th Cir.1979). A high degree of proof is necessary to establish secondary meaning for a descriptive term which suggests the basic nature of the product or service. *American Telev. & Communic. Corp. v. American Communic. & Telev., Inc.,* 810 F.2d 1546, 1549 (11th Cir.1987). Secondary meaning exists if a substantial number of existing or prospective customers understand the designation when used in connection with a business to refer to a particular person or enterprise. *Perini Corporation v. Perini Constr., Inc.,* 915 F.2d 121, 125 (4th Cir.1990); *Food Fair Stores, Inc. v. Lakeland Grocery Corp.,* 301 F.2d 156, 160–61 (4th Cir.1962). If a trade name has not acquired secondary meaning, the purchaser will not make an association with a particular producer and thus will not be misled by an identical or similar mark. *Thompson Medical Co., Inc. v. Pfizer, Inc.,* 753 F.2d 208, 216 (2d Cir.1985).

[24] [25] A plaintiff may prove secondary meaning by a variety of methods. The following factors are relevant to a secondary meaning inquiry: (1) the length and manner of use; (2) the nature and extent of advertising and promotion; (3) the efforts made by plaintiff to promote a conscious connection with the public's mind between the name and plaintiff's product; and (4) the extent to which the public actually identifies the name with plaintiff's product. *Coach House Restaurant, Inc.,* 934 F.2d at 1560; *Investacorp.,* 931 F.2d at 1525 (citing *Conagra v. Singleton,* 743 F.2d 1508, 1513 (11th Cir.1984)). Although secondary meaning may be proved by customer survey evidence, a survey is not required. *See Aloe Creme Labs., Inc., v. Milsan, Inc.,* 423 F.2d 845, 849 (5th Cir.1970); *Home Savings of America,* 219 U.S.P.Q. at 159.

[26] The evidence in this case shows that the plaintiff has provided financial and banking services in the area at issue—South Florida—under the mark Popular Bank of Florida since 1979. Under the Lanham Act, five years of continuous use gives rise to a presumption of secondary meaning. ***1358** 15 U.S.C. § 1052(f); *Stuart Hall Co., Inc. v. Ampad Corp.,* 51 F.3d 780, 789–90 (8th Cir.1995). During that time, plaintiff has expended substantial sums to promote its mark. Since 1988, plaintiff has spent approximately $2.9 million dollars on advertising and other promotional activities. It has increased customer awareness through the signs on its buildings, newspaper articles, and the bank's web site. To promote the conscious connection between its mark and its services, Popular Bank also includes its name on correspondence with customers and potential customers, on monthly statements, payment books, and the like. Such circumstantial evidence is sufficient to support a finding that the trademark has acquired secondary meaning. *See Home Savings of America,* 219 U.S.P.Q. at 159. Furthermore, the actual confusion created by defendants' advertisements constitutes direct evidence of secondary meaning. When defendants began their advertising

campaign in South Florida, consumers began calling Popular Bank for the advertised services. As McCarthy states in his treatise, "if buyers are confused, then this also means that they must have recognized plaintiff's word as a trademark and associated it only with plaintiff." 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 15:11(4th ed.1996); *see also Investacorp,* 931 F.2d at 1526 ("instances of consumer confusion are probative of secondary meaning"); *Adray v. Adry–Mart, Inc.,* 76 F.3d 984, 987 (9th Cir.1995) (the law "clearly establishes that actual confusion is an indicium of secondary meaning").

Plaintiff also presented expert testimony. Charles Roedema, an advertising and marketing specialist, who reviewed the advertising, promotion, signage, and other expenditures. Based on his review of those materials, and his extensive knowledge and experience in the field, he concluded that plaintiff has achieved a "reasonable level of brand name awareness or identity among residents of South Florida, especially among the Hispanic community." He opined that Popular Bank enjoys a positive reputation and has "over the years ... capitalized on its name, reputation and services to the South Florida community."

In light of plaintiff's uninterrupted and exclusive use of the mark for a substantial length of time, its promotion and advertising, the consumer confusion associated with the infringing use, and the testimony of plaintiff's expert, the Court finds that plaintiff has met its burden of proof to show that the mark Popular Bank of Florida has acquired secondary meaning in South Florida and is deserving of protection. *See Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. 763, 769, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992) ("[a]n identifying mark is distinctive and capable of being protected if it either (1) is inherently distinctive or (2) has acquired distinctiveness through secondary meaning.").

C. LIKELIHOOD OF CONFUSION.

[27] [28] [29] [30] [31] The ultimate question, for purposes of determining liability in trademark infringement actions, is whether there is a likelihood that consumers will be confused about the relationship or affiliation between plaintiff's products or services and the defendant's products or services. *Freedom Savs. & Loan,* 757 F.2d at 1179; *Caruso & Co. v. Estefan Enters., Inc.,* 994 F.Supp. 1454 (S.D.Fla.1998). Likelihood of confusion means probable confusion rather than mere possible confusion. *Shatel Corp. v. Mao Ta Lumber & Yacht Corp.,* 697 F.2d 1352, 1356 n. 2 (11th Cir.1983). The Eleventh Circuit has generally considered the following factors in assessing likelihood of confusion: (1) the strength of the plaintiff's mark; (2) the similarity of the design; (3) the similarity of the service; (4) the similarity of service outlets and customers; (5) the similarity of advertising media used; (6) the defendant's intent; and (7) any actual confusion. *Coach House Restaurant, Inc. v. Coach and Six Restaurants, Inc.,* 934 F.2d 1551, 1561 (11th Cir.1991); *Dieter v. B & H Indus.,* 880 F.2d 322, 326 (11th Cir.1989). In applying this test, no single factor is dispositive, but in the 11th Circuit, greater weight is given to the type of mark and evidence of actual confusion. *Dieter,* 880 F.2d at 326; *Freedom Sav. & Loan Ass'n v. Way,* 757 F.2d 1176, 1186 (11th Cir.1985).

1. Strength of Plaintiff's Mark. The strength or distinctiveness of the mark was addressed earlier in this order in the section discussing the validity of the mark. As it ***1359** relates to the confusion issue, the 11th Circuit has written that "a very distinct mark which holds a formidable place in the consumer psyche is more susceptible to confusion from similar marks." *Coach House Restaurant, Inc. v. Coach and Six Restaurants, Inc.,* 934 F.2d 1551, 1561 (11th Cir.1991). Consequently, the law accords the greatest protection to strong and distinctive marks. *Freedom Sav. & Loan Ass'n,* 757 F.2d at 1182. Distinctiveness depends on the extent of third-party usage and the relationship between the name and the service it describes. *Id.* A name used by third parties other than the infringer is deserving of less protection. *Sun Banks of Fla. v. Sun Federal Savs. & Loan Ass'n,* 651 F.2d 311, 316 (5th Cir.1981). A word that is in common usage is a weak mark. *Id.* The rationale underlying this principle is that courts should not grant the holder of a mark that consists of a common English word a monopoly on that term. *Caruso & Co.,* 994 F.Supp. at 1458.

"Popular" is a common English word used extensively by third parties. According to the parties, there are twenty-six businesses in the Miami area which use the term "popular." None, however, are engaged in banking. The mark "popular" is therefore of weak trademark significance. In the absence of actual confusion, the name could probably be used without infringement, particularly in different marketing territories. *See El Chico, Inc. v. El Chico Cafe,* 214 F.2d 721, 725 (5th Cir.1954). Here, however, the competing marks are being used in the same territory, for identical services, with advertising directed at the same customers.

2. Similarity of the Marks. In determining whether the parties' marks are similar, the Court must compare the marks' appearances, sounds, meanings, and the manner in which the marks are used. *Amstar v. Domino's Pizza, Inc.,* 615 F.2d 252, 260 (5th Cir.1980). Where, as here, the allegedly infringing trademark is a foreign word, the

courts generally apply "the doctrine of foreign equivalents." Under the doctrine of foreign equivalents, if a foreign phrase translated into English is exactly the same as the existing English trademark, the marks are considered to be confusingly similar. *Pizzeria Uno Corp. v. Temple,* 747 F.2d 1522, 1531 (4th Cir.1984); *Horn's Inc. v. Sanofi Beaute, Inc.,* 963 F.Supp. 318, 323 (S.D.N.Y.1997). Some courts have held that foreign words or terms may not be registered if the English language equivalent has been previously used on or registered for products which may reasonably be assumed to come from the same source. *E.g., Ex Parte Odol-Werke Wien Gesellschaft M.B.H.,* 111 U.S.P.Q. 286, 1956 WL 7096 (1956). Other courts and authorities have applied a three-prong test: the "sound, sight and meaning trilogy of analysis." *See, Sanofi Beaute, Inc.,* 963 F.Supp. at 322 (quoting 3 J. Thomas McCarthy, *Trademarks and Unfair Competition* section 23.36 at 23–84 (4th ed.1996)).
Applying these principles, the marks in this case clearly have similarity of sound, sight, and meaning. It is undisputed that the English translation of "banco popular" is "popular bank." Thus the marks have the same meaning. But the similarity does not end there. The marks are also similar in sight and sound. "Popular" is the same word in sight and sound in Spanish as in English. The English word "bank" is a cognate of the Spanish word "banco." Banco Popular is therefore the foreign equivalent of Popular Bank. Given the large number of people fluent in Spanish in the South Florida area, the Spanish translation is likely to be recognized as the equivalent by South Florida consumers. As such, there is a high likelihood that banking customers will be confused by the defendants' service mark.

3. Similarity of Goods and Services. For purposes of plaintiff's motion for preliminary injunction, Banco Popular does not contest the substantial similarity of the banking and related financial services rendered by the parties.

4. Similarity of Retail Outlets and Customers. Dissimilarities between the retail outlets for the parties services reduce the possibility of confusion. *Freedom Savs. & Loan Ass'n,* 757 F.2d at 1184. It is undisputed that the parties' modern bank buildings are substantially similar. Furthermore, there is no dispute that the parties render banking services to the same type of consumers. Both banks primarily serve, and advertise to, members of the Hispanic community. Thus the similarity of retail outlets and customers ***1360** contributes to the likelihood of confusion.

5. Similarity of Advertising Media. The greater the similarity of the parties' advertising campaigns, the greater the likelihood of confusion. *John H. Harland Co. v. Clarke Checks, Inc.,* 711 F.2d 966 (11th Cir.1983). Popular Bank contends that the advertising media used by the parties are substantially similar. Banco Popular spends a great deal of money on national advertising. In contrast, Popular Bank advertises only locally and its advertising is generally limited to print media. Although Banco Popular uses print media for some advertising, its most powerful source of advertising is through national television ads. The Court finds that although there is some overlap, the parties' media advertising are substantially different.

[32] [33] [34] **6. Evidence of Actual Confusion.** One of the most important factors in determining whether a defendant's use of his mark is likely to cause consumer confusion is whether there has been actual confusion, that is, reported instances of individuals who have actually become confused about the source of the services because of the similarities between the parties' trademarks. Such instances of confusion include consumer inquiries regarding possible affiliation between the parties or attempts to purchase goods or services actually offered by the other party. Confusion can also be shown by misdirected correspondence such as bills or letters. According to the 11th Circuit, evidence of actual confusion is not required to support a finding that a likelihood of confusion exists, but actual confusion is the best evidence of likelihood of confusion. *E. Remy Martin & Co. v. Shaw–Ross Inter'l Imports, Inc.,* 756 F.2d 1525, 1529 (11th Cir.1985). No absolute measure exists as to how many instances of actual confusion are sufficient to establish this factor. Rather the court must evaluate the evidence of actual confusion in light of the totality of the circumstances involved. *AmBrit, Inc. v. Kraft, Inc.,* 812 F.2d 1531, at 1543 (11th Cir.1986). Popular Bank presented evidence of misdirected mail and phone calls in order to show actual confusion.

a. Misdirected telephone calls. Maria Blanco, the former switchboard operator for Popular Bank, testified at the hearing that during the five and a half month period following the first Banco Popular television commercial on "Sabado Gigante," that she received nearly three thousand telephone calls inquiring about Banco Popular de Puerto Rico. More than half of those callers asked for information on how to obtain a Banco Popular credit card. Ms. Blanco submitted into evidence a tally sheet on which she would make a mark each time she received a call for Banco Popular de Puerto Rico. Defendants object to Ms. Blanco's testimony on two grounds: first they argue that her testimony is inadmissible because it is hearsay, and second, that the testimony has no probative value.

[35] Courts are divided on whether actual confusion evidence, in the form of testimony by the recipient of the

statements of confused consumers, constitutes inadmissible hearsay evidence. Some courts have held that such testimony is hearsay which falls under no exception. *Programmed Tax Sys., Inc. v. Raytheon Co.,* 439 F.Supp. 1128, 1131 n. 1 (S.D.N.Y.1977)(declarants may describe own state of mind regarding confusion, but cannot attest to out-of-court declarant's state of mind) Other courts have admitted the evidence without consideration of the hearsay problem). *E.g., University of Ga. Athletic Ass'n v. Laite,* 756 F.2d 1535, 1546 (11th Cir.1985)(professor's testimony that he received approximately 10 to 15 inquiries in person or by phone from concerned fans was evidence of actual confusion); *Scandia Down Corp. v. Euroquilt, Inc.,* 772 F.2d 1423, 1430 (7th Cir.1985)(Scandia's employees testified to more than 180 incidents of customer confusion). Several courts addressing the issue have concluded that the employee's testimony is not hearsay because it is not offered to prove the truth of the matter asserted. *See, Int'l Kennel Club,* 846 F.2d at 1090(plaintiff's public relations official testified that she received calls on an almost daily basis from people who expressed confusion about plaintiff's relationship to the defendant); *Israel Travel Advisory Serv. Inc., v. Israel Identity Tours,* 1994 WL 30984 (N.D.Ill.1994)(holding that evidence of customer's question is admissible in Lanham Act cases to show actual confusion); *Mile High Upholstery Fabric Co. v. General Tire & Rubber Co.,* 221 U.S.P .Q. 217, 223 (N.D.Ill.1983); *Armco, Inc., v. Armco* ***1361** *Burglar Alarm Co.,* 693 F.2d 1155, 1160 n. 10 (5th Cir.1982)(testimony about phone calls and conversations was not offered to show that Armco and Armco Burglar Alarm were the same business, but to show that people thought they were). Some courts have concluded that a statement by a customer offered to establish confusion in a trademark litigation is offered to prove the truth of the belief of the declarant and is therefore properly classified as hearsay but that the statement is admissible because it falls within Fed.R.Evid. 803(3), the state of mind exception. *Ocean Bio–Chem, Inc. v. Turner Network Television,* 741 F.Supp. 1546 (S.D.Fla.1990)(citing 4 J. Weinstein, M. Berger, D.Epstein, *Weinstein's Evidence* (1988 and Supp.1990); *Source Serv. Corp. v. Source Telecomputing Corp.,* 635 F.Supp. 600, 612 (N.D.Ill.1986)(employee's affidavit regarding instances of customer confusion admissible under state of mind exception to hearsay rule); *Freddie Fuddruckers, Inc. v. Ridgeline, Inc.,* 589 F.Supp. 72, 76 (N.D.Tex.1984)(hearsay letters and statements of customers are admissible in evidence under Fed.R.Evid. 803(3) where they reveal the then existing state of mind of the writers or speakers). In accordance with the greater weight of authorities, the Court finds that Blanco's testimony that she received over 3,000 phone calls by confused customers is admissible because it falls within the state of mind exception of Fed.R.Evid. 803(3).[5]

[36] [37] Defendants' next argument is that Blanco's testimony should be disregarded as having no probative value. This argument is not persuasive. Courts have consistently held that evidence of misdirected telephone calls is probative of actual consumer confusion. *E.g., International Kennel Club of Chicago v. Mighty Star, Inc.,* 846 F.2d 1079, 1090 (7th Cir.1988)(upholding injunction where actual confusion based primarily on one or two telephone calls a day over four-month period)*; World Carpets, Inc. v. Dick Littrell's New World Carpets,* 438 F.2d 482, 489 (5th Cir.1971)(misdirected telephone calls from retailers probative of actual confusion); *Horizon Fin., F.A. v. Horizon Bancorp,* 2 U.S.P.Q.2d 1696, 1700 (E.D.Pa.1987) (granting preliminary injunction after finding confusion based primarily on approximately 25 teller reports of customer phone calls); *OmniAmerica Group v. Street Gold Records, Ltd.,* 916 F.Supp. 672, 680 (N.D.Ohio 1996) (issuing preliminary injunction after finding confusion based on telephone calls from confused radio listeners). Defendants' argument goes to the weight of the evidence, for "evidence of misdirected letters is entitled to some weight as indicative of a likelihood of confusion." How much weight the evidence is entitled to is determined by the number of consumers misled and the form of the testimony. *See* J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition,* section 23.02[i] (3d ed.1995). Evidence that an appreciable number of consumers have been misled or confused as to the source of defendant's mark is often considered the most persuasive element of the test for likelihood of confusion in a trademark infringement lawsuit. Mary A. Donovan, *Sorry, Wrong Number! Trademark Confusion from Misdirected Calls and Letters,* 1 No. 11 Intell. Prop. Strategist 9 (Aug.1995). In contrast, evidence of relatively few misdirected phone calls may be dismissed as *de minimus. Cinnabar Traders Ltd. v. Cinnabar Lane Ltd.,* 223 U.S.P.Q. 726, 1983 WL 687 (S.D.N.Y.1983)(such evidence is entitled to only slight evidentiary weight).

Many courts have grappled with the issue of how much weight should be given to evidence of actual confusion where the defendant is not afforded an opportunity to cross-examine the allegedly confused individuals. *E.g., Rockland Mtg. Corp. v. Shareholders Funding, Inc.,* 835 F.Supp. 182 (D.Del.1993); *Source Serv. Corp. v. Source Telecomputing Corp.,* 635 F.Supp. 600, 612 (N.D.Ill.1986). Some have concluded that such evidence is entitled to very little weight. *See Vitek Sys. Inc., v. Abbott Labs.,* 675 F.2d 190 (8th Cir.1982)(testimony of Vitek's employees that customers had told them they

were confused by defendant's mark was properly given little ***1362** weight because the testimony was hearsay in nature); *Victory Pipe Craftsmen, Inc. v. Faberge, Inc.,* 582 F.Supp. 551 (N.D.Ill.1984)(same). Other courts, although recognizing counsel's inability to conduct cross-examination, have given great weight to the testimony of plaintiff's employees concerning instances of actual confusion. *E.g., International Kennel Club of Chicago v. Mighty Star, Inc.,* 846 F.2d 1079, 1090 (7th Cir.1988).

[38] This Court finds that the testimony of plaintiff's employee as to instances of misdirected telephone calls should not be given the substantial weight accorded to in-court testimony by the allegedly confused consumers. The plaintiff has not submitted its evidence of actual confusion in the best, most complete manner. By making reasonable efforts, Popular Bank could have presented its evidence of actual confusion directly through the in-court testimony of at least several confused callers, thus allowing the defendants an opportunity to cross-examine them about the precise cause of their confusion. *See, e.g. Sorry, Wrong Number! Trademark Confusion from Misdirected Calls and Letters,* 1 No. 11 Intell. Prop. Strategist 9 (Aug.1995)(confusion may not be causally related to use of similar marks, but rather may be attributable to other factors such as directory assistance errors). Nonetheless, evaluating plaintiff's employee's testimony concerning actual confusion in light of the totality of the circumstances involved, the Court finds that it is entitled to some weight and is credible evidence of actual confusion.

b. Misdirected correspondence. At the evidentiary hearing on plaintiff's motion for preliminary injunction, Popular Bank presented nine pieces of misdirected correspondence—letters which were clearly intended for Banco Popular or Banco Popular de Puerto Rico. The correspondence includes a customer inquiry, inquiries relating to possible check-cashing fraud involving the "San Juan Branch," a follow-up letter from a third party sales person regarding a conversation with a Banco Popular executive, and five separately-dated "demand deposit statements" concerning financial transactions between Banco Popular and Corestates Bank International in New York. Misdirected letters are probative of customer confusion. *See Amstar Corp. v. Domino's Pizza, Inc.,* 615 F.2d 252, 263 (5th Cir.1980)(misaddressed letter is evidence of actual confusion). Courts have found fewer than nine instances of actual confusion sufficient to support a finding that confusion is likely.[6] Furthermore, the Court finds that although the letters are hearsay, they are admissible under Fed.R.Evid. 803(3) because they reveal the "then existing state of mind of the writers." *See Freddie Fuddruckers, Inc. v. Ridgeline, Inc.,* 589 F.Supp. 72, 76 (N.D.Tex.1984).

[39] [40] 7. Defendants' Intent. In assessing the likelihood of confusion, courts also examine the defendant's subjective intent. *John H. Harland Co.,* 711 F.2d at 977. A finding that the defendant has acted in bad faith is sufficient to justify an inference of confusing similarity. *Babbit Elec., Inc. v. Dynascan Corp.,* 38 F.3d 1161, 1179 (11th Cir.1994); *Playboy Enters., Inc. v. P.K. Sorren Export Co.,* 546 F.Supp. 987, 996 (S.D.Fla.1982); *see also Sun Banks,* 651 F.2d at 318–19 ("[t]hat a latecomer adopts another's name or mark, deliberately seeking to capitalize on the other's reputation and benefit from the confusion, is an important factor for any court"). To determine whether a defendant has acted in bad faith, a court must examine whether the defendant "adopted its mark with the intention of capitalizing on plaintiff's reputation and goodwill and any confusion between his and the senior user's product." *Caruso & Co.,* 994 F.Supp. at 1462 (quoting *The Sports Authority, Inc. v. Prime Hospitality Corp.,* 89 F.3d 955, 964 (2d Cir.1996)).

Popular Bank contends that a close examination of the relationship between defendant Banco Popular de Puerto Rico and Popular Bancshares, Inc., the entity that sold the Popular Bank business to the plaintiff in 1982, shows that defendants have acted in bad faith by entering the South Florida market ***1363** under the trademark Banco Popular. Plaintiff contends that Banco Popular de Puerto Rico directly controlled Popular Bancshares, Inc., and that when Popular Bancshares sold the Popular Bank business to the plaintiff, it sold the trademark and goodwill. Now defendants seek to reenter the South Florida market to compete with the plaintiff under the very mark that plaintiff's owners purchased in 1982 from an entity controlled by the defendants, effectively denying the plaintiff the benefit of the bargain. At this stage in the proceedings, however, the Court finds that the evidence as to intent does not point conclusively to a finding of either good or bad faith. *See Duluth News–Tribune,* 84 F.3d at 1097. It notes, however, that the presence or absence of intent is not critical to a finding of likelihood of confusion. *Chanel, Inc. v. Italian Activewear of Fla., Inc.,* 931 F.2d 1472, 1476 (11th Cir.1991).

To rebut plaintiff's likelihood of confusion evidence, the defendants presented expert witness Michael Rappeport who conducted a survey in a Miami mall interviewing 152 randomly-selected Spanish-speaking shoppers to determine whether consumers would likely be confused by defendants' use of the name Banco Popula. Mr. Rappeport concluded that they would not. Although the Court finds Rappeport's survey to be probative on the

issue of likelihood of confusion, it discounts the survey's weight on a finding that the survey did not elicit a response to the real issue in the case, that is, whether the consumer would be confused by defendants' use of the name Banco Popular when a bank of the same name in English, Popular Bank, already exists in South Florida. In Rappeport's survey, each interviewee was asked a series of questions about the word "popular" and several other words which functioned as controls for the study. The questions were "Is this word (1) never used as part of a name of a bank (2) used as the part of the name of only one banking organization, or (3) used as part of the name of 2 or more banking organizations, or (4) don't you know?" The survey showed that 55 % of the respondents said that the name "popular" is used as part of the name of two or more banks while only 45 % said the name "popular" is used as part of the name of only one banking institution. On these results, Rappeport drew a legal opinion on the ultimate issue in this case—that consumers would not be confused by defendants' use of the name Banco Popular in South Florida. The Court agrees with the plaintiff, however, that it is one thing to conclude that a number of people believe that more than one bank can use a particular word as part of its name. It is entirely another matter to then reach the conclusion that consumers will not be confused by two banks using essentially the same names. But even accepting defendants' argument that the survey measures the likelihood of confusion, the results could be used to substantiate plaintiff's position rather than the defendants' because according to the survey, 45 % of the respondents would be confused by the use of the name "popular" on more than one bank. It cannot be disputed that 45% is a substantial number of consumers.

Based on similarity of the mark, similarity of goods and services, similarity of retail outlets, and cautiously weighed evidence of actual confusion, the plaintiff has met its burden of showing that if the defendants used their mark in South Florida, there is a substantial likelihood that consumers will be confused about the source of services or the relationship between the plaintiff's and defendants' services.

IRREPARABLE INJURY

[41] The second factor for the Court to consider in determining whether to issue injunctive relief is whether Popular Bank will suffer irreparable harm if the injunction is not granted. For purposes of determining whether a preliminary injunction should be entered, if the plaintiff presents a sufficiently strong showing of likelihood of confusion, the Court may presume irreparable harm. *E. Remy Martin & Co.,* 756 F.2d at 1529. Plaintiff contends that if the injunction is not granted, the consumer confusion resulting from the Banco Popular television commercials will continue to cause members of the banking public to believe that Banco Popular's services are connected with or sponsored by Popular Bank. Ms. Blanco testified that many of the callers who telephoned Popular ***1364** Bank in response to defendants' television commercial became upset or angry when told that Popular Bank did not offer the advertised services. Plaintiff argues that this type of confusion injures the long-established reputation and goodwill of Popular Bank and will cause Popular Bank to suffer irreparable harm. Because plaintiff has shown a likelihood of consumer confusion and that defendants' use of the mark Banco Popular would harm plaintiff's reputation, the Court finds that irreparable injury would occur in the absence of an injunction.

HARM TO THE DEFENDANTS

The third factor to consider when assessing a motion for preliminary injunction is whether the threatened injury to the plaintiff outweighs any potential harm to the defendant. Plaintiff has asked the Court to enjoin the defendants from using the name Banco Popular or Popular Cash Express in South Florida and to prohibit them from broadcasting the Banco Popular commercials on "Sabado Gigante" in South Florida. A review of the evidence shows that at the present time, the defendants have a limited financial investment in South Florida. At the hearing, the evidence showed that Banco Popular had not established a commercial presence or reputation in South Florida prior to April 1997. Shortly after the commercials were first broadcast, Popular Bank contacted the defendants by letter and put them on notice of the trademark infringement claim. Subsequent to April 1997, Banco Popular's only significant commercial venture in South Florida was its purchase of an existing check cashing business. In light of these facts, the Court finds that a preliminary injunction prohibiting defendant from using the name Banco Popular in South Florida would cause defendant no significant harm.

PUBLIC INTEREST

The final factor to consider when assessing the propriety of injunctive relief is the public interest. Popular Bank has shown that defendant's use of its mark in South Florida is

likely to cause consumer confusion. Public policy concerns therefore weigh in favor of preliminary injunctive relief in order to minimize confusion in the marketplace. *Kason Indus., Inc. v. Component Hardware Group, Inc.,* 120 F.3d 1199, 1207 (11th Cir.1997)(recognizing strong public interest in preventing the deception of consumers).

III. CONCLUSION

For purposes of a preliminary injunction, the Court finds that the plaintiff has established the priority and validity of its mark and that defendants' use of the mark Banco Popular in South Florida is likely to cause consumer confusion. As such, plaintiff has shown a substantial likelihood of success on the merits. The Court further finds that in light of the likelihood of confusion, the plaintiff will suffer irreparable harm should the preliminary injunction not be issued and that the threat of injury to the plaintiff outweighs the minimal harm the injunction may cause the defendant. Finally, the Court finds that issuance of the preliminary injunction is in the public interest. Accordingly, it is ordered and adjudged that the defendants are enjoined from using the name Banco Popular in South Florida, namely Dade, Broward, Monroe, and Palm Beach counties. Defendants have ten days from receipt of this order to cease and desist broadcasting Banco Popular commercials on the television show "Sabado Gigante."

As for the name Popular Express, however, the Court finds that the plaintiff has not demonstrated a likelihood of success on the merits by showing that its rights to the mark are prior and superior to defendants' use of the mark and that the mark Popular Express is likely to cause consumer confusion. Review of the transcript of the preliminary injunction hearing shows that scant evidence was presented on the issue of confusion as it relates to the name "Popular Express." Testimony relating to the issue of consumer confusion was directed solely at the name Banco Popular. Although the words "banco" and "popular" are likely to cause consumer confusion when they are used together, no evidence was presented on the use of the word "popular" alone. Accordingly, the Court denies plaintiff's request to enjoin the use of the name "Popular Express" as within the scope of this preliminary injunction. Furthermore, the Court finds that the plaintiff's request for an injunction restraining the ***1365** use of "any other name or mark confusingly similar to" Popular Bank is overly broad. The preliminary injunction applies only to the name "Banco Popular."

All Citations

9 F.Supp.2d 1347, 12 Fla. L. Weekly Fed. D 23

Footnotes

1 Specifically plaintiff asks that the defendants "be preliminarily enjoined and restrained from using the name or mark "Banco Popular" or using any other name or mark confusingly similar to Plaintiff Popular Bank's Popular Bank of Florida mark, including, but, not limited to Popular Express, in South Florida, namely, the area encompassing Dade, Broward, Palm Beach and Monroe counties, in connection with selling, offering or advertising any goods or services, whether or not offered from an office or any other facility that has a physical presence in South Florida."

2 The facts and implications of the sale of Popular Bank by an entity closely related to the defendants are discussed further in the section of this opinion which addresses the issue of bad faith.

3 The distinctiveness of the mark is also referred to as its strength. *Restatement (Third) of Unfair Competition* section 21, comment i.

4 The Supreme Court of Florida analyzed *Great Southern Bank v. First Southern Bank* based on federal cases because section 495.181, Florida Statutes, is patterned on the Lanham Act.

5 Maria Blanco also testified that during her lunch break someone else would answer telephone calls and inform Maria, on her return from break, how many callers had asked for Banco Popular de Puerto Rico. The Court gives no consideration to this double hearsay testimony.

6 *Cf., Safeway Stores, Inc. v. Safeway Discount Drugs, Inc.,* 675 F.2d 1160, 1162 (11th Cir.1982) (two instances); *Roto–Rooter Corp. v. O'Neal,* 513 F.2d 44, 46 (5th Cir.1975);(four instances); *John H. Harland,* 711 F.2d at 978 (two instances); *Jellibeans,* 716 F.2d at 843–44 (three instances); *AmBrit,* 812 F.2d at 1544 (four instances).

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405 F.Supp.2d 680
United States District Court,
E.D. Virginia,
Alexandria Division.

RENAISSANCE GREETING CARDS, INC.
Plaintiff,
v.
DOLLAR TREE STORES, INC. Defendant.

No. 1:05cv341. | Dec. 19, 2005.

Synopsis
Background: Holder of trademark "RENAISSANCE," used with greeting cards, brought suit against alleged trademark infringer selling gift bags using mark containing that word, under Lanham Act trademark infringement and false designation of origin provisions and Virginia common law of trademarks and unfair competition. Parties moved and cross moved for summary judgment.

Holdings: The District Court, Ellis, J., held that:

[1] weakness of trademark weighed against infringement;

[2] related nature of products weighed in favor of infringement;

[3] similarity of distribution channels weighed in favor of infringement;

[4] lack of intent to confuse weighed against infringement;

[5] virtual absence of actual confusion weighed against infringement; and

[6] balance of factors favored determination of noninfringement.

Judgment for alleged infringer.

West Headnotes (14)

[1] **Trademarks**
Infringement

382TTrademarks
382TVIIIViolations of Rights
382TVIII(A)In General
382Tk1418Practices or Conduct Prohibited in General; Elements
382Tk1421Infringement

To succeed on Lanham Act trademark infringement claim, trademark holder must establish that it has a valid, enforceable trademark, which will therefore be deemed eligible for protection, and that alleged infringer's use of identical or similar mark is likely to cause confusion in the marketplace. Lanham Trade-Mark Act, § 32(1), 15 U.S.C.A. § 1114(1).

1 Cases that cite this headnote

[2] **Trademarks**
Protection and regulation in general

382TTrademarks
382TIIn General
382Tk1001Protection and regulation in general

In any trademark infringement case, state or federal, the goals of trademark protection, which include protecting product identification, providing consumer information, and encouraging the production of quality goods, must be balanced by the concern that trademark protection not become a means of monopolizing language or stifling productive competition. Lanham Trade-Mark Act, § 32(1), 15 U.S.C.A. § 1114(1).

Cases that cite this headnote

[3] **Trademarks**
Suggestive terms or marks

382TTrademarks
382TIIMarks Protected
382Tk1038Suggestive terms or marks

Trademark RENAISSANCE, used with greeting cards, was suggestive mark entitled to more trademark protection than descriptive mark but less than arbitrary mark; some imagination was required to connect word with product. Lanham Trade-Mark Act, § 32(1), 15 U.S.C.A. § 1114(1).

2 Cases that cite this headnote

[4] **Trademarks**
Nature or type of mark; distinctiveness and strength
Trademarks
Goods or services underlying mark; class

382TTrademarks
382TVIIRegistration
382TVII(C)Effect of Federal Registration
382Tk1358Particular Effects; Rights Acquired
382Tk1363Nature or type of mark; distinctiveness and strength
382TTrademarks
382TVIIRegistration
382TVII(C)Effect of Federal Registration
382Tk1364Scope of Rights Acquired; Limitations
382Tk1369Goods or services underlying mark; class

Fact that registered trademark RENAISSANCE, used with greeting cards, was incontestable did not preclude claim by retailer using that word in connection with sale of gift bags from claiming that mark was not strong and that its use in related but different market was not likely to cause confusion among customers, in violation of Lanham Act trademark infringement and false designation of origin provisions. Lanham Trade-Mark Act, §§ 15, 32(1), 43(a), as amended, 15 U.S.C.A. §§ 1065, 1114(1), 1125(a).

1 Cases that cite this headnote

[5] **Trademarks**
Factors considered in general

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1081Factors considered in general

Factors to be considered, in determining if there is likelihood of confusion required in Lanham Act trademark infringement and false designation of origin cases, include (1) strength or distinctiveness of mark, (2) similarity of two marks, (3) similarity of goods or services marks identify, (4) similarity of facilities two parties use in their business, (5) similarity of advertising used by two parties, (6) alleged infringer's intent, and (7) actual confusion. Lanham Trade-Mark Act, §§ 15, 32(1), 43(a), 15 U.S.C.A. §§ 1065, 1114(1), 1125(a).

4 Cases that cite this headnote

[6] **Trademarks**
Strength or fame of marks; degree of distinctiveness

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1090Nature of Marks
382Tk1092Strength or fame of marks; degree of distinctiveness

Trademark "RENAISSANCE," used with greeting cards, had weak conceptual strength, for purposes of analysis of likelihood of confusion in action for infringement and false designation of origin under Lanham Act and Virginia common law, due to appearance of word in 465 federal and 203 state trademark registrations or pending applications, existence of 245 identifiable common law trademarks using word, and use of word in at least 2,925 business names. Lanham Trade-Mark Act, §§ 15, 32(1), 43(a), 15 U.S.C.A. §§ 1065, 1114(1), 1125(a).

Cases that cite this headnote

[7] **Trademarks**
Levels or categories of distinctiveness in general; strength of marks in general

382TTrademarks
382TIIMarks Protected
382Tk1033Levels or categories of distinctiveness in general; strength of marks in general

Absence of commercial strength of trademark "RENAISSANCE," used with greeting cards, supported determination that mark was weak, for purposes of infringement and false designation of origin action under Lanham Act and Virginia common law; holder's sales were only about $12 million per year, in $7 billion per year market, small advertising budget of $360,000 per year was targeted to wholesale customers rather than public, and there was no survey evidence of connection between mark and product. Lanham Trade-Mark Act, §§ 15, 32(1), 43(a), 15 U.S.C.A. §§ 1065, 1114(1), 1125(a).

2 Cases that cite this headnote

[8] **Trademarks**
Particular goods and services, relationship between

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1100Relationship Between Goods or Services Underlying Marks
382Tk1103Particular goods and services, relationship between

Related nature of goods covered by allegedly infringed and allegedly infringing trademarks weighed in favor of trademark holder, claiming that mark "RENAISSANCE," used with greeting cards, was infringed by mark using that word in selling gift bags, under Lanham Act trademark infringement and false designation of origin provisions and common law of Virginia. Lanham Trade-Mark Act, §§ 15, 32(1), 43(a), 15 U.S.C.A. §§ 1065, 1114(1), 1125(a).

Cases that cite this headnote

[9] **Trademarks**
Trade channels; sales, advertising, and marketing

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1107Nature and Circumstances of Use of Marks
382Tk1110Trade channels; sales, advertising, and marketing

Similarity of distribution channels weighed in favor of determination that mark "RENAISSANCE," used in sale of greeting cards, was infringed under Lanham Act trademark infringement and false designation of origin provisions and Virginia common law, by use of work as trademark for gift bags; cards and bags were purchased in same retail context. Lanham Trade-Mark Act, §§ 15, 32(1), 43(a), 15 U.S.C.A. §§ 1065, 1114(1), 1125(a).

Cases that cite this headnote

[10] **Trademarks**
Intent; knowledge of confusion or similarity

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1111Intent; knowledge of confusion or similarity

Lack of intent on part of alleged trademark infringer to confuse consumers weighed against determination that trademark "RENAISSANCE," used with greeting cards, was infringed under Lanham Act trademark infringement and false designation of origin provisions and Virginia common law by use of word in sales of gift bags; there was uncontroverted evidence that alleged infringer was unaware of "RENAISSANCE" mark when it began selling gift bags using word, failure to conduct trademark search was carelessness, rather than intentional bad faith, and continued use of mark after notice of alleged infringement was based on good faith determination that mark was too weak to support infringement claim. Lanham Trade-Mark Act, §§ 15, 32(1), 43(a), 15 U.S.C.A. §§ 1065, 1114(1), 1125(a).

2 Cases that cite this headnote

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[11] **Trademarks**
Actual confusion

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1083Nature of Confusion
382Tk1086Actual confusion

Virtual absence of actual confusion, created by use of trademark "RENAISSANCE" in connection with sale of greeting cards, and use of that word in connection with sale of gift bags, weighed in favor of determination that trademark was not infringed under Lanham Act trademark infringement and false designation of origin provisions and Virginia common law; trademark holder presented only four instances of confusion over ten year period of joint marketing. Lanham Trade-Mark Act, §§ 15, 32(1), 43(a), 15 U.S.C.A. §§ 1065, 1114(1), 1125(a).

Cases that cite this headnote

[12] **Trademarks**
Strength or fame of marks; degree of distinctiveness
Trademarks
Particular goods and services, relationship between
Trademarks
Intent; knowledge of confusion or similarity

382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1090Nature of Marks
382Tk1092Strength or fame of marks; degree of distinctiveness
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1100Relationship Between Goods or Services Underlying Marks
382Tk1103Particular goods and services, relationship between
382TTrademarks
382TIIISimilarity Between Marks; Likelihood of Confusion
382Tk1111Intent; knowledge of confusion or similarity

Registered trademark "RENAISSANCE," used in connection with sales of greeting cards, was not infringed under Lanham Act trademark infringement or false designation of origin provisions or Virginia common law, by use of word in mark covering sale of gift bags; products were different, though related, "RENAISSANCE" mark was weak, and there was no showing of bad faith on part of alleged infringer. Lanham Trade-Mark Act, § 32(1), 15 U.S.C.A. § 1114(1).

1 Cases that cite this headnote

[13] **Trademarks**
Alphabetical listing

382TTrademarks
382TXITrademarks and Trade Names Adjudicated
382Tk1800Alphabetical listing

RENAISSANCE.

Cases that cite this headnote

[14] **Trademarks**
Alphabetical listing

382TTrademarks
382TXITrademarks and Trade Names Adjudicated
382Tk1800Alphabetical listing

RENAISSANCE GREETING CARDS.

Cases that cite this headnote

Attorneys and Law Firms

***683** Michael Steven Culver, Millen White Zelano & Branigan PC, Arlington, VA, for Plaintiff.

Beth Hirsch Berman, Williams Mullen Hofheimer Nusbaum, Norfolk, VA, for Defendant.

MEMORANDUM OPINION

ELLIS, District Judge.

In this suit, an owner of three registered trademarks sues a large discount retailer for trademark infringement and unfair competition under both the Federal Trademark Act of July 5, 1946, 15 U.S.C. § 1051, *et seq.,* as amended, and Virginia common law. More particularly, plaintiff Renaissance Greeting Cards, Inc. ("RGC"), a marketer of greeting cards and the owner of three registered trademarks employing the words RENAISSANCE and RENAISSANCE GREETING CARDS for its line of greeting cards, brings this federal trademark infringement and state unfair competition action against the defendant, Dollar Tree Stores, Inc. ("Dollar Tree"), for using the word RENAISSANCE in marketing its own line of gift bags, and to a lesser degree for use in the marketing of gift wraps, bows, boxes, tissue paper and ribbon. At issue is whether RGC's RENAISSANCE trademark is so well-recognized by consumers of greeting cards (that is, strong) that Dollar Tree's use for non-competitive products is likely to cause confusion among consumers.

I.[1]

Plaintiff RGC is a Maine Corporation engaged in the business of creating and marketing specialty greeting cards. RGC is a wholly owned subsidiary of Florists' Transworld Delivery, Inc. ("FTD"). In August 1992, RGC registered with the Patent and Trademark Office ("PTO") a trademark employing the word RENAISSANCE in stylized form,[2] and a trademark using the phrase RENAISSANCE GREETING CARDS in a similarly stylized form.[3] In 1996, RGC restyled the lettering of the 1992 trademarks slightly and continues using this restyled lettering today.[4] In October 2003, RGC registered a third trademark for the word RENAISSANCE in typed form.[5] RGC and its predecessors have used these marks for greeting cards continuously since 1977. The parties agree that RGC's RENAISSANCE ***684** mark is incontestable as applied to greeting cards pursuant to 15 U.S.C. §§ 1065 and 1115(b).[6]

The word RENAISSANCE is a very commonly-used mark for a wide variety of goods and services, both within industries arguably related to greeting cards and in the economy in general. For example, RGC's marks are registered in PTO International Class 16, which covers paper and printed goods.[7] In this class, there are currently, apart from RGC's marks, 20 active registrations or applications for marks using the word RENAISSANCE. These registrations are for a variety of paper products including: labels, wedding albums, periodicals and various paper goods. Among all classes of products, there are presently 465 active federal and 203 state trademark registrations or pending applications for marks containing the word RENAISSANCE. These hundreds of marks represent a diverse array of industries, including: the hotel industry, the information technology industry, executive education services, and costume jewelry. Indeed, it appears that included among these many marks is a mark used in connection with greeting cards. A registered trademark of CLASSIC GREETINGS.COM: HOME PORT OF THE WWW RENAISSANCE,[8] is registered for "entertainment services, namely, providing information on art, music, and poetry in the field of classical art and literature via the global computer network," but visitors to the website www.classicgreetings.com are also offered "free classic greetings and poetry cards."[9] In addition, there are 245 identifiable "common law trademarks" using the word RENAISSANCE and at least 2,925 businesses using the word RENAISSANCE in their business names. Thus, the word RENAISSANCE is widely used by companies selling a variety of products, some related to, and many distinct from, greeting cards.

In an effort to protect its trademark, RGC has initiated one cancellation proceeding and three opposition proceedings ***685** at the PTO against parties who had registered or were seeking to register marks containing the word RENAISSANCE. In August 2004, RGC formally opposed registration of the mark RENAISSANCE LABEL by Renaissance Mark, Inc. for its line of Printed labels. The parties reached a settlement restricting the types of labels Renaissance Mark, Inc. may offer under the RENAISSANCE mark. In October 2001, RGC opposed registration of the mark RENAISSANCE by Album X Corporation for its line of wedding and photo albums. This dispute was settled by an agreement that Album X Corporation would not market its albums in department stores, while allowing Album X to continue to market its albums elsewhere under the RENAISSANCE mark. In September 1992, RGC opposed Renaissance of Thought, Inc.'s registration of the mark RENAISSANCE OF THOUGHT, INC. The merits of the opposition were not adjudicated, as the other party voluntarily abandoned the application. Finally, in April 1993, RGC petitioned for the cancellation of the registered mark of RENAISSANCE held by Argo Wiggins S.A. RGC

withdrew its petition in 1994 and the registration was cancelled shortly thereafter under Section 8 of the Lanham Act, which requires the PTO to cancel a registration after six years if the mark is no longer in use. 15 U.S.C. § 1058(a). In addition, counsel for RGC corresponded with three other parties using or intending to use the RENAISSANCE mark in a conflicting manner, which resulted in the cessation of the conflicting use.

RGC's sales constitute a very small portion of the overall domestic greeting cards market. Over the past five years RGC has had average annual sales of $12 million. By comparison, the retail greeting cards market is valued at roughly $7 billion annually. In the three year period prior to 1993, RGC's sales averaged just $7.7 million annually. The vast majority of RGC's sales are made not directly to consumers, but through its sales representatives and sales force to various retailers and to florists affiliated with FTD. The distribution among these outlets, based on the percentages of RGC's sales, is as follows: 18% for pharmacies; 16% for florists; 15% for grocery stores; 13% for card and gift shops; 12% for hospital gift shops; and 26% for other retail outlets including bookstores, convenience stores, department stores, hardware stores, hotel lobby stores, mail box stores, newsstands, party goods stores, office supply stores and the like.

With the exception of local advertising in support of its retail outlet store in Maine, RGC does not advertise its products directly to retail consumers, but instead advertises exclusively in trade publications and at trade shows. Most of RGC's advertising efforts, therefore, are directed at its wholesale customers. Over the past five years, RGC has expended an average of $358,000 annually on advertising. In the three years prior to 1993, RGC expended an average of approximately $230,000 annually on advertising. RGC has not provided any survey evidence on the brand recognition of its RENAISSANCE trademark.

Greeting cards are sometimes marketed under the same trademark as gift bags or gift wrap, or both. Several of RGC's competitors have marketed these items under the same trademark including: Paramount Cards, Marian Heath, Marcel Schurman, Recycled Paper Greetings, Hallmark and the Carlton division of American Greetings. Indeed, RGC marketed its own line of gift bags, gift wrap, bows and ribbon under the "Renaissance" trademark during the 1980s, but it ceased doing so in 1990 and has not done so since.

***686** Defendant Dollar Tree is a large national retailer operating approximately 2,845 stores in all 48 contiguous states of the continental United States. For the year that ended January 29, 2005, Dollar Tree's net sales totaled $3.126 billion. Its net income for the same period was $180.250 million.[10] Dollar Tree has used the RENAISSANCE mark on its line of gift bags since 1993, and on its line of gift wrap, boxes, bows, ribbon and tissue since 2002. Examples of Dollar Tree's use of the mark RENAISSANCE on its products are attached hereto as Exhibit A. Dollar Tree developed its marks without knowledge of RGC's marks. Dollar Tree chose the RENAISSANCE mark for its line of gift bags because it "symbolize[d] high quality and fanciness to enhance the perceived value of the gift." Edney Declaration ¶ 5. Dollar Tree has provided different estimates as to how many gift bags it has sold. These estimates range from approximately 250 million to approximately 500 million units of gift bags, gift wrap, bows, etc., on which the RENAISSANCE mark has appeared since 1995. In addition to selling gift bags, Dollar Tree markets greeting cards under the TENDER THOUGHTS trademark of its supplier, American Greetings Corporation.

Dollar Tree did not conduct a trademark search or obtain opinion of counsel prior to its initial use of the RENAISSANCE mark in 1993, nor did it do so before using the mark on its gift wrap products in 2002. During the latter half of 2003, Dollar Tree performed searches on various marks that it used, and discovered that the mark RENAISSANCE was used by many different companies. In light of this discovery, it considered abandoning use of the RENAISSANCE mark, and ultimately did so in May 2004 when it began marketing its line of gift bags, gift wrap, etc. under the mark VOILA. Despite this abandonment, some gift bags bearing Dollar Tree's RENAISSANCE mark made prior to May 2004 remained in stock and available for purchase as late as July 2005.

Despite the very large volume of bags bearing the RENAISSANCE mark sold by Dollar Tree beginning in the early 1990s, RGC did not discover Dollar Tree's use of the mark on its line of gift bags until 2003. As a result of this discovery, RGC sent a letter to Betta Products, Inc. ("BPI"), the apparent manufacturer of the gift bags bearing the allegedly infringing mark. BPI responded by directing RGC to Dollar Tree, at whose direction they were using the RENAISSANCE mark. Counsel for RGC wrote Dollar Tree in December 2003 raising the possibility that Dollar Tree's use of the RENAISSANCE mark on its gift bags might violate trademark and unfair competition laws, and seeking to discuss the matter with Dollar Tree's intellectual property counsel. This letter had not yet been responded to as of February, 27 2004, when counsel for RGC sent Dollar Tree a second letter seeking to discuss the matter with Dollar Tree's intellectual property counsel. Employees of Dollar Tree referred RGC

to its intellectual property counsel, who RGC contacted by letter on June 25, 2004. No response to this letter was ever received by RGC.

After the initiation of this lawsuit, RGC solicited instances of actual confusion from its sales force. As a result, RGC has identified three wholesale customers who manage retail outlets that buy greeting cards and who claim to have been confused ***687** by Dollar Tree's use of the word RENAISSANCE on its gift bags. Thus, Lena Depp, the owner of Lena's Card & Gift Shoppe in Frankfort, Kentucky and a customer of RGC for approximately ten years, claims that "the similarities in the name and lettering style" led her to believe that a gift bag purchased at Dollar Tree on which the words "Renaissance Gift Bags" appeared was connected to RGC. As a result, she asked the sales representative of RGC from whom she purchased greeting cards to sell her the gift bags for resale in her shop. Similarly, Tiffany Pope Jones, the manager and buyer for Raley Pharmacy in Catoosa, Oklahoma and a customer of RGC, believed that a gift bag she received was sold by RGC when, in fact, it was sold by Dollar Tree. A similar instance of confusion was reported by a store manager in Indiana. Finally, an independent sales representative in Florida, who sells RGC cards was confused after seeing a Dollar Tree gift bag with the name RENAISSANCE on it. RGC has not identified any instances of actual confusion among the retail consumers of its gift cards, nor have they conducted a survey of those customers to determine whether they have been confused by Dollar Tree's use of its RENAISSANCE on its line of gift bags or whether they would be likely to be confused.

RGC brought this suit on March 29, 2005, and the second amended complaint includes three claims: (i) infringement of a federally registered trademark as prohibited by 15 U.S.C. § 1114(1); (ii) trademark infringement and a false designation of origin as prohibited by 15 U.S.C. § 1125(a); and (iii) common law infringement and unfair competition under Virginia state law. The parties, recognizing that the material facts in this case are largely undisputed, have filed cross-motions for summary judgment pursuant to Rule 56(c), Fed.R.Civ.P. These motions have been fully briefed and argued, and are now ripe for disposition.

II.

Summary judgment is appropriate where the "pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact, and that the moving party is entitled to judgment as a matter of law." Rule 56(c), Fed.R.Civ.P. A genuine issue of material fact exists where there is evidence, viewed in the light most favorable to the non-moving party, such that a reasonable jury could find in favor of the non-moving party. *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.,* 475 U.S. 574, 585–87, 106 S.Ct. 1348, 89 L.Ed.2d 538 (1986). The opposing party "may not rest upon the mere allegations or denials of [its] pleadings," but instead must "set forth specific facts showing that there is a genuine issue for trial." Fed.R.Civ.P. 56(e). When considering cross-motions for summary judgment, each motion should be evaluated separately using the standard set forth above. *See ITCO Corp. v. Michelin Tire Corp., Commercial Div.,* 722 F.2d 42, 45 (4th Cir.1983) ("The court is not permitted to resolve genuine issues of material fact on a motion for summary judgment—even where, as below, both parties have filed cross motions for summary judgment.").

III.

[1] A trademark infringement case involves a two part inquiry: (1) whether the plaintiff has a valid, enforceable trademark, which will therefore be deemed eligible for protection, and, if so, (2) whether the defendant's use of an identical or similar mark is "likely to cause confusion" in ***688** the marketplace.[11] These principles govern RGC's two federal claims. And, because there is essentially no dispute that RGC's marks are valid and enforceable, the principal battleground for both claims is the presence or absence of a likelihood of confusion among consumers stemming from Dollar Tree's use of its RENAISSANCE mark on paper products other than greeting cards.

[2] Because the test for a claim of common law infringement and unfair competition under Virginia law likewise focuses on the likelihood of confusion among consumers, this claim need not be analyzed separately.[12] In any trademark infringement case, state or federal, the goals of trademark protection, which include protecting product identification, providing consumer information, and encouraging the production of quality goods, must be balanced by the concern that trademark protection not become a means of monopolizing language or stifling productive competition. *See Lamparello v. Falwell,* 420 F.3d 309, 313 (4th Cir.2005); *see also* J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 2.2 (2005) (hereinafter McCarthy on Trademarks).

The Validity of RGC's Marks

As a threshold matter, it is necessary to determine whether RGC's RENAISSANCE trademark is valid, and therefore entitled to protection.[13] A mark will not be entitled to protection unless it has acquired a sufficient level of distinctiveness, that is, whether "is serves the traditional trademark functions of 'distinguishing the applicant's goods from those of others' and identifying the source of the goods." *Retail Services, Inc. v. Freebies Publishing,* 364 F.3d 535, 538 (4th Cir.2004) (citing *Two Pesos, Inc. v. Taco Cabana, Inc.,* 505 U.S. 763, 768, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992)). A trademark can gain distinctiveness based on either the word's inherent quality, or the meaning that the word has gained through exposure to the market. *See Id.* at 538–39. Based on the mark's inherent qualities, courts categorize marks into one of four classifications along a spectrum of increasing distinctiveness: (1) generic; (2) descriptive; (3) suggestive; and (4) arbitrary or fanciful. *See Lone Star,* 43 F.3d at 933.

At the most distinctive end of the spectrum are arbitrary or fanciful marks, such as KODAK or XEROX, which are meaningless outside of the product they brand and therefore entitled to the strongest form of protection. *See Sara Lee Corp. v. Kayser–Roth Corp.,* 81 F.3d 455, 464 (4th Cir.1996). At the least distinctive end of the spectrum are generic marks, which simply "convey [ ] information with respect to the nature and class of the article," and ***689** are therefore, never entitled to trademark protection. *Washington Speakers Bureau, Inc. v. Leading Authorities, Inc.,* 33 F.Supp.2d 488, 495 (E.D.Va.1999). In between these two poles are suggestive and descriptive marks. Suggestive marks, such as COPPERTONE, or PLAYBOY, are "meant to project a favorable or idealistic image with which a prospective user might identify" but do not suggest a particular product or service. *Sara Lee,* 81 F.3d at 464. Descriptive marks, such as AFTER–TAN post tanning lotion, or 5 MINUTE GLUE, "merely describe a function, use, characteristic, size, or intended purpose of the product," and are entitled to protection only if they have developed "secondary meaning" in the marketplace such that consumers have come to associate the mark with that particular product. *Id.* (citing COCA–COLA as the paradigmatic example of a descriptive mark that has acquired secondary meaning)

[3] Because the term RENAISSANCE does not describe any particular characteristic of RGC's greeting cards, but "requires some imagination to connect it with the goods," it is suggestive, and therefore entitled to protection. *Freebies,* 364 F.3d at 539. The mark's registration by the PTO without evidence of its secondary meaning further supports the conclusion that the mark is suggestive. *Pizzeria Uno Corp. v. Temple,* 747 F.2d 1522, 1528–29 (4th Cir.1984). Indeed, RGC's marks have become incontestable and therefore, their validity may not be challenged. 15 U.S.C. § 1115(a).

[4] The conclusion that RGC's mark is incontestable, is merely necessary, but not sufficient to a finding of infringement. While the Supreme Court has made clear in *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.,* 469 U.S. 189, 105 S.Ct. 658, 83 L.Ed.2d 582 (1985), that the validity of an incontestably registered mark cannot be challenged, Dollar Tree is free to argue that the mark is not strong and therefore use in related but different markets is not likely to cause confusion among consumers. *See Petro Stopping Centers L.P. v. James River Petroleum, Inc.,* 130 F.3d 88, 92 (4th Cir.1997). Thus, the Fourth Circuit has stated:

> [I]ncontestability affects the validity of the trademark but does not establish the likelihood of confusion necessary to warrant protection from infringement. Likelihood of consumer confusion remains an independent requirement for trademark infringement ....[We] hold that we are free to address whether Plaintiffs' incontestable trademark is descriptive or suggestive in determining whether the likelihood of consumer confusion exists in this case.

Lone Star, 43 F.3d at 935; *see also* McCarthy on Trademarks §§ 11:84, 32:155. To find infringement, RGC still has the burden of establishing by a preponderance of the evidence that the use of RENAISSANCE by Dollar Tree is likely to cause confusion.

Likelihood of Confusion

[5] The Fourth Circuit has highlighted the following seven factors to be considered when determining whether the use of a similar trademark has resulted in the likelihood of confusion:

(i) the strength or distinctiveness of the mark;

(ii) the similarity of the two marks;

(iii) the similarity of the goods/services the marks identify;

(iv) the similarity of the facilities the two parties use in their business;

(v) the similarity of the advertising used by the two parties;

(vi) the defendant's intent; and

(vii) actual confusion.

***690** *Pizzeria Uno,* 747 F.2d at 1527. These factors constitute an approximate guide, not a rigid formula, and the relevance or relative weight of any of these factors may vary depending on the circumstances of a given case. *Id.; Sara Lee,* 81 F.3d at 463.

Although the likelihood of confusion is a "factual issue dependent on the circumstances of each case," summary judgment is appropriate when the undisputed material facts that underlay the inquiry clearly demonstrate a likelihood of confusion. *Resorts of Pinehurst, Inc. v. Pinehurst Nat. Corp.,* 148 F.3d 417, 422 (4th Cir.1998). Summary judgment is especially appropriate where, as here, the parties have agreed on a bench trial and submitted a "voluminous record to the court for dispositive decision at the time of the summary judgment motions." *International Bancorp, LLC v. Societe des Bains Mer et du Cercle des Estrangers a Monaco,* 329 F.3d 359, 362 (4th Cir.2003), *cert. denied,* 540 U.S. 1106, 124 S.Ct. 1052, 157 L.Ed.2d 891 (2004); *see* August 19, 2005 Transcript, at 41 (The Court: "All right. I don't need anything more. After that, the case is ready for disposition, isn't it, Mr. Hanes [Attorney for Dollar Tree], Mr. Culver [Attorney for RGC]." Attorney for Dollar Tree: "Yes." Attorney for RGC: "Yes."). The Fourth Circuit recognizes, therefore, that

> It makes little sense to forbid the judge from drawing inferences from the evidence submitted on summary judgment when that same judge will act as the trier of fact, unless those inferences involve issues of witness credibility or disputed material facts. If a trial on the merits will not enhance the court's ability to draw inferences and conclusions, then a district judge properly should draw his inferences without resort to the expense of trial.

International Bancorp, 329 F.3d at 362 (quoting *Matter of Placid Oil Co.,* 932 F.2d 394, 398 (5th Cir.1991)). Thus, if, based on the undisputed facts in the summary judgment record, no reasonable jury could find a likelihood of confusion, summary judgment is appropriate.

(i) The Strength or Distinctiveness of the Mark

[6] The Fourth Circuit has emphasized that the strength or distinctiveness of the mark is the "paramount factor" in determining likelihood of confusion. *Pizzeria Uno,* 747 F.2d at 1527. *See also Lone Star,* 43 F.3d at 933; *Sara Lee,* 81 F.3d at 467 (describing the strength of the mark as the "alpha of infringement analysis"). In evaluating the strength of a mark, it is useful to consider two separate categories of a mark's strength: (1) conceptual strength: the placement of the mark along a spectrum focusing on the inherent potential distinctiveness of the term; and (2) commercial strength: the marketplace's recognition as of the time the mark is asserted in litigation.[14] Of these two considerations, the second is more important, because a conceptually weak but commercially ***691** strong mark can still gain protection through secondary meaning, as illustrated by such examples as AMERICAN Airlines, PAYLESS Drug Stores and KENTUCKY FRIED CHICKEN. *See* McCarthy on Trademarks § 11:83. On the other hand, a conceptually strong mark that is relatively unknown in the marketplace will not be likely to cause any confusion among consumers of other products. *Id.* To afford protection to marks simply on the basis of their conceptual distinctiveness would be contrary to the ultimate inquiry under this factor, namely, "the degree to which the designation is associated by prospective purchasers with a particular source." *Petro Stopping,* 130 F.3d at 93 (quoting *Estee Lauder, Inc. v. The Gap, Inc.,* 108 F.3d 1503, 1510 (2d Cir.1997)).

Normally, the fact that the PTO has registered the trademark is persuasive evidence of a mark's conceptual strength because the PTO registers only fanciful, arbitrary or suggestive marks, or descriptive marks shown to have acquired secondary meaning. *Lone Star,* 43 F.3d at 934. Indeed, as described above, the word RENAISSANCE is "suggestive" as that term has been defined. However, the categories of distinctiveness are only a rough measure of the mark's conceptual distinctiveness. *See Washington Speakers,* 33 F.Supp.2d at 494.

The categorization of marks as either generic, descriptive, suggestive, or arbitrary or fanciful is premised on the common sense notion that the less descriptive a mark is of the product, the more likely it is that the mark is distinctive with respect to the product. Yet, this may not always be true, as some words that do not describe any particular product, but have some attractive connotation, become so commonly-used as to diminish their ability to distinguish one product from another. This phenomenon

was recognized by the Fourth Circuit as long ago as 1941, in a dispute between a whiskey distiller and a beer brewer, both users of the trademark ARROW for their products. *Arrow Distilleries, Inc. v. Globe Brewing Co.,* 117 F.2d 347, 349 (4th Cir.1941). There, the Fourth Circuit described the relevance of this phenomenon to the trademark infringement analysis in the following terms:

> The crucial issue in this case is whether the word "Arrow" is a word of such distinctive character, when adopted as a trade-mark for one kind of intoxicating liquors, that it cannot be used on any other kind without creating the belief that both spring from a common source; or, on the other hand, is a word like "Standard," or "Gold Medal," or "Blue Ribbon," which has been adopted by so many persons as a trade-mark for articles of divers kind that it does not signify the goods of any one user. The question is important because, in determining the extent of the field of exclusive occupation, a name in the first class is accorded liberal treatment in the laws of trade-marks, while a name in the second class is narrowly restricted to the particular kind of goods for which it is used by its owner.

Id. Given this and because ARROW was commonly used as a trademark, the court found that ARROW belonged to the second category, and that the trademark protection should not be extended even to products as similar as beer and cordials. *Id.* at 351. Twenty years earlier the Seventh Circuit reached essentially the same result for the same reason. *See Pabst Brewing Co. v. Decatur Brewing Co.,* 284 F. 110, 113 (7th Cir.1922) ("In view of the very wide and general employment of 'Blue Ribbon' as a trade-name, we believe the District Court properly concluded that appellant's right to use it was limited to [beer], and whatever other first use it made of it, and that in appellee's use of it ***692** [for malted liquor] there was no likelihood of any confusion of its product with that of appellant."). The Second Circuit adopted this reasoning in a similar dispute soon thereafter. *France Milling Co. v. Washburn–Crosby Co.,* 7 F.2d 304, 306 (2d Cir.1925) ("[O]ne who takes a phrase which is the commonplace of self-praise like 'Blue Ribbon' or 'Gold Medal' must be content with that special field which he labels with so undistinctive a name.").

The common use of a given trademark is still considered an important factor in considering the strength of a mark. Thus, in *Petro Stopping,* the Fourth Circuit declined to extend the plaintiff's trademarks, PETRO STOPPING CENTER and PETRO TRAVEL PLAZA, which it used at its truck stops, to defendant's use of a PETRO CARD at its unmanned, self-service filling stations, in part because of the common usage of the term PETRO. *Petro Stopping,* 130 F.3d at 94. Furthermore, the strength of a commonly-used mark decreases as the number of third-party registrations increases. *See Pizzeria Uno,* 747 F.2d at 1531 ("The greater the number of identical or more or less similar trade-marks already in use on different kinds of goods, the less is the likelihood of confusion.")(quoting *Amstar Corp. v. Domino's Pizza, Inc.,* 615 F.2d 252, 259–60 (5th Cir.1980)) (Seventy-two third party registrations of the appellant's DOMINO mark in the PTO makes the mark weak).

Dollar Tree has presented uncontroverted evidence that the RENAISSANCE mark is the subject of 465 federal and 203 state trademark registrations or pending applications, that there are 245 identifiable "common law trademarks" using the word "Renaissance," and that at least 2,925 businesses using the word RENAISSANCE in their business names. Furthermore, including those of RGC, there are 23 registrations for the mark RENAISSANCE in its class of paper products, including registrations for similar products such as wedding albums and labels. Whatever inherent distinctiveness the RENAISSANCE mark may have for distinguishing RGC's greeting cards is thus greatly diminished by the widespread use of the word in selling other products.[15]

[7] While the conceptual strength of RGC's mark is greatly diminished by the common usage of the mark across a variety of markets, this does not end the strength of the mark analysis; it is also necessary to consider the commercial strength of the mark. *See, e.g., Petro Stopping,* 130 F.3d at 93 ("the placement of a mark in either the suggestive or descriptive category is merely the first step in assessing the strength of a mark for purposes of the likelihood of confusion test."). The commercial strength of a mark for purposes of the likelihood of confusion inquiry is related to, and therefore sometimes confused with, a mark's ***693** "secondary meaning" for purposes of the distinctiveness inquiry. *See, e.g., Petro Stopping,* 130 F.3d at 93. While the "secondary meaning" inquiry is relevant to a mark's validity, and the commercial strength of a mark inquiry is relevant to the likelihood of confusion, both inquiries involve similar analysis with both requiring evidence that the mark is generally associated with the product or products at

issue.[16] Thus, the inquiry into a mark's commercial strength will mirror the inquiry that would be undertaken to determine whether the mark has secondary meaning. Normally, the "secondary meaning" inquiry involves consideration of several factors, including, but not limited to: (1) advertising expenditures; (2) consumer studies linking the mark to a source; (3) sales success; (4) unsolicited media coverage of the product; (5) attempts to plagiarize the mark; and (6) the length and exclusivity of the mark's use. *Perini Corp.* 915 F.2d at 125 (citing *Thompson Medical Co. v. Pfizer, Inc.,* 753 F.2d 208, 217 (2d Cir.1985)). Not surprisingly, many of the same factors have been considered as relevant to a determination of a mark's strength for purposes of the likelihood of confusion inquiry. Thus, it is appropriate to consider the sales and advertising expenditures of the product or products bearing the trademark at issue relative to those of other trademarks in the market.[17] Likewise, courts examining the strength of a plaintiff's mark consider the exposure of the mark through independent media coverage,[18] survey evidence of customer perceptions of the mark,[19] and the frequency of attempts to plagiarize or imitate the mark.[20]

Consideration of these factors leads to the conclusion that while the RENAISSANCE mark may have some potential power to identify a source in the greeting card market, it is not a strong mark. RGC's sales average of roughly $12 million per year is minuscule in relation to the size of the overall greeting card industry of $7 ***694** billion per year.[21] Likewise, RGC's attempts to promote its mark through advertising have averaged less than $360,000 per year, and have been targeted primarily to the narrow set of wholesale customers that constitute its direct customer base. Further, RGC has provided no evidence that its mark has been the subject of independent media coverage, nor has RGC provided any survey evidence indicating that there is a strong association between its RENAISSANCE mark and the greeting cards it sells within the minds of the consuming public. Consideration of the mark's commercial weakness, in combination with the wide use of the term RENAISSANCE in other products, compels the conclusion that the RENAISSANCE mark is a weak mark, such that its ability to identify the source of products does not extend beyond the greeting card market.

(ii) The Similarity of the Two Marks

The second factor's relevance to the likelihood of confusion is obvious: the closer the resemblance between the protected mark and the infringing mark, the more likely the prospect for confusion. *See Cable News Network, L.P. v. CNNews.com,* 177 F.Supp.2d 506, 519 (E.D.Va.2001). In evaluating the similarity or dissimilarity of the parties' marks, the "marks need only be sufficiently similar in appearance, with greater weight given to the dominant or salient portions of the marks." *Lone Star,* 43 F.3d at 936. A comparison of the marks in Exhibit A reveals a greater or lesser degree of similarity depending on which marks are compared. For example, Dollar Tree # 2 is in cursive script, is surrounded by a very ornate border set in an oval, and has a capital letter R which is especially large and ornate followed by lower case letters. In contrast, RGC # 3 has no border, and its lettering is printed in outlined block letters of equivalent size. These marks are further distinguishable by the fact that one is accompanied by the words gift bags and the other is accompanied by the words greeting cards. These marks do appear quite different. A comparison of Dollar Tree # 4 and RGC # 2, however, reveals marks that, except for slight differences in the capital R and the capitalization of the remaining words, are nearly identical. It is clear that RGC has used RGC # 2 and RGC # 4 since 1996. It is also clear that the four Dollar Tree gift bags that form the basis for RGC's claims of actual confusion used either Dollar Tree # 1 or # 2. Since the use of these different Dollar Tree marks is not known for certain, it is assumed for summary judgment purposes that the marks of Dollar Tree most similar to RGC # 2 and # 4 are used in all other instances, and that, therefore, the marks are similar in appearance.

(iii) The Similarity of the Goods/Services the Marks Identify

[8] When the infringing goods are not identical to the goods sold under the trademark, they may still be entitled to protection if they are sufficiently related to cause consumers to believe they derive from the same source. *See Communications Satellite Corp. v. Comcet, Inc.,* 429 F.2d 1245, 1252 (4th Cir.1970) ("When, as here, the parties are not competitors, the issue of infringement hinges on the likelihood of confusion about the source or sponsorship of the defendant's goods and services."). This record reflects that greeting cards are sometimes sold under the same mark as gift bags and gift wrap. For example, ***695** the market leader in gift cards, Hallmark, markets both greeting cards and gift bags under its well-known trademark. Indeed, RGC briefly marketed gift bags and gift wrap under the RENAISSANCE mark in the 1980s. RGC also contends that the goods are not merely similar, but also related, and that "complementary products, or services, are particularly vulnerable to confusion." *Communications Satellite,* 429 F.2d at 1253 (remarking that a reasonable consumer would believe that communications computers and communications services derive from the same source); *see also, Aunt Jemima*

Mills Co. v. Rigney & Co., 247 F. 407, 410 (2d Cir.1917) (pancake syrup and pancake mix); *Valmor Products Co. v. Standard Products Corp.,* 464 F.2d 200, 203 (1st Cir.1972) (haircare products and hair dryers and curling sets).

RGC also points to a recent decision of the Trademark Trial and Appeal Board holding that greeting cards and gift products are related. *National Football League v. Jasper Alliance Corp.,* 16 U.S.P.Q.2d 1212, 1216, 1990 WL 354523 (TTAB 1990). There the Board held that the applicant's attempt to register the SUPER BOWL trademark on greeting cards was likely to confuse consumers to conclude that the greeting cards came from the National Football League, who used its SUPER BOWL trademark on posters, post cards, napkins, paper plates, paper party goods, and streamers. *Id.* In reaching this result, the Board stated that:

> It is our view in this case, that the sale of greeting cards would naturally flow from previous sales of paper goods such as posters, post cards, wrapping and paper party goods and that potential purchasers would be quite likely to believe that greeting cards and paper goods such as those marketed by opposer's licensees would emanate from the same source. We therefore conclude that the sale of these goods under the same or a similar mark would be likely to lead to confusion, mistake or deception.

Id. Thus, when a mark is sufficiently strong, it will preclude its use in not only directly competitive products, but closely related ones as well.

The fact that a junior user's good is related to that of the senior user, is not, however, sufficient by itself to overcome an otherwise weak mark. Thus, in *Arrow Distilleries,* the Fourth Circuit concluded that the use of the mark ARROW, "even in the related fields of beers and cordials, [would not suffice to] indicate a common origin or endanger the reputation of the plaintiff's goods." *Arrow Distilleries,* 117 F.2d at 351. Similarly, in *Petro Stopping,* the Fourth Circuit found that the plaintiff's PETRO mark was not infringed despite the fact that the defendant sold fuel under the mark, one of the services provided by plaintiff. *Petro Stopping,* 130 F.3d at 95. Indeed, McCarthy's on Trademarks is replete with examples of similar or identical trademarks for related goods found to be non-infringing.[22] Thus, though the ***696** products are related, and therefore this factor weighs in favor of a finding of infringement, this factor alone is not dispositive.

(iv) The Similarity of the Facilities the Two Parties Use in their Business

[9] The likelihood of confusion may also be increased if both goods are sold in the same channels of trade. *See* McCarthy on Trademarks § 24.51; *see also Paco Sport, Ltd. v. Paco Rabanne Parfums,* 86 F.Supp.2d 305, 316–17 (S.D.N.Y.2000) (no likelihood of confusion between high-fashion conscious, high income consumers in upscale specialty stores and casual clothing marketed to young, urban males in inexpensive retail outlets in urban neighborhoods). The relevant inquiry under this factor is whether the goods are sold to the same class of consumers in the same context. *See* McCarthy on Trademarks § 24.51.

RGC markets its greeting cards to its wholesale customers who ultimately sell them in various types of retail establishments, including: florists, pharmacies, hospital gift shops, grocery stores, card and gift shops, and other retail outlets. Dollar Tree markets its gift bags and wrapping paper exclusively in its discount retail stores. Thus, while both parties market generally to the retail market, Dollar Tree's products are likely to be concentrated among value-conscious consumers.

The context in which RGC's greeting cards and Dollar Tree's gift bags and other products are purchased is similar, as evidenced by the fact that Dollar Tree does sell greeting cards in its stores. And, while Dollar Tree does not sell RGC's greeting cards, it is not required that the goods be sold side by side to find a likelihood of confusion under this factor. *See Century 21 Real Estate Corp. v. Century Life of America,* 970 F.2d 874, 877 (Fed.Cir.1992) ("An opposer does not have the burden to show sales of an infringing product by a specific chain of supermarkets or agents."). Greeting cards, gift bags, gift wrap and related items are all purchased in a similar retail context that is characterized by relatively quick purchasing decisions based on a comparison of the available items. Thus, the channels of trade, while not identical, are similar enough to weigh here very modestly in favor of infringement.

(v) The Similarity of the Advertising Used by the Two Parties

Similarities in the manner of advertising the products may also increase the likelihood of confusion. *See Sara Lee,*

81 F.3d at 466. On the other hand, evidence of dissimilarity between the methods of advertising diminishes the likelihood of confusion. *See IDV North America, Inc. v. S & M Brands, Inc.,* 26 F.Supp.2d 815, 828 (1998). In this case, there is absolutely no overlap in the advertising of the two brands. Dollar Tree does not advertise its gift bags and wrapping paper and RGC advertisements are directed almost exclusively towards its wholesale customer base, and not to the ultimate consumers of the ***697** products. Accordingly, because of the minimal advertising of both parties, this factor militates against a likelihood of confusion.

(vi) The Defendant's Intent

[10] Also, probative of the likelihood of confusion is the putative infringer's intent in adopting the allegedly infringing mark. The Fourth Circuit put this point as follows: "If there is intent to confuse the buying public, this is strong evidence establishing likelihood of confusion, since one intending to profit from another's reputation generally attempts to make his signs, advertisements, etc., to resemble the other's so as to deliberately induce confusion." *Pizzeria Uno,* 747 F.2d at 1535. In other words, a junior user's intent to confuse consumers is probative of the likelihood that it has succeeded in confusing consumers. As the Ninth Circuit has explained:

> [W]hen the evidence does show or require the inference that another's name was adopted deliberately with a view to obtain some advantage from the good will, good name, and good trade which another has built up, then the inference of likelihood of confusion is readily drawn, for the very act of the adopter has indicated that he expects confusion and resultant profit.... If such an intent is shown, it raises a presumption that deception and confusion resulted.

Fleischmann Distilling Corp. v. Maier Brewing Co., 314 F.2d 149, 158 (9th Cir.1963) (internal citations and quotation marks omitted).

The record here reflects that Dollar Tree had no knowledge of RGC's RENAISSANCE marks when it began using a similar mark on its gift bags in the early 1990s, and did not learn of RGC's trademark until just prior to the commencement of this lawsuit. Even so, RGC contends that Dollar Tree's failure to conduct a trademark search prior to marketing its gift bags under the RENAISSANCE mark in 1993 should weigh against it. *See, e.g., One World Botanicals Ltd. v. Gulf Coast Nutritionals, Inc.,* 987 F.Supp. 317, 335 (D.N.J.1997). This argument misunderstands the value of this factor as probative of likelihood of confusion. If Dollar Tree had no knowledge of RGC's mark, it could not have intended to confuse the public. At most, the failure to conduct a search is probative of Dollar Tree's carelessness, which even if true, has little bearing on the likelihood that its allegedly infringing mark will confuse the public. *See* McCarthy on Trademarks § 23:109 ("[T]he existence of constructive notice is not evidence that a later user necessarily intended to confuse.").

Furthermore, the fact that Dollar Tree did not cease marketing its gift bags with the RENAISSANCE mark immediately upon receipt of RGC's letter is not probative of bad faith. *See* McCarthy on Trademarks § 23:120 ("[A]fter a warning from plaintiff, defendant's attempt in good faith to obtain a judicial determination of trademark rights should be no indication of evil intent or bad faith."). Dollar Tree correctly contends that it had a reasonable basis to continue to market its gift bags under the RENAISSANCE mark because it had a good faith belief that RGC's mark is not strong enough to preclude others from using the RENAISSANCE mark for related goods. Given this, Dollar Tree's continued use of the mark on its paper products, and its pursuit of a judicial determination of this dispute is not evidence of bad faith, nor is it probative of the likelihood of confusion. Therefore, because Dollar Tree did not intend to confuse consumers, this factor weighs in favor of a finding of no infringement.

(vii) Actual Confusion

[11] Evidence of actual confusion may in certain circumstances be compelling evidence ***698** of the likelihood of confusion. *See Lone Star,* 43 F.3d at 937. The record reflects four separate instances of actual confusion as to the source of a Dollar Tree gift bag that possessed the RENAISSANCE mark. Significantly, every instance of confusion was reported either by a wholesale customer of RGC, or, in one instance, a sales representative of RGC. It stands to reason that actual confusion among wholesale purchasers of RGC's greeting cards is more likely, given their greater familiarity with the mark due to personal interaction with RGC's sales force and the more significant wholesale purchasing decisions they have made. Likewise, the sales representative is more likely to associate the RENAISSANCE mark with RGC because part of her

income is derived from selling the product. RGC presents no instances of confusion among the ultimate consumers of the greeting cards, the relevant market for the likelihood of confusion inquiry, and therefore RGC's examples of actual confusion are not very compelling.

Indeed, the fact that only four instances of actual confusion have been discovered during the more than ten years that the products were marketed simultaneously actually supports a finding of no likelihood of confusion. *See Petro Stopping,* 130 F.3d at 88 ("[T]he company's failure to uncover more than a few instances of actual confusion creates a 'presumption against likelihood of confusion in the future.' ") (quoting *Amstar Corp. v. Domino's Pizza, Inc.,* 615 F.2d 252, 263 (5th Cir.1980)); *Century 21 Real Estate Corp. v. Lendingtree, Inc.,* 425 F.3d 211, 224 (3rd Cir.2005) (listing as one of the factors for determining likelihood of confusion "the length of time the defendant has used the mark without evidence of actual confusion."). The de minimis nature of RGC's evidence of actual confusion is only highlighted by the fact that it made significant efforts to uncover instances of actual confusion. Since the commencement of this litigation RGC has twice asked its sales force to solicit instances of actual confusion from its wholesale customers. Despite this effort, RGC has only been able to come up with these isolated instances of confusion by people more familiar with its brand than the ultimate consumer. This stands in stark contrast to situations in which the Fourth Circuit has found actual confusion as an important factor. *See Resorts of Pinehurst,* 148 F.3d at 422–23 (reporting 15 misplaced calls each week, and other evidence of actual confusion); *Lone Star,* 43 F.3d at 927 (relating numerous unsolicited instances of customers being confused about the existence of any relation between the two restaurants).

In sum, given the length of time over which the parties' products were simultaneously sold, the lack of any evidence of actual confusion among the retail market, and the efforts made by RGC to uncover evidence of actual confusion, this factor does not weigh in favor of a finding of a likelihood confusion. As the Third Circuit has explained: "Ownership of a trademark does not guarantee total absence of confusion in the marketplace. Selection of a [common mark] naturally entails a risk of some uncertainty and the law will not assure absolute protection." *Scott Paper Co. v. Scott's Liquid Gold, Inc.,* 589 F.2d 1225, 1231 (3d Cir.1978). *See also,* McCarthy on Trademarks § 23:13 ("The existence of some evidence of instances of actual confusion does not necessarily prevent the grant of a summary judgment of dismissal for lack of a triable issue of likelihood of confusion. A court may find evidence of actual confusion insufficient to present a triable issue of fact where evidence in rebuttal provides a reasonable explanation discounting isolated instances of confusion.") (citing *Woodsmith Publishing* ***699** *Co. v. Meredith Corp.,* 904 F.2d 1244 (8th Cir.1990); *Lang v. Retirement Living Publishing Co.,* 949 F.2d 576 (2d Cir.1991)).

IV.

[12] In the end, the question to be decided in this dispute is whether the strength of RGC's RENAISSANCE mark to identify a source for greeting cards is sufficient to spill over beyond the scope of greeting cards to related product markets. When making this determination, the issue is whether the RENAISSANCE mark can be used on related but distinct products "without creating the belief that both spring from a common source." *Arrow Distilleries,* 117 F.2d at 349. Some marks are so well-known and so closely associated with a single source or producer that they are entitled to protection not only in those markets in which they are used, but also in those markets in which consumers might likely expect them to be used. On the other hand, those marks which are neither well-known in the marketplace, nor evocative of a single producer, warrant narrower protection restricted to the products for which the mark is registered.

While the record indicates that greeting cards are related to gift bags, gift wrap and the other paper products sold by Dollar Tree under the Renaissance name, RGC has not provided any evidence that its mark is strong enough to warrant the conclusion by the preponderance of the evidence that consumers of these related products are likely to be confused as to source. The common and frequent use of the RENAISSANCE mark in many industries and businesses, coupled with RGC's de minimis share of the retail market and paltry advertising efforts, compels the conclusion that RGC's mark is too weak to have created any likelihood of confusion among consumers of Dollar Tree's paper products bearing a similar mark. Indeed, the record reflects no evidence of retail consumers' recognition of RGC's mark, a prerequisite to any confusion with the RENAISSANCE marks used by Dollar Tree. RGC's only evidence of actual confusion, despite the more than ten years over which the products were marketed under similar marks, were four instances of confusion by wholesale customers and a sales representative. These few incidents do not warrant a conclusion that there was a likelihood of confusion created by Dollar Tree's use of the RENAISSANCE mark on its paper products. Nor does the other evidence presented by the record make it more

likely that consumers will confuse the source of the product. The rough similarity of the marks and the retail distribution of both products weighs in favor of a finding of likelihood of confusion, but the lack of any overlap in advertising, and the absence of any evidence of Dollar Tree's intent to confuse weighs in favor of a finding of no likelihood of confusion. In the end, consideration of the weakness of RGC's mark leaves no doubt that RGC's RENAISSANCE mark belongs to the class of trademarks entitled to protection only in the product market for which the registration issued. Summary judgment for Dollar Tree is therefore appropriate. An appropriate order will issue.

***700 EXHIBIT A**

DOLLAR TREE'S MARK

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RGC'S MARK

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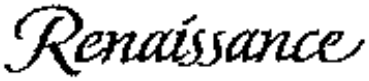

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405 F.Supp.2d 680

All Citations

Footnotes

1 The facts recited here are largely undisputed. Where disputes exist, they are noted and, if material, the facts are construed favorably to the non-moving party, as required. *See Matsushita Elec. Indus. Corp. v. Zenith Radio Corp.,* 475 U.S. 574, 587, 106 S.Ct. 1348, 89 L.Ed.2d 538 (1986).

2 This mark was filed on August 12, 1992 and issued on July 12, 1994. Its registration number is 1,844,359. See Exhibit A, RGC Mark # 1.

3 This mark was filed on August 12, 1992 and issued on July 12, 1994. Its registration number is 1,844, 357. See Exhibit A, RGC Mark # 3.

4 See Exhibit A, RGC Mark # 2 and # 4.

5 This mark was filed on October 22, 2003 and issued on March 29, 2005. Its registration number is 2,936,155.

6 A registered mark is deemed incontestable pursuant to 15 U.S.C. § 1065 if: (1) it has been in continuous use for five years from the date of its initial registration, (2) there have been no adverse determinations regarding its right to register the mark, (3) there are no pending proceedings in the PTO regarding its rights under the mark, (4) an affidavit has been filed confirming that the goods have been in continuous use under the mark, (5) and that the mark is not generic. 15 U.S.C. § 1065. Once a mark has become incontestable, "the registration shall be conclusive evidence of the validity of the registered mark and of the registration of the mark, of the registrant's ownership of the mark, and of the registrant's exclusive right to use the mark in commerce .... in connection with the goods or services specified in the affidavit ...." 15 U.S.C. § 1115(b).

7 *See* 37 C.F.R. § 6.1. The regulation lists the following as covered by Class 16 in the international schedule of classes of goods and services:

> Paper, cardboard and goods made from these materials, not included in other classes; printed matter; bookbinding material; photographs; stationery; adhesives for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); playing cards; printers' type; printing blocks.

8 This trademark, Registration number 2,415,517, was among those included in Dollar Tree's summary judgment submissions.

9 This web site information is appropriate for judicial notice pursuant to Rule 201, Fed.R.Evid. *See, e.g., Wang v. Pataki,* 396 F.Supp.2d 446, 458 n. 2 (S.D.N.Y.2005) (taking judicial notice of the contents of a website) (citing *Hotel Employees & Rest. Employees Union, Local 100 v. New York Dep't of Parks & Recreation,* 311 F.3d 534, 549 (2d Cir.2002)).

10 It is appropriate to take judicial notice of SEC filings at the summary judgment stage. Rule 201(c) Fed.R.Evid.; *See, e.g., In re Delmarva Securities Litigation,* 794 F.Supp. 1293, 1299 (D.Del.1992) ("SEC filings fall within th[e] category of public records that can be judicially noticed.").

11 *See* 15 U.S.C. §§ 1114(1), 1125(a); *Lone Star Steakhouse & Saloon, Inc. v. Alpha of Virginia, Inc.,* 43 F.3d 922, 933 (4th Cir.1995) ("[T]he Lanham Act establishes a two prong test that Plaintiffs must satisfy in order to obtain an injunction for trademark infringement and unfair competition. In addition to proving the mark's protectibility, a complainant must demonstrate that the defendant's use of the colorable imitation is likely to cause confusion among customers."); *Perini Corp. v. Perini Constr.,* 915 F.2d 121, 124 (4th Cir.1990) (same).

12 *See Lamparello v. Falwell,* 420 F.3d 309, 312 n. 1 (4th Cir.2005); *Lone Star Steakhouse & Saloon,* 43 F.3d at 930 n. 10 (citing *Food Fair Stores, Inc. v. Lakeland Grocery Corp.,* 301 F.2d 156, 160 (4th Cir.1962)); *Teaching Co. Ltd. Partnership v. Unapix Entertainment, Inc.,* 87 F.Supp.2d 567, 575 (E.D.Va.2000).

13 As noted, there is essentially no dispute that RGC's mark is valid and enforceable in the greeting card market. Even so, the analysis

here of the nature of RGC's mark is essential to an assessment of the strength of RGC's mark and hence relevant to the analysis of the likelihood of confusion question.

14 *See* McCarthy on Trademarks § 11:83; *see also A.C. Legg Packing Co., Inc. v. Olde Plantation Spice Co., Inc.,* 61 F.Supp.2d 426, 430 (D.Md.1999); *World Gym Licensing, Ltd. v. Fitness World, Inc.,* 47 F.Supp.2d 614, 621–22 (D.Md.1999); *Sun Banks of Florida, Inc. v. Sun Federal Sav. & Loan, Assoc.,* 651 F.2d 311, 315 (5th Cir.1981) (strength is a factor of both the inherent quality of the mark and its "standing in the marketplace."); *GoTo.com, Inc. v. Walt Disney Co.,* 202 F.3d 1199, 1207 (9th Cir.2000) ("This 'strength' of the trademark is evaluated in terms of its conceptual strength and commercial strength."). Though the Fourth Circuit has not expressly adopted this framework, it has done so in effect. *See Petro Stopping,* 130 F.3d at 93 ("Thus, courts must examine, in addition to the mark's characterization as suggestive or descriptive, the extent of secondary meaning a mark has acquired in the eyes of consumers.").

15 RGC correctly points out that it has addressed this problem by attempting to police the use of the RENAISSANCE mark in adjacent markets. Just as the widespread prevalence of the mark diminishes its distinctiveness, so "the successful policing of a mark adds to its strength to the extent that it prevents weakening of the mark's distinctiveness in the relevant market." McCarthy on Trademarks § 11:91 (quoting *Morningside Group, Ltd. v. Morningside Capital Group, LLC,* 182 F.3d 133, 139 (2d Cir.1999)). Yet, RGC's efforts in this respect have yielded mixed results. Its settlement agreement with Renaissance Mark, Inc. merely restricted the type of label that could be marketed under the name Renaissance. Similarly, its settlement agreement with Album X Corporation was merely an agreement that Album X would continue not to sell its albums bearing the RENAISSANCE mark in department stores. Finally, neither the voluntary abandonment, nor the cancellation of a registration under 15 U.S.C. § 1058, provide persuasive evidence of the strength of RGC's mark outside of the greeting card industry.

16 *See* McCarthy on Trademarks § 11:82 ("When determining the commercial or marketplace strength of a mark, the courts look to the same kind of evidence of real world recognition of the mark as is used to decide the presence or absence of secondary meaning to determine whether or not a non-inherently distinctive designation is or is not a valid mark."); *Levi Strauss & Co. v. Blue Bell, Inc.,* 632 F.2d 817, 821 (9th Cir.1980) ("Secondary meaning and likelihood of buyer confusion are separate but related determinations, the relationship rising from the same evidentiary findings. The stronger the evidence of secondary meaning, the stronger the mark, and the more likely is confusion.").

17 *See* McCarthy on Trademarks § 11:83 ("While evidence of advertising and sales is relevant to prove the strength of a mark, standing alone without a context, such evidence may not be sufficient to prove that a mark is very strong. That is, the trademark owner should put its sales and advertising figures in perspective by comparing them to the sales and advertising figures for similar products to show that this mark is used on a leading product in its category.") (citing *Fossil Inc. v. Fossil Group,* 49 U.S.P.Q.2d 1451, 1457, 1998 WL 962201 (T.T.A.B.1998)).

18 *Lone Star,* 43 F.3d at 935 ("As a result of Plaintiff's efforts, its mark has been the subject of national and local media attention and has achieved a high level of recognition in the restaurant field, entitling the marks to broad legal protection.") (citing *Communications Satellite Corp. v. Comcet, Inc.,* 429 F.2d 1245, 1248 (4th Cir.1970)).

19 *See Commerce Nat'l Ins. Serv., Inc. v. Commerce Ins. Agency, Inc.,* 214 F.3d 432, 442 (3d Cir.2000) (customer surveys relevant because probative of strength of the mark).

20 *See Polo Fashions, Inc. v. Craftex, Inc.,* 816 F.2d 145, 148 (4th Cir.1987) ("The plaintiff's symbol, standing alone, is a strong mark of the identity of the source. It has been widely used by the plaintiff and, as indicated above, has not infrequently been imitated.") (internal citations omitted).

21 This is true even considering the fact that RGC's sales are made at the wholesale level and the $7 billion figure is for the retail market. It is undisputed that RGC's share of the retail market does not exceed 1%.

22 *See* McCarthy on Trademarks § 24:62 (citing *Allstate Ins. Co. v. Allstate Inv. Corp.,* 210 F.Supp. 25, 28 (W.D.La.1962) (No infringement between plaintiff's use of ALLSTATE mark in insurance industry and defendant's use in mortgage brokerage); *American Optical Corp. v. American Olean Tile Co.,* 185 U.S.P.Q. 405, 409–10 (S.D.N.Y.1974) (no infringement of plaintiff's mark of AO for anti-skid floor coating by defendant's use of AO for ceramic tile products); *IDV North America, Inc. v. S & M Brands, Inc.,* 26 F.Supp.2d 815, 824 (E.D.Va.1998) (BAILEY's low priced cigarettes are not an infringement of BAILEY's liqueurs such as BAILEY's IRISH CREAM); *Vitarroz Corp. v. Borden, Inc.,* 644 F.2d 960, 966 (2d Cir.1981) (No infringement of plaintiff's mark for BRAVOS used on crackers by defendant's use of BRAVOS on tortilla chips despite virtually identical marks and close relation of products); *Edison Bros. Stores, Inc. v. Cosmair, Inc.,* 651 F.Supp. 1547, 1562–63 (S.D.N.Y.1987) (defendant's use of NOTORIOUS mark for its perfume does not infringe plaintiff's mark of NOTORIOUS used for women's clothing and shoes); *Riva Boats Int'l S.p.a. v. Yamaha Motor Corp.,* 223 U.S.P.Q. 183 (C.D.Cal.1983) (defendant's use of RIVA on motor scooters does not infringe plaintiff's right to use RIVA mark on luxury boats because plaintiff's mark is weak); *Knaack Mfg. Co. v. Rally Accessories, Inc.,* 955 F.Supp. 991, 1004 (plaintiff's WEATHERGUARD mark used in line of tool boxes and

truck and van equipment not infringed by defendant's use of WEATHERGUARD mark for semi-fitted car covers)).

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S Indus., Inc. v. GMI Holdings

United States District Court for the Northern District of Illinois, Eastern Division

January 28, 1998, Decided ; January 30, 1998, Docketed

96 C 2232

Reporter
1998 U.S. Dist. LEXIS 1780; 1998 WL 67627

S INDUSTRIES, INC., Plaintiff, v. GMI HOLDINGS, INC., et al., Defendants.

Disposition: **[*1]** Defendant's motion for summary judgment granted and plaintiff's motion for summary judgment denied.

LexisNexis® Headnotes

Civil Procedure > ... > Discovery > Methods of Discovery > General Overview

Civil Procedure > Judgments > Summary Judgment > General Overview

Civil Procedure > ... > Summary Judgment > Burdens of Proof > General Overview

Civil Procedure > ... > Summary Judgment > Burdens of Proof > Movant Persuasion & Proof

Civil Procedure > ... > Summary Judgment > Motions for Summary Judgment > General Overview

Civil Procedure > ... > Summary Judgment > Entitlement as Matter of Law > General Overview

Civil Procedure > ... > Summary Judgment > Entitlement as Matter of Law > Appropriateness

Civil Procedure > ... > Summary Judgment > Entitlement as Matter of Law > Genuine Disputes

Civil Procedure > ... > Summary Judgment > Entitlement as Matter of Law > Materiality of Facts

HN1 Summary judgment is appropriate if the pleadings, answers to interrogatories, admissions, affidavits and other material show that there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(b). Only disputes over facts that might affect the outcome of the suit under the governing law will properly preclude the entry of summary judgment. The party seeking summary judgment carries the initial burden of showing that no such issue of material fact exists. Pursuant to Rule 56(b), when a properly supported motion for summary judgment is made, the adverse party must set forth specific facts showing that there is a genuine issue as to any material fact and that the moving party is not entitled to judgment as a matter of law.

Civil Procedure > ... > Summary Judgment > Burdens of Proof > General Overview

Civil Procedure > ... > Summary Judgment > Entitlement as Matter of Law > General Overview

Civil Procedure > ... > Summary Judgment > Entitlement as Matter of Law > Appropriateness

Civil Procedure > ... > Summary Judgment > Supporting Materials > General Overview

Trademark Law > Causes of Action Involving Trademarks > Infringement Actions > General Overview

HN2 In making a summary judgment determination, courts are to draw inferences from the record in the light most favorable to the non-moving party. Courts are not required, however, to draw every conceivable inference, but rather, only those that are reasonable. The nonmovant may not rest upon mere allegations in the pleadings or upon conclusory statements in

affidavits; rather he must go beyond the pleadings and support his contentions with proper documentary evidence. The plain language of Fed. R. Civ. P. 56 mandates the entry of summary judgment against a party who fails to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial. In such a situation there can be no genuine issue as to any material fact since a complete failure of proof concerning an essential element of the nonmoving party's case necessarily renders all other facts immaterial.

Business & Corporate Compliance > ... > Causes of Action Involving Trademarks > Infringement Actions > Determinations

Trademark Law > Likelihood of Confusion > General Overview

Trademark Law > Trademark Cancellation & Establishment > Registration > General Overview

Trademark Law > ... > Registration > Federal Registration > Federal Registration as Evidence

Business & Corporate Compliance > ... > Trademark Cancellation & Establishment > Registration > Federal Registration

HN3 The Lanham Act permits the registration and enforcement of trademarks. A person's registration of a mark is prima facie evidence of that person's exclusive right to use the mark for those goods and services for which the mark is registered. The burden is on a plaintiff to show (1) a registered trademark; (2) the trademark was used in commerce by the defendant without the plaintiff's consent; and (3) a likelihood of confusion as a result of defendant's use of the mark.

Trademark Law > ... > Federal Unfair Competition Law > Lanham Act > General Overview

Trademark Law > Trademark Cancellation & Establishment > Registration > General Overview

HN4 Modern trademark law prohibits use of a senior user's mark not only on products that are in direct competition with those of the senior user but also on products that are considered ″closely related″ to the senior's user. A ″closely related″ product is one which could reasonably be thought by the buying public as coming from the same source or affiliated with the trademark owner.

Trademark Law > ... > Federal Unfair Competition Law > False Advertising > General Overview

Business & Corporate Compliance > ... > Federal Unfair Competition Law > False Designation of Origin > Elements of False Designation of Origin

Trademark Law > ... > Federal Unfair Competition Law > Lanham Act > General Overview

Trademark Law > ... > Entertainment Industry Falsity & Performance Misattribution > Trade Dress Protection > General Overview

Trademark Law > Likelihood of Confusion > General Overview

Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview

Trademark Law > ... > Registration > Federal Registration > Degree of Protection

Business & Corporate Compliance > ... > Trademark Cancellation & Establishment > Registration > Federal Registration

HN5 *15 U.S.C.S. § 1125(a)* of the Lanham Act is broader than *15 U.S.C.S. § 1114*, which only protects registered marks. *15 U.S.C.S. § 1125(a)* provides a cause of action to plaintiffs who believe that another person's use of the same mark will cause a likelihood of confusion as to the affiliation of that person's good with the plaintiff. *15 U.S.C.S. § 1125(a)*. In order to state a claim under *15 U.S.C.S. § 1125*,a plaintiff must prove (1) prior ownership rights in the mark; and (2) the defendant's use of the mark creates a likelihood of confusion, deception or mistake.

Trademark Law > Trademark Enforcement by US Customs > Commercial Use > General Overview

Business & Corporate Compliance > ... > Trademark Enforcement by US Customs > Commercial Use > Affixation Required

Trademark Law > Trademark Cancellation & Establishment > Registration > General Overview

Business & Corporate Compliance > ... > Trademark Cancellation & Establishment > Registration > Federal Registration

HN6 Although registration of a mark is evidence of that person's right to use the mark on the products listed in the registration, registration itself only establishes a rebuttable presumption of use as of the filing date. Because trademark rights stem from the use of the mark in commerce, not from mere registration of the mark, a plaintiff must prove that he has used the mark on the listed products in commerce. The Lanham Act provides that a mark is deemed to be in ″use in commerce″ when (1) it is affixed to the goods, their containers, or documents associated with the goods; and (2) the goods are sold or transported in commerce. *15 U.S.C.S. § 1127*.

Trademark Law > Trademark Cancellation & Establishment > Registration > General Overview

Business & Corporate Compliance > ... > Trademark Cancellation & Establishment > Registration > Federal Registration

HN7 Registration of a trademark grants ownership rights from the filing date.

Governments > Courts > Common Law

Trademark Law > Conveyances > General Overview

Trademark Law > Trademark Enforcement by US Customs > Commercial Use > General Overview

HN8 A plaintiff may prove ownership of a valid trademark under common law. Under common law, ″use″ means sales to the public of a product with the mark attached.

Trademark Law > Causes of Action Involving Trademarks > Infringement Actions > General Overview

Business & Corporate Compliance > ... > Causes of Action Involving Trademarks > Infringement Actions > Determinations

Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview

HN9 Because a trademark is an identifier rather than a property right, the use of a competitor's mark that does not cause confusion as to source is permissible. A plaintiff must prove that a significant number of consumers were confused by the defendant's use of the mark rather than an isolated occurrence of confusion. Minuscule effects on confusion are not enough to prove trademark infringement.

Trademark Law > Causes of Action Involving Trademarks > Infringement Actions > General Overview

Business & Corporate Compliance > ... > Causes of Action Involving Trademarks > Infringement Actions > Determinations

Trademark Law > Likelihood of Confusion > General Overview

Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview

Trademark Law > ... > Consumer Confusion > Circuit Court Factors > General Overview

Trademark Law > ... > Consumer Confusion > Circuit Court Factors > 7th Circuit Court

Trademark Law > ... > Similarity of Marks > Appearance, Meaning & Sound > Appearance

HN10 There are seven factors to be considered in determining whether a likelihood of confusion exists for purposes of trademark infringement. They are: (1) the degree of similarity between the marks in appearance and suggestion; (2) similarity of the products; (3) the area and manner of concurrent use; (4) the degree of care likely to be exercised by consumers; (5) the strength of the complainant's mark; (6) actual confusion; and (7) intent on the part of the alleged infringer to palm off his products as those of another. No one factor is dispositive. The weight of each factor varies depending upon the facts and circumstances of each case.

Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview

Trademark Law > ... > Factors for Determining Confusion > Similarity of Marks > General Overview

Trademark Law > ... > Particular Subject Matter > Names > General Overview

HN11 A name is confusingly similar to an existing trademark if it is similar in sound, appearance, meaning and connotation.

Trademark Law > ... > Unfair Competition > Federal Unfair Competition Law > General Overview

Business & Corporate Compliance > ... > Causes of Action Involving Trademarks > Infringement Actions > Determinations

Trademark Law > ... > Eligibility for Trademark Protection > Distinctiveness > General Overview

HN12 Trademark law prohibits use of a senior user's mark on products which would reasonably be thought by the buying public to come from the same source, or thought to be affiliated with, connected with, or sponsored by, the trademark owner. Trademark law, therefore, protects the trademark owner against use of its mark on closely related products. A related product is one that a consumer would use in connection with the trademark owner's product. If a consumer would use defendant's garage door openers in connection with plaintiff's garage door locks or window locks, then the products are related and plaintiff may be entitled to protection.

Contracts Law > Types of Commercial Transactions > Sales of Goods > General Overview

Trademark Law > Conveyances > General Overview

Trademark Law > Causes of Action Involving Trademarks > Infringement Actions > General Overview

Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview

Trademark Law > Trademark Enforcement by US Customs > Commercial Use > General Overview

HN13 In analyzing the area and manner of concurrent use for trademark infringement, the court must consider whether there is a relationship in use, promotion, distribution or sales between the goods and services of the parties.

Trademark Law > Causes of Action Involving Trademarks > Infringement Actions > General Overview

Business & Corporate Compliance > ... > Causes of Action Involving Trademarks > Infringement Actions > Determinations

Trademark Law > Likelihood of Confusion > General Overview

Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview

HN14 The more care exercised by consumers in purchasing a product, the less likelihood of confusion between products for purposes of trademark infringement.

Business & Corporate Compliance > ... > Causes of Action Involving Trademarks > Infringement Actions > Determinations

Trademark Law > Likelihood of Confusion > Confusion Among Noncompeting Products > General Overview

Trademark Law > Subject Matter of Trademarks > Eligibility for Trademark Protection > Strength of Trademark

HN15 Only strong marks are entitled to protection against infringement by noncompeting goods. A mark is ″strong″ because its fame, uniqueness, and volume of usage give it an edge in the marketplace. A plaintiff bears the burden of proving the strength of its mark.

Trademark Law > Causes of Action Involving Trademarks > Infringement Actions > General Overview

Business & Corporate Compliance > ... > Causes of Action Involving Trademarks > Infringement Actions > Determinations

Trademark Law > Likelihood of Confusion > Consumer Confusion > General Overview

HN16 Evidence of actual confusion is generally entitled to substantial weight in trademark infringement cases.

Civil Procedure > ... > Summary Judgment > Burdens of Proof > General Overview

Civil Procedure > Judgments > Summary Judgment > Evidentiary Considerations

Civil Procedure > ... > Summary Judgment > Supporting Materials > General Overview

Evidence > Types of Evidence > Documentary Evidence > General Overview

HN17 On summary judgment, a plaintiff cannot rely upon conclusory statements in affidavits or in his own deposition testimony. Rather, a plaintiff must support his contentions with proper documentary evidence.

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For A ASTRO CONSTRUCTION COMPANY, defendant: Norman Ruber, Law Offices of Norman Ruber, Chicago, IL.

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For S & S, defendant: Edward David Manzo, Stephen B Heller, Cook, McFarron & Manzo, Ltd., Chicago, IL.

For GMI HOLDINGS, INC., cross-defendant: Gerald Owen Sweeney, Jr., Keith D. Parr, Kevin Patrick McJessy, Lord, Bissell & Brook, Chicago, IL.

Judges: Charles P. Kocoras, United States District Judge.

Opinion by: Charles P. Kocoras

Opinion

MEMORANDUM OPINION

CHARLES P. KOCORAS, District Judge:

This case is before the court **[*2]** on plaintiff S Industries, Inc., and defendant GMI Holdings, Inc.'s (″GMI″), cross-motions for summary judgment. For the reasons set forth below, GMI's motion for summary judgment is granted and plaintiff's motion for summary judgment is denied.

BACKGROUND

Plaintiff S Industries, Inc., filed a five-count complaint against defendant GMI and others who allegedly manufacture, sell, distribute or advertise garage door openers. Plaintiff claims that GMI's use of the name ″Stealth″ on its garage door openers infringes upon its trademark rights in the same name under the Lanham Act, *15 U.S.C. § 1051 et seq.* Plaintiff also filed claims under the Illinois Consumer Fraud and Deceptive Business Practices Act, *815, ILCS 505/1 et seq.*, and the Illinois Deceptive Trade Practices Act, *815 ILCS 510/1 et seq.*, that were dismissed by this court on September 11, 1996.

The following undisputed facts are taken from the parties' Local Rule 12(M) and 12(N) statement of facts. In 1985, Leo Stoller incorporated S

Industries as a Delaware Corporation, with its principal place of business in Chicago, Illinois. Stoller is the sole shareholder, officer, director, and employee of S Industries. S Industries **[*3]** imports, markets and distributes products under the ″Stealth″ name. Specifically, plaintiff orders product samples from catalogs published by Asian companies that distribute generic products bearing no brand name. Upon receipt of the product, plaintiff places the word ″Stealth″ on it and offers it for sale to buyers for retail merchants.

Among other things, plaintiff claims that it sells products in the hardware industry, including consumer house paint, garage door locks, window locks, and lawn sprinklers. The word ″Stealth″ does not appear on the lawn sprinklers and the window locks. The labels on the cans of paint have the mark ″STEALTH PAINT″ in big, bold letters. The packaging for the garage door locks has a small sticker with the word ″STEALTH″ printed on it in capital courier-style font. From 1990 through 1995, S Industries' revenues from the sale of its window locks was $ 3,848.74, and $ 2,057.55 from the sale of its garage door locks. Plaintiff has produced 13 invoices for the sale of its garage door locks and 13 invoices for the sale of its window locks. Plaintiff concedes, however, that it cannot produce evidence of the sale of its lawn sprinklers and consumer house paint.

[*4] Plaintiff first registered the name ″Stealth″ with the United States Patent and Trademark Office (″PTO″) in 1985, for games, toys, and sporting goods. Plaintiff owns three registrations for what it terms as ″hardware-related″ products. The PTO issued plaintiff a registration for (1) ″microwave absorbing automobile paint″ on September 15, 1992; (2) ″lawn sprinklers″ on December 24, 1996; and (3) ″metal alloys for use in sporting goods and transportation and window locks″ on December 24, 1996. On September 7, 1995, plaintiff filed an application with the PTO for registration of the mark ″Stealth″ to be used on ″garage door locks.″

Defendant GMI owns The Genie Company (″Genie″), which manufactures and sells electric garage door openers. Genie sells its garage door openers only to distributors and/or installers, who then sell the product to the consumers. Genie garage door openers are sold in many stores, including Fred Meyers, Lowe's Companies, Inc., ACE Hardware stores and Sam's Wholesale stores. Since 1994, Genie's gross sales exceeded $ 120 million per year. During the last five years, Genie spent over $ 12 million promoting its garage door openers.

In 1994, Genie manufactured and **[*5]** sold a new model of garage door opener under the name ″PROMAX STEALTH″. In September, 1995, the name of the model changed to ″GENIE PRO STEALTH.″ Genie selected the ″STEALTH″ name because these garage door openers are particularly quiet when operating. The mark ″STEALTH″ and the name of the manufacturer appear on all packaging, marketing materials, advertising, and owner's manuals. On each garage door opener, the mark ″STEALTH″ appears in decorative, elongated letters and is accompanied by the name ″Genie″ or the terms ″Pro″ or ″Pro Max″. On the packaging and brochures, the mark appears in bright red or white letters. The manufacturer's suggested retail price for the garage door opener ranges from $ 375 - $ 450. In 1994, Genie had gross sales of $ 742,058 for this product. In 1996, gross sales exceeded two million dollars.

Before introducing the ″Stealth″ model garage door openers, defendant claims that it employed a law firm and a trademark search firm to determine whether there were any prior registrants to the mark for use on garage door openers. Defendant claims that it determined that there were no prior registrants of the mark for use on garage door openers and as such, filed **[*6]** an application for trademark registration on December 20, 1993. The PTO then notified defendant that the mark would be published in the Official Gazette for the purpose of opposition by anyone claiming to be

damaged by the registration of the mark. On January 6, 1995, plaintiff filed its opposition to the defendant's use of the mark. In September, 1995, plaintiff filed an application for registration of the mark "Stealth" for "garage door locks." Shortly thereafter, plaintiff filed this lawsuit.

Plaintiff's complaint contains three counts of trademark infringement under the Lanham Act, *15 U.S.C. § 1051 et seq.* Count I alleges a claim for infringement of a registered mark under *15 U.S.C. § 1114*. In Count II, plaintiff brings a claim for false designation of origin under *15 U.S.C. § 1125*. Count III alleges a claim for unfair competition. Currently before the court are the parties' cross-motions for summary judgment. Before addressing the merits of the parties' motions, we review the legal standard guiding our consideration.

LEGAL STANDARD

HN1 Summary judgment is appropriate if the pleadings, answers to interrogatories, admissions, affidavits and other material show "that there **[*7]** is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law." Fed.R.Civ.P. 56(b). "Only disputes over facts that might affect the outcome of the suit under the governing law will properly preclude the entry of summary judgment." *Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248, 106 S. Ct. 2505, 2510, 91 L. Ed. 2d 202 (1986)*. The party seeking summary judgment carries the initial burden of showing that no such issue of material fact exists. Pursuant to Rule 56(b), when a properly supported motion for summary judgment is made, the adverse party must set forth specific facts showing that there is a genuine issue as to any material fact and that the moving party is not entitled to judgment as a matter of law. *Anderson, 477 U.S. at 250*.

HN2 In making our determination, we are to draw inferences from the record in the light most favorable to the non-moving party. We are not required, however, to draw every conceivable inference, but rather, only those that are reasonable. *De Valk Lincoln Mercury, Inc. v. Ford Motor Co., 811 F.2d 326, 329 (7th Cir. 1987)*. The nonmovant may not rest upon mere allegations in the pleadings or upon conclusory **[*8]** statements in affidavits; rather he must go beyond the pleadings and support his contentions with proper documentary evidence. *Celotex Corp. v. Catrett, 477 U.S. 317, 324, 106 S. Ct. 2548, 2553, 91 L. Ed. 2d 265 (1986)*.

The plain language of Rule 56 mandates the entry of summary judgment against a party who fails to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial. *Celotex, 477 U.S. at 322*. "In such a situation there can be 'no genuine issue as to any material fact' since a complete failure of proof concerning an essential element of the nonmoving party's case necessarily renders all other facts immaterial." *Id. at 323*. Applying these principles, we examine the parties' motions.

DISCUSSION

I. Infringement of a Registered Mark

HN3 The Lanham Act permits the registration and enforcement of trademarks. *Zazu Designs v. L'Oreal, S.A., 979 F.2d 499, 502 (7th Cir. 1992)*. A person's registration of a mark is prima facie evidence of that person's exclusive right to use the mark for those goods and services for which the mark is registered. *15 U.S.C. § 1115*. Thus, S Industries' right to **[*9]** use the mark "Stealth" only extends as far as the goods noted in the registration. *Quill Natural Spring Water, Ltd. v. Quill Corp., 1994 U.S. Dist. LEXIS 14418*, No. 91 C 8071 at *2, *1994 WL 559237 (N.D. Ill. 1994)*. The burden is on S Industries to show (1) a registered trademark; (2) the trademark was used in commerce by the defendant without S Industries' consent; and (3) a likelihood of confusion as a result of defendant's use of the mark. See *Dunkin' Donuts, Inc. v. Towns Family,*

Inc., 1996 U.S. Dist. LEXIS 7982, No. 95 C 3666, *1996 WL 328018* at *2 (N.D.Ill. 1996).

It is undisputed that S Industries has secured registrations for the use of the name ″Stealth″ with the respect to various products since as early as 1985. Plaintiff's registrations for use of the mark ″Stealth″ apply to sporting goods, bicycles, pool cues and tables, comic strips, and other related things. In addition, plaintiff has three registrations for the ″Stealth″ name used on microwave absorbing automobile paint, lawn sprinklers, and metal alloys for use in sporting goods, transportation and window locks. Plaintiff claims that these last three registrations are being infringed upon by defendant's use of the ″Stealth″ mark on garage door openers.

The court **[*10]** cannot find that defendant's use of the ″Stealth″ mark on garage door openers violates *section 1114* of the statute. First, defendant began selling the ″Genie Pro Stealth″ garage door opener in June, 1994. Plaintiff did not register the ″Stealth″ mark for use on lawn sprinklers and metal alloys until December, 1996. Thus, defendant's use of the mark ″Stealth″ in 1994 could not constitute infringement of a registered mark under *§ 1114*. Second, S Industries' rights from registration only extend as far as the products listed therein. S Industries has not registered the mark for use on garage door openers. Unless the products that are covered by the registrations are closely related to defendant's garage door openers, defendant cannot infringe upon plaintiff's *section 1114* rights. See *Sands, Taylor & Wood Co. v. Quaker Oats Co., 978 F.2d 947, 958 (7th Cir. 1992)*, *cert. denied*, *507 U.S. 1042, 113 S. Ct. 1879, 123 L. Ed. 2d 497 (1993)*.

HN4 ″Modern trademark law prohibits use of a senior user's mark not only on products that are in direct competition with those of the senior user but also on products that are considered 'closely related' to the senior's user.″ Sands, Taylor & Wood **[*11]** Co., 978 F.2d at 958. A ″closely related″ product is one which could ″reasonably be thought by the buying public″ as coming from the same source or affiliated with the trademark owner. Id. The defendant's garage door opener is not closely related to the products listed in plaintiff's registrations. A reasonable person would not think that an expensive garage door opener comes from a company that also sells sporting goods, comic books, bicycles and boats. A reasonable person would also not confuse a $ 400 ″Genie Pro Stealth″ garage door opener, which clearly denotes its source, as coming from another source which sells automobile paint for $ 14 to $ 16, lawn sprinklers for $ 4.95, and metal alloys. Plaintiff may have a protectable right in the ″Stealth″ name for specific hardware items, but this does not translate to a protectable right in all products that could conceivably be called ″hardware items″. See e.g. *Zazu Designs, 979 F.2d 499*.

Nor has plaintiff provided any evidence that the buying public believes that the garage door openers are manufactured by plaintiff or otherwise affiliated with plaintiff. Plaintiff's evidence is limited to the testimony of its president, **[*12]** Leo D. Stoller, who claims that he has received questions and telephone calls from consumers who thought the defendant's garage door openers were affiliated with the plaintiff. Plaintiff provides no documentary evidence to support that these telephone calls occurred. Moreover, plaintiff has not provided any sworn testimony from consumers who believe that the plaintiff and defendant are affiliated. Accordingly, we find as a matter of law that the defendant's garage door openers are totally unrelated to the products listed in plaintiff's registrations and would not be confused as being products affiliated with S Industries. Summary judgment in favor of defendant as to Count I is granted.

II. False Designation of Origin and Unfair Competition

HN5 *Section 1125(a)* of the Lanham Act is broader than *section 1114*, which only protects

registered marks. *Section 1125(a)* provides a cause of action to plaintiffs who believe that another person's use of the same mark will cause a likelihood of confusion as to the affiliation of that person's good with the plaintiff. *15 U.S.C. § 1125(a)*. In order to state a claim under *section 1125*, plaintiff must prove (1) prior ownership rights in the mark; and **[*13]** (2) defendant's use of the mark creates a likelihood of confusion, deception or mistake. *Dunn v. Gull, 990 F.2d 348, 351 (7th Cir. 1993)*.

A. Ownership Rights

Plaintiff contends that its registrations of the ″Stealth″ mark evidence that it has prior ownership rights in the mark. While we agree that ***HN6*** registration of a mark is evidence of that person's right to use the mark on the products listed in the registration, ″registration itself only establishes a rebuttable presumption of use as of the filing date.″ *Zazu Designs, 979 F.2d at 504*. Because trademark rights stem from the use of the mark in commerce, not from mere registration of the mark, plaintiff must prove that he has used the mark on the listed products in commerce. *Universal Mfg. Co. v. Douglas Press, Inc., 1992 U.S. Dist. LEXIS 7231*, No. 89 C 3354 at *2, *1992 WL 106822 (N.D. Ill. 1992)* (citing *Heinemann v. General Motors Corp., 342 F. Supp. 203, 206 (N.D. Ill. 1972)*, *aff'd without op.*, *478 F.2d 1405 (7th Cir. 1973))*. The Lanham Act provides that a mark is deemed to be in ″use in commerce″ when (1) it is affixed to the goods, their containers, or documents associated with the goods; and (2) ″the goods are sold or transported in commerce.″ **[*14]** *15 U.S.C. § 1127*.

Plaintiff, however, cannot base its ownership rights in the ″Stealth″ name on the ″hardware-related″ products listed in the registrations because it cannot prove that its mark was ″[used] in commerce″ with respect to those products. Plaintiff concedes that it cannot produce evidence of the sale of its lawn sprinklers. Moreover, plaintiff has not produced any documentary evidence to establish that goods relating to ″microwave absorbing automobile paint″ and ″metal alloys for use in sporting goods and transportation″ were sold. Plaintiff's only proof of sale with respect to the registered hardware-related goods is 13 invoices for the sale of its window locks. Whether the sale of 13 window locks is sufficient to create ownership rights is disputed between the parties. However, the court need not decide this question because the registration for the window locks was obtained in December, 1996, two years after the date on which defendant began selling its garage door openers. Because ***HN7*** registration grants ownership rights from the filing date, plaintiff's registration of the mark after defendant began selling the garage door openers would make defendant the senior user **[*15]** of the mark. *Zazu Designs, 979 F.2d at 504*. Based on the foregoing, the court cannot use the registrations as evidence of ownership of the mark with respect to the products listed therein.

Therefore, ***HN8*** plaintiff must prove ownership of a valid trademark under common law. Under common law, ″use″ means sales to the public of a product with the mark attached. *Id. at 503*. Plaintiff claims that defendant's use of the mark ″Stealth″ on its garage door openers infringes upon its right to use the same mark on its garage door locks, window locks, lawn sprinklers and paints. Plaintiff claims that it began selling these products in 1985, many years before defendant began selling its Genie garage door openers. On the other hand, plaintiff admits that it does not have any documentary evidence to establish the sale of its paint and its lawn sprinklers. Without such proof, the court cannot find that plaintiff has trademark rights in the name ″Stealth″ for use on lawn sprinklers and paint.

The court is left with plaintiff's assertion of trademark rights in the ″Stealth″ name on its garage door locks and window locks. Plaintiff

claims that it began selling garage door locks and window locks **[*16]** in 1985. As evidence of its use of the mark with respect to these two products, plaintiff provides advertisements dating from 1989, twenty-six invoices from the sale of the locks dating from 1986, letters offering the products for sale, and brochures providing directions for use of the products. Without commenting on whether this evidence suffices to establish ″use″, we will assume for purposes of this motion only that plaintiff is the owner of the ″Stealth″ mark with respect to garage door locks and window locks. See e.g., *Dial-A-Mattress Operating Corp. v. Mattress Madness, Inc., 841 F. Supp. 1339, 1348 (E.D.N.Y. 1994)* (invoices insufficient to establish priority of use); Paramount Pictures Corp. v. White, 31 U.S.P.Q.2D (BNA) 1768, 1773 (TTAB 1994) (de minimis advertising insufficient to establish continuous use). Accordingly, we proceed to the next step in proving a trademark infringement claim.

B. Likelihood of Confusion

In order for plaintiff to succeed on its claim of trademark infringement, plaintiff must prove that there is a likelihood of confusion between its use of the ″Stealth″ mark on garage door locks and window locks and defendant's use of the same mark for its garage **[*17]** door openers. *Forum Corp. of North America v. Forum, Ltd., 903 F.2d 434, 439 (7th Cir. 1990)*. ***HN9*** Because ″a trademark is an identifier rather than a property right, the use of a competitor's mark that does not cause confusion as to source is permissible.″ *Knaack Mfg. Co. v. Rally Accessories, Inc., 955 F. Supp. 991, 999 (N.D. Ill. 1997)* (citing *Libman Co. v. Vining Industries, Inc., 69 F.3d 1360, 1362* (7th Cir), *cert. denied*, *517 U.S. 1234, 116 S. Ct. 1878, 135 L. Ed. 2d 173 (1995))*. S Industries must prove that a significant number of consumers were confused by the defendant's use of the mark rather than an isolated occurrence of confusion. Id. (citing *Door Systems, Inc. v. Pro-Line Door Systems, Inc., 83 F.3d 169, 173 (7th Cir. 1996))*. See also, *Libman, 69 F.3d at 1364* (no trademark infringement where no evidence of ″significant fraction″ of the relevant market being misled); *Reed-Union Corp. v. Turtle Wax, Inc., 77 F.3d 909, 912 (7th Cir. 1996)* (″minuscule effects on confusion″ not enough to prove trademark infringement).

The Seventh Circuit has identified ***HN10*** seven factors to be considered in determining whether a likelihood of confusion exists. These are: (1) the degree **[*18]** of similarity between the marks in appearance and suggestion; (2) similarity of the products; (3) the area and manner of concurrent use; (4) the degree of care likely to be exercised by consumers; (5) the strength of the complainant's mark; (6) actual confusion; and (7) intent on the part of the alleged infringer to palm off his products as those of another. *Forum Corp., 903 F.2d at 439*. No one factor is dispositive. The weight of each factor varies depending upon the facts and circumstances of each case. *Dorr-Oliver, Inc. v. Fluid-Quip, Inc., 94 F.3d 376, 381 (7th Cir. 1996)*. The court will apply each factor in turn.

1. Similarity of the Marks

HN11 A name is confusingly similar to an existing trademark if it is similar in sound, appearance, meaning and connotation. *Knaack, 955 F. Supp. at 1000*. In this case, both parties use the same name, ″Stealth″, to identify their products. Thus, the marks are similar in sound, meaning and connotation. However, the appearance of defendant's mark is different from that of the plaintiff. While plaintiff's mark is printed in courier-style black font, defendant's mark is printed with decorative, elongated letters in either red or white coloring. **[*19]** The most telling difference is that the ″Stealth″ name on defendant's garage door openers is accompanied by the name ″Genie″, identifying its source, or the terms ″Pro″ or ″Pro Max″. Thus, the ″GENIE PRO STEALTH″ or the ″PROMAX STEALTH″ mark is distinctive from plaintiff's ″Stealth″ mark. Based on the differences in the mark's appearance, the court finds that the marks are not similar.

2. Similarity of the Products

HN12 Trademark law prohibits use of a senior user's mark on products "which would reasonably be thought by the buying public to come from the same source, or thought to be affiliated with, connected with, or sponsored by, the trademark owner." *Sands, Taylor & Wood Co., 978 F.2d at 958* (quoting 2 J. McCarthy, TRADEMARKS AND UNFAIR COMPETITION Sec. 24.3 at 66 (2d ed. 1984)). Trademark law, therefore, protects the trademark owner against use of its mark on closely related products. *Sands, Taylor & Wood Co., 978 F.2d at 958*. A related product is one that a consumer would use in connection with the trademark owner's product. *Knaack, 955 F. Supp. at 1000*. If a consumer would use defendant's garage door openers in connection with plaintiff's garage door locks or window **[*20]** locks, then the products are related and plaintiff may be entitled to protection.

Plaintiff claims that the defendant's product is related to its products because both products are hardware goods. Plaintiff's argument is meritless. Plaintiff cannot claim trademark rights to such a broad category of goods. See e.g., *Zazu Designs, 979 F.2d 499* (plaintiff's use of mark in connection with hair services did not extend to right to use mark on hair products); *Westward Coach Mfg. Co. v. Ford Motor Co., 388 F.2d 627, 635* (7th Cir.), *cert. denied*, *392 U.S. 927, 88 S. Ct. 2286, 20 L. Ed. 2d 1386 (1968)* ("while the products of the automotive industry are necessary to provide mobility for the products of the trailer industry … we cannot say that campers and trailers and sport cars are similar goods …."). Plaintiff also cannot claim trademark rights in the mark for garage door openers because garage door openers are unrelated to the plaintiff's products. Genie's garage door openers are not designed to be used with the plaintiff's garage door locks. Moreover, we do not believe that the public attributes electric garage door openers and locks as coming from the same source. Because **[*21]** plaintiff has not provided any evidence that the public attributes the two products as coming from the same source or being related, we can not find that the defendant's product is similar to the plaintiff's products.

3. Area and Manner of Concurrent Use

The next factor in the analysis weighs in favor of the defendant. ***HN13*** In analyzing this factor, the court must consider "whether there is a relationship in use, promotion, distribution or sales between the goods and services of the parties." *Forum Corp., 903 F.2d at 442*. While plaintiff has presented some evidence that both products are sold in stores such as ACE Hardware and Lowe's, plaintiff has not provided any evidence that the products are sold concurrently or that there is some relationship between defendant's sales and plaintiff's sales.

4. Degree of Care Exercised by Consumers

HN14 The more care exercised by consumers in purchasing a product, the less likelihood of confusion between products. Plaintiff contends that because its products are distributed to a broad and diverse buying public, there is no difference in the degree of care exercised by consumers of its products versus the defendant's product. On the other hand, defendant **[*22]** argues that consumers purchase its product with a great deal of care because it is an expensive product with a ten year life span. Thus, consumers would not confuse their goods as coming from the plaintiff.

The court agrees with the defendant. A consumer seeking a new garage door opener will spend considerable time researching the relevant market to determine which garage door opener is "the best for the buck". In doing so, the consumer will learn of the various companies that manufacture such products and make an informed choice as to his purchase. Such a consumer would not purchase a garage door opener on impulse as he would with less expensive products. On the other hand, a consumer purchasing a $ 2 window lock would

not exercise a great deal of care in purchasing the item. Although we do agree with plaintiff that consumers of his garage door locks, priced between $ 60 to $ 140, exercise care in purchasing the product, we believe that such care leads to less confusion as to the source of the products. In addition, both defendant's garage door openers and plaintiff's garage door locks identify the source of the products further eliminating a likelihood of confusion. Thus, we find **[*23]** that consumers would not be confused as to the source of the products.

5. Strength of the Mark

HN15 ″Only strong marks are entitled to protection against infringement by noncompeting goods.″ *Somat Corp. v. Somat Corp., 1992 U.S. Dist. LEXIS 16256*, No. 90 C 4943, 1992 WL 315198 at *6 (N.D. Ill. 1992) (citing *Telemed Corp. v. Tel-Med Inc., 588 F.2d 213, 219 (7th Cir. 1978)*. A mark is ″strong″ because its fame, uniqueness, and volume of usage give it an edge in the marketplace. *Telemed, 588 F.2d at 219*. Plaintiff bears the burden of proving the strength of its mark. *Knaack, 955 F. Supp. at 1001*. Plaintiff contends that its mark is strong because it is arbitrary in nature, widely licensed and used on a wide variety of goods. Further, plaintiff claims that its diligent efforts in protecting its right to use the ″Stealth″ name is further evidence of the strength of its mark.

The court agrees that these factors weigh in favor of finding that the mark is a ″strong″ one. However, the fact that the quantity of locks sold to consumers is very small weighs against finding the mark ″strong.″ The evidence presented by plaintiff as to quantity is limited to 26 invoices for the sale of 26 locks. Thus, it is not **[*24]** likely that a consumer who encounters the ″Stealth″ name will automatically associate it with the plaintiff or recognize that it comes from the plaintiff. Plaintiff has not provided any evidence that consumers associate the ″Stealth″ name with one source when they see ″Stealth″ products. As such, we do not find the ″Stealth″ mark to be a strong one.

6. Actual Confusion

HN16 Evidence of actual confusion is generally entitled to substantial weight. *McGraw-Edison Co. v. Walt Disney Prod., 787 F.2d 1163, 1173 (7th Cir. 1986)*. Plaintiff's evidence of actual confusion is limited to the deposition testimony and an affidavit of Leo Stoller, the sole shareholder and employee of S Industries. Stoller claims that while at licensing industry trade shows, he encountered confused customers who could not distinguish between defendant's garage door openers and plaintiff's hardware products. In addition, Stoller claims that he has received telephone calls by consumers regarding defendant's garage door openers. Finally, he contends that Nicholas Bianchi, who has purchased plaintiff's products for ten years, asked him whether plaintiff supplied defendant with the garage door openers.

The court finds **[*25]** that plaintiff's evidence is insufficient to establish actual confusion. ***HN17*** On summary judgment, a plaintiff cannot rely upon conclusory statements in affidavits or in his own deposition testimony. Rather, a plaintiff must support his contentions with proper documentary evidence. See *Celotex Corp., 477 U.S. at 324*. Plaintiff has not supported Stoller's self-serving testimony with proper documentary evidence. The identities of the customers, except for Mr. Bianchi, are unknown. Further, plaintiff does not provide any sworn testimony from the alleged confused customers. Even if the identities of the few confused customers were known, we would give it little weight because ″isolated instances dod not compel the conclusion that confusion is likely.″ *Quill, 1994 WL 559237* at *8. Rather, plaintiff must show that a significant number of consumers were confused. See *Knaack, 955 F. Supp. at 999*. Plaintiff has not done so and therefore, plaintiff cannot show actual confusion from the defendant's use of the ″Stealth″ name on its garage door openers.

7. Intent of the Alleged Infringer to ″Palm Off″ His Product as a Product of the Plaintiff

There is no evidence that GMI intended to palm **[*26]** off its garage door openers as a product of S Industries. Instead, the evidence shows that GMI employed a law firm and a trademark search firm to determine whether any other company used the ″Stealth″ name with garage door openers. As there was no other company using the name with garage door openers, defendant filed an application to register the mark with the PTO. Plaintiff claims that defendant acted in bad faith because it was aware of plaintiff's registration of the mark with respect to other products.

The fact that defendant may have been aware of plaintiff's use of the mark with the products listed in the registrations does not mean that the defendant acted in bad faith. Defendant acted on the advice of counsel and determined that the use of the mark on its garage door openers would not infringe upon plaintiff's trademark rights. Defendant was right. Defendant used a mark different in appearance on a product unrelated to any of the plaintiff's products. Thus, defendant precautions suffice as evidence that it did not act in bad faith or in an attempt to palm off its product as being a product of the plaintiff.

In conclusion, plaintiff has failed to establish that defendant's **[*27]** use of the ″Stealth″ mark on its garage door openers creates a likelihood of confusion as to source. As such, defendant's use of the mark does not infringe upon any of plaintiff's trademark rights under the Lanham Act. Plaintiff's failure to establish an element essential to its cause of action entitles the defendant to summary judgment.

CONCLUSION

For the reasons set forth above, defendant's motion for summary judgment is granted and plaintiff's motion for summary judgment is denied.

Charles P. Kocoras

United States District Judge

Dated: January 28, 1998

Neutral
As of: October 12, 2015 7:03 PM EDT

Signeo USA, LLC v. SOL Republic, Inc.

United States District Court for the Northern District of California, San Jose Division

June 6, 2012, Decided; June 6, 2012, Filed

Case No.: 5:11-cv-06370-PSG

Reporter
2012 U.S. Dist. LEXIS 79356; 2012 WL 2050412

SIGNEO USA, LLC, a Florida Limited Liability Company, SIGNEO LIMITED, a Cayman Islands Company, and SIGNEO INTERNATIONAL LTD., a Hong Kong Limited Liability Company, Plaintiffs, v. SOL REPUBLIC, INC., a Delaware corporation, Defendant.

Prior History: *Signeo USA, LLC v. SOL Republic, Inc., 2012 U.S. Dist. LEXIS 30560 (N.D. Cal., Mar. 6, 2012)*

Counsel: **[*1]** For Signeo USA. LLC, a Florida Limited Liability Company, Signeo International LTD, a Hong Kong Limited Liability Company, Plaintiffs: Kevin John Pavlik, LEAD ATTORNEY, Allan B. Cooper, Russell M. Selmont, Ervin Cohen and Jessup LLP, Beverly Hills, CA; Lan Kennedy-Davis, PRO HAC VICE, Davis & Kennedy PA, Lake Mary, FL; Patrick A. Fraioli, Ervin Cohen Jessup LLP, Beverly Hills, CA.

For Signeo Limited, a Cayman Islands Company, Plaintiff: Kevin John Pavlik, LEAD ATTORNEY, Allan B. Cooper, Russell M. Selmont, Ervin Cohen and Jessup LLP, Beverly Hills, CA; Patrick A. Fraioli, LEAD ATTORNEY, Ervin Cohen Jessup LLP, Beverly Hills, CA; Lan Kennedy-Davis, PRO HAC VICE, Davis & Kennedy PA, Lake Mary, FL.

For Sol Republic, Inc, a Delaware corporation, Defendant, Counter-claimant: Mark Raymond Leonard, LEAD ATTORNEY, Davis & Leonard, LLP, Sacramento, CA.

For Signeo International LTD, a Hong Kong Limited Liability Company, Counter-defendant: Kevin John Pavlik, LEAD ATTORNEY, Allan B. Cooper, Russell M. Selmont, Ervin Cohen and Jessup LLP, Beverly Hills, CA; Lan Kennedy-Davis, Patrick A. Fraioli, Ervin Cohen Jessup LLP, Beverly Hills, CA.

For Signeo Limited, a Cayman Islands Company, Signeo USA. LLC, **[*2]** a Florida Limited Liability Company, Counter-defendants: Kevin John Pavlik, LEAD ATTORNEY, Allan B. Cooper, Russell M. Selmont, Ervin Cohen and Jessup LLP, Beverly Hills, CA; Lan Kennedy-Davis, Ervin Cohen Jessup LLP, Beverly Hills, CA.

Judges: PAUL S. GREWAL, United States Magistrate Judge.

Opinion by: PAUL S. GREWAL

Opinion

ORDER DENYING MOTION FOR A PRELIMINARY INJUNCTION

(Re: Docket No. 11)

Plaintiffs Signeo USA, LLC, Signeo Ltd., and Signeo International Ltd. (″Signeo″) move for a preliminary injunction against Defendant and Counterclaimant SOL Republic, Inc. (″SOL Republic″) on the basis of trademark infringement. Signeo seeks to enjoin SOL Republic from all manner of manufacturing, distributing, selling,

and promoting its allegedly infringing ″SOL″ line of headphones and earphones.

On December 16, 2011, Signeo filed its complaint. [1] On January 31, 2012, Signeo filed a motion for a preliminary injunction. [2] On February 22, 2012, Signeo applied for expedited discovery. [3] On February 28, 2012, the parties appeared for oral argument regarding Signeo's motion for a preliminary injunction, as well as for its application for expedited discovery. On March 6, 2012, the court granted Signeo's application for expedited **[*3]** discovery regarding, among other things, the issue of actual confusion. [4] On April 24, 2012, after the close of expedited discovery, both Signeo and SOL Republic filed supplemental briefing - Signeo in support of its motion for a preliminary injunction, [5] and SOL Republic in opposition to Signeo's motion. [6] On May 1, 2012, SOL Republic filed a reply brief, [7] and on May 2, 2012, Signeo too filed a reply. [8] On May 22, 2012, the parties again appeared for oral argument to update the court on what, if any, effect the expedited discovery should have on the court's decision to grant the preliminary injunction. After considering the parties' briefing and arguments, the court finds that Signeo has not met the threshold showing required for issuance of a preliminary injunction. The motion for a preliminary injunction is DENIED.

I. [*4] BACKGROUND

Signeo owns the registered SOUL trademark, [9] registration number 3805998, which covers a range of consumer electronic products including MP3 players, speaker sets, computer peripherals, portable audio CD players, recorders, and audio accessories such as earphones and headphones. [10] Signeo filed its registration application on August 31, 2009 for the SOUL mark, which was registered on June 22, 2010. [11] According to Signeo, the mark has been in commercial use since as early as October 2003 and has been used in association with electronic products since 1998. [12]

Signeo's line of high-end, designer SOUL by Ludacris headphones display the SOUL trademark.

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[1] *See* Docket No. 1 (Compl.).

[2] *See* Docket No. 11 (Pl.'s Mot. for Prelim. Inj.).

[3] *See* Docket No. 17 (Pl.'s *Ex Parte* Appl. for Expedited Disc.).

[4] *See* Docket No. 24 (Order Granting-In-Part Mot. for Expedited Disc.).

[5] *See* Docket No. 32 (Pl.'s Supp. Brief).

[6] *See* Docket No. 31 (Def.'s Supp. Brief).

[7] *See* Docket No. 40 (Def.'s Reply Brief).

[8] *See* Docket No. 42 (Pl.'s Reply Brief).

[9] Signeo Ltd. is the owner of the SOUL trademark. According to Signeo, both Signeo International LTD and Signeo USA, LLC, as well as an affiliated company called AV Concept Holdings Ltd., ″have the right from Signeo Ltd. to use the SOUL trademark.″ *See* Docket No. 11-1 ¶ 8 (Bonefant Decl.). Signeo International Ltd. is the parent company of Signeo USA, LLC and Signeo Ltd. Signeo USA, LLC does business as SOUL Electronics and is responsible for marketing products bearing the SOUL mark domestically. *See id.* ¶ 4. By referring to ″Signeo″ collectively for the purpose of this motion, the court does not make any determination **[*5]** regarding the validity of the other Signeo entities' claims to use of the mark.

[10] *See* Docket No. 11-9 (Pavlik Decl.), Ex. A.

[11] *See* Docket No. 11-1 ¶ 7 (Bonefant Decl.).

[12] *See id.* ¶¶ 7, 9.

[13] SOUL headphones are sold in the United States and worldwide through on-line and in-store retailers such as Apple, Best Buy, Amazon.com, and RadioShack. [14] Signeo markets its SOUL headphones through various online and social media, as well as print, radio, television, and product placement in movies, music videos, and through its well-publicized association with recording artist Christopher Bridges, aka Ludacris. [15] Signeo recently closed additional endorsement deals with several world-class athletes. [16] Since 2009, Signeo has spent over $2.5 million on advertising to promote the SOUL mark and products. [17] The SOUL headphone product line enjoys a strong online presence with followers on Facebook, Twitter, and the SOUL by Ludacris website. Since April 2011, retail sales of the SOUL headphones have exceeded $10 million. [18] Signeo prices the SOUL headphones at points ranging from $69.95 to $299.95. [19]

SOL Republic is a Delaware corporation formed in 2010 with its headquarters in San Francisco, California. SOL Republic is the developer of the SOL Republic line of headphones, [20] which is currently SOL Republic's only product. [21] SOL Republic's trademark is ″SOL REPUBLIC.″ Its headphones appear with the shortened, acronym-only ″SOL″ geometric logo on the earpiece. [22] The ″SOL″ in SOL Republic stands for ″Soundtrack of Life.″ [23] Like Signeo, SOL Republic has invested substantial resources into building its brand and mark recognition, devoting $1.5 million to marketing and sales thus far. [24] The SOL Republic headphones retail in many of the same on-line and in-store venues as SOUL headphones, including **[*7]** the Apple store and Best Buy. [25] SOL Republic's headphones price for slightly less than SOUL's headphones, ranging from $59.99 to $129.99. [26]

Signeo contends that as a result of its extensive and continued efforts to promote the SOUL mark and ensure the headphone line's reputation for quality and distinctiveness in the designer headphone market, it has built substantial goodwill around the mark and consistently receives positive feedback from consumers and industry partners in

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[13] Signeo does **[*6]** not specify whether the SOUL headphone product line includes SOUL by Ludacris, or whether all SOUL headphones are SOUL by Ludacris. The court will refer to SOUL headphones to include all of Signeo's high-end, designer headphones and earphones using the SOUL mark and subject to this motion.

[14] *See* Docket No. 11-3 ¶ 5 (Bergman Decl.).

[15] *See id.* ¶ 3.

[16] *See* Docket No. 16-1 ¶ 6 (Bergman Rebuttal Decl.).

[17] *See* Docket No. 11-2 ¶ 3 (London Decl.).

[18] *See* Docket No. 16-1 ¶ 5.

[19] *See* Docket No. 11-3 ¶ 6.

[20] *See* Docket No. 11-1 ¶ 33.

[21] *See* Docket No. 14-2 ¶ 6 (Hix Decl.).

[22] *See* Docket No. 14-1 ¶ 7 (Combs Decl.).

[23] *See* Docket No. 14-3 ¶¶ 8, 9 (Lee Decl.).

[24] *See* Docket No. 14-2 ¶ 6.

[25] *See id.*; *see also* Docket No. 32 at 7-8 (Pl.'s Supp. Brief).

[26] *See* Docket No. 11-1 ¶ 35.

conjunction with the SOUL product line. [27] Signeo claims that the SOL Republic headphones, displaying only ″SOL,″ are intentionally and confusingly similar to the SOUL line of headphones. [28] Signeo alleges that SOL Republic is infringing Signeo's SOUL trademark by its ″unauthorized use of a confusingly similar mark and trade name,″ resulting in actual and potential consumer and retailer confusion and irreparably harming the goodwill and reputation that Signeo **[*8]** has built around the SOUL mark. [29] Signeo seeks a broad injunction against SOL Republic to prevent the manufacture, distribution, licensing, sales and marketing of ″headphones or other electronics products labeled with . . . the acronym 'SOL.'″ [30] Signeo's proposed injunction also would require the impoundment of all ″SOL″ products and their recall from ″all channels of trade and distribution,″ including from third-party retailers. [31]

II. LEGAL STANDARDS

A preliminary injunction is ″an extraordinary remedy that may only be awarded upon a clear showing that the plaintiff is entitled to such relief.″ [32] The extraordinary nature of the remedy requires the district court, in the exercise of its sound discretion, to ″pay particular regard for the public consequences in employing″ injunctive relief. [33] ″The proper legal standard for preliminary injunctive relief requires a party to demonstrate [1] 'that he is likely to succeed **[*9]** on the merits, [2] that he is likely to suffer irreparable harm in the absence of preliminary relief, [3] that the balance of equities tips in his favor, and [4] that an injunction is in the public interest.'″ [34] The court ″'must balance the competing claims of injury and must consider the effect on each party of the granting or withholding of the requested relief.'″ [35] Following *Winter*, the Ninth Circuit made clear that ″to the extent [its] cases have suggested a lesser standard, they are no longer controlling, or even viable.″ [36]

III. [*10] DISCUSSION

A. Evidentiary Objections

The court first addresses the evidentiary objections raised by both parties with respect to the opposing side's declarations and evidence. In ruling on a preliminary injunction, the court may consider evidence that would be inadmissible at trial and, in its discretion, accords the appropriate weight to

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[27] *See generally* Docket No. 11 at 5-6 (Pl.'s Mot. for Prelim. Inj.); Docket No. 1 ¶¶ 13-14, 29 (Compl.). *See also* Docket No. 11-1 ¶ 21.

[28] Docket No. 1 ¶ 15.

[29] *See id.* ¶¶ 16-20.

[30] *See* Docket No. 11-10 at 2 (Pl.'s Proposed Order Granting Mot. for Prelim. Inj.).

[31] *See id.* at 2-3.

[32] *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 22, 129 S. Ct. 365, 172 L. Ed. 2d 249 (2008); *see also* *Skydive Arizona, Inc. v. Quattrocchi*, 673 F.3d 1105, 1110 (9th Cir. 2012) (noting that the scope of an injunction is reviewed using an abuse of discretion standard) (citing *Internet Specialties W., Inc. v. Milon-Digiorgio Enters., Inc.*, 559 F.3d 985, 993 (9th Cir. 2009)).

[33] *See* *Winter*, 555 U.S. at 24 (citing *Weinberger v. Romero-Barcelo*, 456 U.S. 305, 312, 102 S. Ct. 1798, 72 L. Ed. 2d 91 (1982)).

[34] *Stormans, Inc. v. Selecky*, 586 F.3d 1109, 1127 (9th Cir. 2009) (citing *Winter*, 555 U.S. at 20)).

[35] *Winter*, 555 U.S. at 24 (quoting *Amoco Production Co. v. Gambell*, 480 U.S. 531, 542, 107 S. Ct. 1396, 94 L. Ed. 2d 542 (1987)).

[36] *Am. Trucking Ass'ns, Inc. v. City of Los Angeles*, 559 F.3d 1046, 1052 (9th Cir. 2009).

that evidence. [37] But if the asserted facts "are substantially controverted by counter-affidavits, a court should not grant [interlocutory injunctive] relief unless the moving party makes a further showing sufficient to demonstrate that he will probably succeed on the merits." [38]

Here, each side has challenged the admissibility of certain statements in the affidavits and accompanying exhibits submitted by the other side. In addition, on February 22, 2012, Signeo filed an application to take expedited discovery as a direct response to certain affidavits submitted by SOL Republic and that Signeo claims contain false statements and inaccurate testimony. To the extent that the court relies on any evidence that is subject to an objection, it does so in its discretion and having considered the appropriate weight to assign the evidence. Furthermore, the court's consideration of this evidence in the preliminary injunction context is without prejudice to either side raising **[*12]** its objections to the relevant testimony at the time of trial.

B. Standing

SOL Republic challenges Signeo's standing to bring its trademark infringement claim because neither Signeo International Ltd. nor Signeo USA LLC is the owner of the SOUL mark. [39] SOL Republic contends that where only Signeo Ltd. registered the relevant mark, and the right of the other two Signeo entities to enforce alleged infringement of the mark is unclear, [40] there is no basis for those plaintiffs to challenge SOL Republic's use of its competing mark. Without standing to bring their claims, SOL Republic argues that Signeo International Ltd. and Signeo USA LLC cannot establish a likelihood of success on the merits.

Trademark claims under the Lanham Act, *15 U.S.C. § 1114(1)*, may be brought by the **[*13]** registrant of the trademark, and including the registrant's legal representatives, predecessors, successors, and assigns. [41] With respect to a licensee, standing to sue depends largely on the rights granted to the licensee under the licensing agreement. [42] Where the licensing agreement is nonexclusive or does not confer a property interest in the mark that can be characterized as an assignment, the licensee does not have standing to bring an infringement action. [43]

The court agrees that the Bonefant Declaration alone does not establish Signeo International Ltd.

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[37] *See* *Flynt Distrib. Co. v. Harvey*, 734 F.2d 1389, 1394 (9th Cir. 1984) ("The trial court may give even inadmissible evidence some weight, when to do so serves the purpose of preventing irreparable harm before trial.") (citing 11 C. Wright and A. Miller, *Federal Practice and Procedure, Civil*, § 2949 at 471 (1972)). *See also* *V.L. v. Wagner*, 669 F. Supp. 2d 1106, 1115 n.8 ("[O]n a **[*11]** motion for a preliminary injunction, the Court may consider inadmissible evidence, giving such evidence appropriate weight depending on the competence, personal knowledge, and credibility of the declarants."); *Rouser v. White*, 707 F. Supp. 2d 1055, 1066 n.4 (E.D. Cal. 2010) (giving some weight to inadmissible evidence with respect to those issues that had occurred recently and in which the parties had not yet conducted discovery).

[38] *See* *K-2 Ski Co. v. Head Ski Co.*, 467 F.2d 1087, 1089 (9th Cir. 1972).

[39] Docket No. 14 at 2-3 (Def.'s Opp'n to Mot. for Prelim. Inj.) (citing *Visa U.S.A. Inc. v. First Data Corp.*, Case No. C 02-01786 JSW, 2005 U.S. Dist. LEXIS 37276, 2005 WL 6271242, at *4 (N.D. Cal. 2005)).

[40] *See id.* SOL Republic objects to the rather vague statement in the Declaration of Bob Bonefant that "AV Concepts, Signeo International LTD and Signeo USA, LLC have the right from Signeo Limited to use the SOUL trademark." *See* Docket No. 11-1 ¶ 8.

[41] *See* 15 U.S.C. § 1127.

[42] *See* *Visa U.S.A. Inc.*, 2005 U.S. Dist. LEXIS 37276, 2005 WL 6271242, at *3 (citing *Ultrapure Systems, Inc. v. Ham-Let Group*, 921 F. Supp. 659, 665 (N.D. Cal. 1995); Restatement (Third) of Unfair Competition § 33 cmt. D (1995)).

[43] *See* 2005 U.S. Dist. LEXIS 37276, [WL] at *4 (citing *Ultrapure Systems* at 665; *Quabaug Rubber Co. v. Fabiano Shoe Co.*, 567 F.2d 154, 159-60 (1st Cir. 1977); *Int'l Soc'y for Krishna Consciousness of Western Pennsylvania v. Stadium Authority*, 479 F. Supp. 792, 797 (W.D. Pa. 1979)).

or Signeo USA LLC's standing to bring an infringement claim for the SOUL trademark under *15 U.S.C.§ 1114(1)*. For the purpose of Signeo's motion for a preliminary **[*14]** injunction, however, it is sufficient that Signeo Ltd. is itself the registrant of the SOUL mark and has standing to enforce its claim. [44] In this context, the court need not assess the other Signeo entities' right to enforce the SOUL mark.

C. Signeo's Motion for Preliminary Injunction

Signeo contends that a preliminary injunction is necessary in order to prevent ongoing and increasingly irreparable damage **[*15]** to its SOUL headphone business. It is Signeo's burden to establish, at a minimum, a likelihood of success on the merits and a likelihood of irreparable harm. However, SOL Republic bears the burden of showing a likelihood that any of its affirmative defenses to Signeo's trademark claims will succeed. [45]

1. Likelihood of Success on the Merits

In order to establish a likelihood of success on the merits of its claims under federal trademark law, Signeo must demonstrate that SOL Republic is using a mark confusingly similar to its own valid, protectable trademark. [46]

a. Valid and Protectable Mark

Signeo's registration of the SOUL trademark ″constitutes prima facie evidence of the validity of the registered mark and of [Signeo's] **[*16]** exclusive right to use the mark on the goods and services specified in the registration.″ [47] Registration creates a rebuttable presumption that the trademark is valid. The presumption of validity of a registered mark may be overcome by a preponderance of the evidence, where the defendant presents some evidence of invalidity. [48] In analyzing an invalidity challenge, the court draws any inferences from the facts in favor of the party asserting the validity of its registered mark. [49]

Signeo's SOUL trademark received its registration number from the United States Patent and Trademark Office (″USPTO″) on June 22, 2010. [50] SOL Republic challenges the validity of the SOUL trademark registration on two independent grounds — first that Signeo **[*17]** was not using the mark on all of the goods listed in the registration, and second that Signeo is not the true

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[44] It may be sufficient that Signeo International Ltd. and Signeo USA LLC have filed suit together with Signeo Ltd. *See Quabaug Rubber Co.*, 567 F.2d at 159 (noting that ″[t]here appear to be no cases where a nonexclusive licensee has been permitted to maintain a trademark infringement suit in the absence of the 'registrant.'″). Moreover, even non-exclusive licensee status — if that be the case — may be sufficient for Signeo International Ltd. and Signeo USA LLC to establish standing with regard to Signeo's second cause of action for false designation and trade name infringement under ***15 U.S.C. § 1125***. *See id.* at 160 (noting that ***15 U.S.C. § 1125*** permits ″any person who believes that he or she is or is likely to be damaged″ to bring a civil action, not only the registrant of the mark).

[45] *See Perfect 10, Inc. v. Amazon.com, Inc.*, 508 F.3d 1146, 1158 (9th Cir. 2007) (explaining that the burdens at the preliminary injunction stage track the burdens at trial) (citing *Gonzales v. O Centro Espirita Beneficente Uniao do Vegetal*, 546 U.S. 418, 429, 126 S. Ct. 1211, 163 L. Ed. 2d 1017 (2006)).

[46] *See Brookfield Comm'ns, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1046 (9th Cir. 1999). *See also KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596, 602 (9th Cir. 2005).

[47] *See Brookfield Comm'ns*, 174 F.3d at 1047; 15 U.S.C. § 1057(b).

[48] *See Vuitton et Fils S.A. v. J. Young Enterprises, Inc.*, 644 F.2d 769, 775-76 (9th Cir. 1981); *Tie Tech, Inc. v. Kinedyne Corp.*, 296 F.3d 778, 783 (9th Cir. 2002) (holding that the presumption of validity is ″pierced,″ leaving merely evidence ″of registration,″ if defendant ″can demonstrate through law, undisputed facts, or a combination thereof that the mark is invalid″).

[49] *See id.* at 776.

[50] *See* Docket No. 11-1 ¶ 7.

owner of the mark. The failure to confirm the accuracy of a trademark application with respect to the use of the mark on the identified goods may result in cancellation of the registration on the ground that the registration was obtained fraudulently. [51] SOL Republic contends that the goods claimed by Signeo in its application to the USPTO are far more than the single specimen - an mp3 player - submitted in conjunction with the trademark application, and that all of the goods strangely have the same claimed date of first use. [52] Although SOL Republic points to potential gaps in the evidence Signeo has submitted in support of its trademark claims, SOL Republic has offered no actual evidence to support its invalidity challenge. Also, if SOL Republic ultimately succeeds in proving that Signeo did not use the mark on all of the identified goods, it will invalidate the trademark only with respect to those goods that were missing. [53] Because SOL Republic has not presented any evidence challenging the validity of the SOUL mark as to headphones specifically, and any inferences must **[*18]** be resolved in favor of Signeo, the present record is sufficient under the ″preponderance of the evidence″ standard required under *Vuitton*.

Similarly, with respect to SOL Republic's invalidity challenge based on Signeo's ownership of the SOUL mark, SOL Republic has not met its burden. SOL Republic points to the apparent inconsistency between the mark's purported use in commerce since 2003 when Signeo Ltd. was not was not formed until 2005, and that it remains unclear how AV Concepts' purported commercial use of the SOUL brand prior to the 2003 date conferred ownership rights to Signeo. [54] SOL Republic has not shown, however, that Signeo Ltd. did not use the SOUL mark in commerce between its formation in 2005 and its application filing date in 2009. Because the date of first use need only be earlier than the filing date for the purpose of registration, [55] the presumption for **[*19]** the validity of the SOUL trademark stands. [56]

b. Confusion

″Likelihood of confusion exists when consumers viewing the mark would probably assume that the goods it represents are associated with the source of a different product identified by a similar mark.″ [57] Courts in this circuit analyze the likelihood of confusion under the eight-factor test set forth in *AMF, Inc. v. Sleekcraft Boats*. The *Sleekcraft* factors are: (1) the strength of the mark; (2) proximity or relatedness of the goods; (3) the similarity of the marks; (4) evidence of actual confusion; (5) the marketing channels used; (6) the degree of care customers are likely to exercise in purchasing the goods; (7) the defendant's intent in selecting the mark; and (8) the likelihood of expansion into other markets. [58] ″The *Sleekcraft* factors are intended as an adaptable proxy for consumer confusion, **[*20]** not a rote checklist.″

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[51] *See* *In re Bose Corp.*, 580 F.3d 1240, 1243 (Fed. Cir. 2009); *Bauer Bros. LLC v. Nike, Inc.*, Case No. 09cv500-WQH-BGS, 2011 U.S. Dist. LEXIS 23025, 2011 WL 843971, at *6 (S.D. Cal. Mar. 8, 2011)).

[52] *See* Docket No. 14 at 4.

[53] *See* *G&W Laboratories, Inc. v. GW Pharma Ltd.*, 89 U.S.P.Q.2d 1571, 2009 WL 226625 (T.T.A.B. 2009).

[54] *See* Docket No. 14-4 (Leonard Decl.), Exs. A, B; Docket no. 11-1 ¶¶ 5, 8, 12, 14-15.

[55] *See* *General Mills, Inc. v. Nature's Way Prods., Inc.*, 202 U.S.P.Q. 840, 1979 WL 24844 (T.T.A.B. 1979).

[56] The court makes this finding without prejudice to SOL Republic introducing evidence at a later time in support of its affirmative defense of invalidity.

[57] *KP Permanent Make-Up, Inc.*, 408 F.3d at 608 (citing *Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1265 (9th Cir. 2001)).

[58] *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979) (abrogated in part on other grounds by *Mattel, Inc. v. Walking Mountain Prod.*, 353 F.3d 792 (2003)).

[59] The court accordingly will focus on those factors most relevant to a determination of consumer confusion at this stage in the case.

1. Strength of the Mark

Strength of the mark is determined by looking to both conceptual and commercial strength. [60] ″The stronger the mark — meaning the more likely it is to be remembered and associated in the mind with the mark's owner — the greater the protection it is accorded by the trademark laws.″ [61]

Conceptual **[*21]** strength involves classification of a mark ″along a spectrum of generally increasing inherent distinctiveness as generic, descriptive, suggestive, arbitrary, or fanciful.″ [62] The SOUL trademark is neither ″inherently distinctive,″ meriting ″the widest ambit of protection,″ nor purely ″descriptive,″ meriting protection only when secondary meaning is shown. [63] Some imagination is required to link ″SOUL″ to a line of headphone products; but it is not an obviously descriptive term for a consumer electronic device, specifically a headset. [64] The ″SOUL″ trademark suggests a subtle quality of the audio accessory products that qualifies it for some protection from potential infringement without the need to establish a secondary meaning. [65] The commercial strength of Signeo's particular SOUL trademark is strengthened by its market visibility and recognition by the consumer public, particularly based on its association with Ludacris. [66] Yet the fact that many other trademark registrations related to music and electronic goods contain the term SOUL [67] weakens its strength and the range of protection to which it is entitled. On balance, the court finds that Signeo's SOUL registered trademark merits **[*22]** some protection as a suggestive mark with widespread recognition and market presence. But to the extent that the mark is weakened by the common use of the term ″soul″ in related products, Signeo must prevail on other factors — particularly similarity of the marks and relatedness of the goods — in order to demonstrate a likelihood of confusion. [68]

2. Similarity of the Marks

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[59] *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1150 (9th Cir. 2011) (referencing other circuit cases describing the *Sleekcraft* test as ″pliant,″ and intended to provide ″helpful guideposts,″ not to serve as rigid requirements or ″hoops that a district court need jump through to make the determination″) (citations omitted).

[60] *See* *GoTo.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1207 (9th Cir. 2000).

[61] *Network Automation, Inc.*, 638 F.3d at 1149.

[62] *Id.*

[63] *See* *Sleekcraft Boats*, 599 F.2d at 349 (describing sliding scale of marks from arbitrary to suggestive to descriptive).

[64] *See id.* (looking to criteria of ″imaginativeness involved in the suggestion″ and whether the trademark will ″inhibit legitimate use of the mark by other sellers″ as factors to distinguish between descriptive and suggestive marks).

[65] *See* *Watkins Prods., Inc. v. Sunway Fruit Prods., Inc.*, 311 F.2d 496, 499 (7th Cir. 1962) (″[A] suggestive mark . . . is entitled to protection without secondary meaning being proved.″).

[66] *See* *GoTo.com, Inc.*, 202 F.3d at 1207 (holding that the more likely a mark is to be remembered and associated in the public mind with the mark's owner, the greater protection the mark is accorded by trademark laws).

[67] *See* Docket No. 14-4, Ex. D (compiling 86 examples of trademark registrations containing the **[*23]** term SOUL). Signeo responds that only two of the eighty-six examples list headphones or earphones among the covered products. But this does not diminish the fact that ″soul″ is a common term used to describe products related to experiencing entertainment through music, video games, or consumer electronic or computer devices that are not far removed from headphones or earphones.

[68] *See* *Sleekcraft Boats*, 599 F.2d at 350 (″Although appellant's mark is protectible and may have been strengthened by advertising . . . it is a weak mark entitled to a restricted range of protection. Thus, only if the marks are quite similar, and the goods closely related, will infringement be found.″) (citations omitted).

″Similarity of the marks is tested on three levels: sight, sound, and meaning.″ [69] The marks are evaluated ″as they are encountered in the marketplace,″ with similarities weighing more heavily than differences. [70]

Signeo's mark is the word mark ″SOUL,″ [71] with ″SOUL″ and a stylized ″S″ appearing on its earbuds, although its headphone product line is referenced as ″SOUL by Ludacris.″ SOL Republic's mark is ″SOL REPUBLIC,″ [72] but the stylized ″SOL″ logo appears alone on the bud of its headphone products. Signeo argues that SOL Republic's truncated acronym SOL differs from Signeo's mark by only a single letter, and the two are pronounced identically as \sōl\. According to Signeo, the near-identical visual and auditory similarity between ″SOUL″ and ″SOL″ is such that the public and even retail world is bound to confuse — and already has begun to confuse — the two parties' product lines. SOL Republic responds that the marks that consumers encounter from retailers are distinct, namely ″SOUL by Ludacris″ as opposed to ″SOL REPUBLIC.″ [73] SOL Republic also argues that the difference in meaning further differentiates the marks, with ″SOL″ standing for ″Soundtrack of Life,″ or at a minimum connoting the Spanish word for ″sun.″ Visually, **[*25]** the mark is only vaguely similar when considered by its appearance on the product, where a reasonable consumer is unlikely to confuse the geometric, stylized ″S-O-L″ of SOL Republic's brand from the stylized ″S″ followed by ″SOUL″ of Signeo's brand. [74] This is even more the case when viewing the product as labeled by retailers, which refer either to ″SOL REPUBLIC″ or ″SOUL by Ludacris.″ [75] Yet when spoken, unless the speaker differentiates ″SOUL *by Ludacris*″ from ″SOL *Republic*,″ the marks are identical. ″Sound is [] important because reputation is often conveyed word-of-mouth.″ [76] Signeo has submitted numerous examples wherein its own executives and employees have encountered confusion amongst retailers and industry players who appear to be confused between the brands based on the similar sound of the marks. [77] Taken together, however, the differences in meaning and sight at least equal the similarity in sound, and this does not suggest, at least for purposes of Signeo's preliminary injunction motion, a likelihood of confusion between the marks.

3. Proximity of the Goods

″For related goods, the danger presented is that the public will mistakenly assume there is an

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[69] *Sleekcraft Boats*, 599 F.2d at 351 (citing *Plough, Inc. v. Kreis Laboratories*, 314 F.2d 635, 638 (9th Cir. 1963); *Network Automation, Inc.*, 638 F.3d at1150.

[70] *See id.* (citing *Esso Standard Oil Co. v. Sun Oil Co.*, 229 F.2d 37, 40, 97 U.S. App. D.C. 154, 1956 Dec. Comm'r Pat. 33 (D.C. Cir. 1956), *Cert. denied*, **[*24]** ***351 U.S. 973, 76 S. Ct. 1027, 100 L. Ed. 1491 (1956))***.

[71] *See* Docket No. 16 at 3 (Pl.'s Reply in Support of Mot. for Prelim. Inj.).

[72] *See* Docket No. 14 at 6.

[73] *See* Docket No. 14-4, Ex. C; Docket No. 14-1, Ex. F.

[74] *Cf. Sleekcraft Boats*, 599 F.2d at 351 (finding that ″except for two inconspicuous letters in the middle of the first syllable,″ the words **[*26]** Sleekcraft and Slickcraft are ″the same,″ and because the names often appear in promotional material without the heavily differentiated logos, that effect is ″negligible″).

[75] *See* Docket No. 14-4, Ex. C.

[76] *Sleekcraft Boats*, 599 F.2d at 351.

[77] The parties dispute the admissibility of many of Plaintiffs' declarations that describe — sometimes using hearsay — their experiences with retailers and industry professionals confusing SOUL from SOL. Plaintiffs did not submit exhibits demonstrating any visual similarity between the marks or how they appear when advertised. Defendant submitted pages from the Apple online store that are somewhat useful for comparing the two products.

association between the producers of the related goods, though no such association exists." [78] The court evaluates relatedness by whether the products are: (1) complementary; (2) sold to the same class of purchasers; and (3) similar in use and function. [79] The court considers this factor "in **[*27]** conjunction with the labeling and appearance of the advertisements and the degree of care exercised by the consumers." [80]

The SOUL products at issue are high-end, designer headphones and earphones sold to consumers willing to pay between $69.95 and $299.95. [81] SOL Republic similarly produces higher-end headphones and earphones sold for between $59.99 and $129.99. [82] Both sets of products are sold through many of the same marketing channels, as discussed below. Thus, on the basis of relatedness or proximity alone, the products are nearly interchangeable. SOL Republic argues, however, that the visual presentation of "SOUL by Ludacris" as opposed to "SOL REPUBLIC" and the efforts of both companies to distinguish their brands, such as by Signeo's partnership with Ludacris, cut against any weight to be assigned this factor. Signeo responds that the designer headphone market is dominated by only a handful of key players in which none have a product, other than SOL Republic, that bears a mark similar to SOUL, [83] making the relatedness of the products more potent. The parties **[*28]** further disagree over the degree of care which consumers exercise in opting to purchase a headphone in the relevant market. [84] This factor weighs in favor of Signeo, because the degree of relatedness is significant, and without any supporting evidence, it is difficult to ascribe to consumers a degree of conscientiousness or selectivity based on marketing and advertising to foreclose the likelihood of confusion.

4. Evidence of Actual Confusion

"Evidence that use of the two marks has already led to confusion is persuasive proof that future confusion is likely." [85] "The focus is confusion with respect to the source of a product or service." [86] The critical determination for confusion is that of prospective purchasers in the marketplace, not that of vendors, industry insiders, or others not representative **[*29]** of the consumer public. [87] Because actual confusion is difficult to prove, evidence of such confusion will be weighted

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[78] *Sleekcraft Boats*, 599 F.2d at 350.

[79] *See* *Network Automation, Inc.*, 638 F.3d at 1150 (citing *Sleekcraft* at 350).

[80] *Id.*

[81] *See* Docket No. 11-3 ¶ 6.

[82] *See* Docket No. 11-1 ¶ 35.

[83] *See* Docket No. 11-1 ¶¶ 6, 21.

[84] *Compare* Docket No. 14-3 ¶ 13 (Lee Decl.) ("Consumers of headphones in price points above $20 are very brand conscious and take great care to purchase headphones . . . .") *with* Docket No. 16 at 5 (challenging Lee's assertion regarding headphone purchasers as speculation unsupported by admissible evidence).

[85] *Sleekcraft Boats*, 599 F.2d at 352 (citing *Plough*, 314 F.2d at 639)).

[86] *Rearden LLC v. Rearden Commerce, Inc.*, 597 F. Supp. 2d 1006, 1023 (N.D. Cal. 2009) (citing *Entrepreneur Media, Inc. v. Smith*, 279 F.3d 1135, 1151 (9th Cir. 2002)).

[87] *See id.* (citing *Accuride Intern., Inc. v. Accuride Corp.*, 871 F.2d 1531, 1535 (9th Cir. 1989)).

heavily, but the absence thereof is not dispositive. [88]

Signeo contends that in the months during which SOL Republic has promoted its product, actual confusion has materialized. Signeo has submitted several declarations **[*30]** describing instances of apparent confusion by retail associates at both Best Buy, Apple, and InMotion stores who were unable to identify which brand produced the ″SOUL by Ludacris″ headphones, as well as encounters between Signeo executives and industry players at the 2012 International Consumer Electronics Show (″CES″) in Las Vegas who appeared at the SOUL booth looking for SOL Republic's founder Kevin Lee. [89]

Signeo applied for limited, expedited discovery in order to explore the issue of actual confusion by deposing several industry representatives who have reported that their group members have had extensive discussions about industry confusion over the SOUL and SOL REPUBLIC product lines, as well as SOL Republic's founders. After the close of expedited discovery, Signeo claimed to have found several instances of actual confusion at the consumer level, as opposed to confusion by **[*31]** retail staff or industry personnel. [90] Signeo points to the following instances of consumer confusion: (1) a letter from a mother whose son inadvertently purchased SOL Republic headphones, when in fact he had intended to purchase Signeo headphones; and (2) two women were sent to purchase Signeo's headphones, but one woman inadvertently purchased SOL Republic's. [91]

SOL Republic responds that Signeo's allegations of actual confusion do not demonstrate confusion in a manner probative of harm to the trademark owner. SOL Republic also has submitted its own declarations asserting no knowledge of customer confusion, including by top officers in companies that carry both parties' headphone products. [92]

The court cannot assign much, if any, weight to Signeo's evidence of actual confusion. The two instances of consumer confusion Signeo identifies help, but both are anecdotal and rise only to the level of *de minimis* evidence. [93] In *Rearden LLC v. Rearden Commerce, Inc.*, the same type of evidence was submitted to the court. Judge Patel noted that the case law in which courts considered the **[*32]** confusion of non-consumers did not extend to the Ninth Circuit, ″whose precedents clearly hold that the key inquiry is confusion of

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[88] *Sleekcraft Boats*, 599 F.2d at 352-53.The court further notes that ordinarily this factor may be ″diminished″ at this stage due to a ″sparse record″ and the parties having had no opportunity for meaningful discovery. *See* *Network Automation, Inc.*, 638 F.3d at 1151. Here, however, the court provided Signeo a substantial opportunity for discovery on this very issue, and nothing in the circuit's case law suggests that under these circumstances a failure to provide meaningful evidence of actual confusion has to be ignored completely.

[89] *See, e.g.*, Docket No. 11-1 ¶¶ 38-41; Docket No. 11-3 ¶¶10-15; Docket No. 11-2 ¶¶ 8-11; Docket No. 11-7 ¶¶ 3-6 (Westbrook Decl.). Again, Defendant objects to Plaintiffs' evidence as largely based on hearsay or inadmissible opinion testimony regarding the meaning of a third party's purported ″confusion.″

[90] *See* Docket No. 32 at 2-4 (Pl.'s Supp. Brief).

[91] *See id.*

[92] *See* Docket No. 14-2 ¶¶ 3, 5 (Hix Decl.), Exs. A, B.

[93] *See, e.g.*, *Glow Industries, Inc. v. Lopez*, 252 F. Supp. 2d 962, 999 (C.D. Cal. 2002) (″De minimus evidence of actual confusion does not establish a likelihood of consumer confusion, and the evidence presented must refer to the confusion of reasonable and prudent **[*33]** consumers, not confusion among sophisticated members of the consuming public.″); *see also* *SunEarth, Inc. v. Sun Earth Solar Power Co., Ltd.*, 846 F. Supp. 2d. 1063 , Case No. C 11-4991 CW, 2012 U.S. Dist. LEXIS 13506, 2012 WL 368677, at *11 (N.D. Cal. Feb. 3, 2012) (finding that ten examples of actual consumer confusion did rise to the level of ″some evidence″ to support actual confusion evidence).

prospective purchasers." [94] And while *Rearden* plaintiffs did cite to two incidents of actual consumer confusion, the court nevertheless rejected them both because they illustrated confusion with respect to the parties' names only. [95] In addition, SOL Republic is correct that it is difficult to ascribe actual consumer confusion regarding the marks to the people who wandered into Signeo's booth looking for SOL's Kevin Lee, [96] as opposed to potential confusion surrounding location of the booths or the fact that SOL Republic did not have a booth. Thus, notwithstanding Signeo's evidence of repeated instances involving industry players and retail associates who have demonstrated confusion, Signeo presents little evidence regarding the purchasing consumer - the necessary focus of the confusion inquiry.

5. Marketing Channels

"Convergent marketing channels increase the likelihood of confusion." [97] This factor receives greater weight when the products are sold in niche marketplaces and less weight when the products share a "ubiquitous marketing channel" such as the online marketplace. [98]

Although the parties **[*34]** overlap in many of their online and in-store markets, SOL Republic argues that most of these channels are "visual," in which the advertisements and displays clearly demonstrate the differences in the parties' trademarks. SOL Republic further points out that Signeo has introduced no evidence of side-by-side marketing through radio or other audio channels that theoretically could present increased risk of confusion. Signeo contends that several of the shared online forums, such as the Apple store, are akin to a "niche" market in which the highly similar products are sold side-by-side. Furthermore, both products are sold, or soon will be sold, alongside each other in a variety of concrete stores. [99]

Unlike the mere presence of two potentially confusing marks, both of which are advertised online, [100] the significant overlap between the parties' marketing channels in numerous exclusive venues, online and in-store, increases the likelihood of consumer confusion and weighs in favor of Signeo.

6. Other Factors

The court assigns little weight at this time to the remaining **[*35]** *Sleekcraft* factors related to a purchaser's likely degree of care in selecting the product, the defendant's intent in selecting the challenged mark, and the likelihood of expansion into other markets. The court has seen no evidence to guide its analysis of what constitutes a typical buyer exercising ordinary caution in the purchase of headphones in the SOUL and SOL Republic price ranges. [101] Without more, Kevin Lee's unsupported testimony that "[c]onsumers of headphones in price points above $20 are very brand conscious and take great care to purchase

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[94] 597 F. Supp. 2d at 1023 n.9.

[95] *See id.* at 1023-24 (finding that two instances of actual confusion — one from a customer who expressed confusion over which party it conducted business with, and another involving dozens of misdirected emails — did not rise to the level of actual confusion by the consuming public).

[96] *See, e.g.*, Docket No. 11-1 ¶¶ 38-41; Docket No. 11-3 ¶¶10-15; Docket No. 11-2 ¶¶ 8-11; Docket No. 11-7 ¶¶ 3-6 (Westbrook Decl.).

[97] *Sleekcraft Boats*, 599 F.2d at 353.

[98] *See Network Automation, Inc.*, 638 F.3d at 1151.

[99] *See* Docket No. 16-1 ¶ 5; *see also* Docket No. 32 at 7-8 (Pl.'s Supp. Brief).

[100] *See Network Automation, Inc.*, 638 F.3d at 1151.

[101] *See Sleekcraft Boats*, 599 F.2d at 353 (citing *HMH Publishing Co. v. Lambert*, 482 F.2d 595, 599 n.6 (9th Cir. 1973)).

headphones" [102] is insufficient to persuade the court away from "undue reliance on the 'supposed sophistication' and care of consumers" when even expensive goods are concerned. [103] This is especially true in light of Signeo's proffer of evidence suggesting that even the retail associates at leading consumer electronics stores are not so discerning. In addition, the fact that both Signeo and SOL Republic purport to provide high quality headphone products with carefully developed brand association might "contribute to the assumption of a common connection" [104] between the marks, cutting against the differentiation that a reasonably cautious **[*36]** consumer otherwise would recognize.

With respect to SOL Republic's intent in adopting the SOL REPUBLIC mark and using only the "SOL" acronym on the product itself, each side has presented evidence to contradict the other. [105] Without the benefit of oral testimony subject to cross-examination, the court is in a poor position to assess the veracity of controverted factual issues presented by competing affidavits. [106] Thus, although evidence that the alleged infringer knowingly adopted a mark similar to plaintiff's is probative of an increased likelihood of confusion, [107] the court finds that such an intent has not been established by a preponderance of the evidence.

Both parties agree that because the SOUL and SOL Republic product lines are direct competitors, the likelihood of expansion factor is neutral. [108] As noted earlier, the products already overlap in retail spaces and marketing channels.

In sum, Signeo has presented some evidence to support its contention that SOL Republic's use of the "SOL" acronym for its headphone line presents a likelihood of confusion with the SOUL headphone products. This finding is based primarily on the proximity and relatedness of the goods and the marketing channels they share. The absence of compelling evidence **[*38]** of actual confusion among consumers, however, is noteworthy, as is the relatively weak evidence on the similarity of visual (and not just the sound) impression of the marks. The likelihood of confusion is further dampened by the relative weakness of the SOUL mark and the neutrality of other factors such as intent of SOL Republic to tread on Signeo's trademark and the degree of care exercised by consumers. The net of all this is that, even if Signeo can establish the validity of its mark, the court is not persuaded that Signeo is likely to demonstrate confusion sufficient to succeed on the merits of its claim.

2. Irreparable Harm

"[T]he absence of a substantial likelihood of irreparable injury would, standing alone, make

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[102] *See* Docket No. 14-3 ¶ 13.

[103] *See* *Sleekcraft Boats*, 599 F.2d at 353 (quoting *Omega Importing Corp. v. Petr-Kine Camera Co.*, 451 F.2d 1190, 1195 (9th Cir. 1971)).

[104] *See id.*

[105] *Compare* Docket No. 14-3 ¶¶ 3-12 (describing the creative process behind founding SOL Republic, developing the SOL REPUBLIC brand, and finalizing the SOL logo without any recollection of learning about the SOUL brand or discussing potential **[*37]** confusion between SOL and the SOUL mark) *with* Docket No. 11-1 ¶¶ 27-29 (describing 2009 conversation with Kevin Lee about the SOUL product line and potential trademark confusion if Lee pursued a SOL mark for competing headphones).

[106] *See* *Wounded Knee Legal Defense / Offense Comm. v. Federal Bureau of Investigation*, 507 F.2d 1281, 1287 (8th Cir. 1974). *See also* *Indus. Elecs. Corp. v. Cline*, 330 F.2d 480, 483 (3d Cir. 1964).

[107] *See* *Sleekcraft Boats*, 599 F.2d at 354 (citing *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149, 157-58 (9th Cir. 1963)).

[108] *See* Docket No. 14 at 13; Docket No. 16 at 6.

preliminary injunctive relief improper." [109] It is Signeo's burden to demonstrate that irreparable injury is real and imminent, not merely a possibility of remote future injury. [110] The potential loss of goodwill or the loss of the ability to control one's reputation may constitute irreparable harm for purposes of preliminary injunctive relief. [111]

Signeo vigorously contends that recent Supreme Court developments tightening the requirements for issuance of a preliminary injunction do not alter the presumption of irreparable harm as it has been applied to trademark cases in the Ninth Circuit. [112] Having rejected at this stage Signeo's arguments regarding the likelihood of confusion, the court need not determine, however, whether Signeo is correct.

Turning to the evidence of irreparable harm, Signeo contends that SOL Republic's headphones are of lesser quality, and that could result in damage to the SOUL reputation and to a diminution in goodwill. Signeo also argues that SOL Republic's trademark infringement threatens the dilution of years of creative and economic investment by Signeo in building its brand and takes advantage of Signeo's investment and the SOUL mark's reputation. [113] Signeo argues that ultimately these incursions strip Signeo of control over its own reputation and maintenance of goodwill in the eye of its consumers. Signeo has offered to provide the court with documentation of its sales and market penetration data in order to further demonstrate the extent of the goodwill and reputation that it has developed. But it has not to date provided any such evidence.

SOL Republic responds that Signeo's assertions are purely hypothetical and fail to provide actual evidence of real and imminent harm to the brand or reputation.

Signeo has not met its burden here. Even if the court agreed that confusion has begun to **[*41]** develop in the consumer market in the seven months or so that the products have competed, there is no evidence that the extent of such confusion is substantial enough to result in a loss of control by Signeo over its SOUL mark. This is especially true in considering the unique identity Signeo promotes based on its partnership with Ludacris and its offering of several headphones in a price category above SOL Republic's most expensive offering. Signeo also has not established a loss of market share or loss of customers because of infringement. [114] That the two companies are direct competitors in the same general market is not enough to issue a preliminary injunction. On this record the court cannot conclude that any harm to Signeo will be irreparable.

3. Balance of Hardships and Public Interest

The court also must balance the competing claims of harm to the plaintiff with the potentially

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[109] *Siegel v. Le Pore*, 234 F.3d 1163, 1176 (11th Cir. 2006).

[110] *See Winter*, 555 U.S. at 22. *See also Grupion, LLC v. Groupon, Inc.*, 826 F. Supp. 2d 1156, 2011 WL 5913992, at *6 (N.D. Cal. 2011) **[*39]** ("[U]nder *Winter*, [plaintiff] is required to demonstrate, by the introduction of admissible evidence and with a clear likelihood of success that the harm is real, imminent and significant, not just speculative or potential.").

[111] *See Rent-A-Center, Inc. v. Canyon Television and Appliance Rental, Inc.*, 944 F.2d 597, 603 (9th Cir. 1991) (noting "intangible injuries, such as damage to . . . goodwill, qualify as irreparable harm). *See also Stuhlbarg Int'l Sales Co. v. John D. Brush & Co.*, 240 F.3d 832, 841 (9th Cir. 2001) (same regarding likely loss of newfound customers, accompanying goodwill and revenue).

[112] Historically, courts in this circuit presumed irreparable harm upon a showing by plaintiff that established a likelihood of confusion. *See, e.g., Brookfield Communications, Inc.*, 174 F.3d at 1066; **[*40]** *Abercrombie and Fitch Co. v. Moose Creek Inc.*, 486 F.3d 629, 633 (9th Cir. 2007).

[113] *See* Docket No. 16 at 8-9.

[114] *See Robert Bosch LLC v. Pylon Mfg. Corp*, 659 F.3d 1142, 1153-54 (Fed. Cir. 2011).

devastating effect that enjoining all production or sales of a product before trial can have on the defendant. [115] This analysis takes into account the relative size and strength of each enterprise. [116] In addition, the **[*42]** court considers the public interest when it stands to be affected by an injunction.

Signeo argues that the relative time and expense each party has expended on developing its trademarks and brand identity, and the loss of goodwill and reputation that Signeo stands to lose during the time that SOL Republic is allowed to continue its infringing activities, tips the balance of hardships in its favor. Even if a preliminary injunction threatens to halt all of SOL Republic's sales, Signeo contends that this does not alter the balance of hardships because ″the only hardship that the defendant will **[*43]** suffer is lost profits from an activity which has been shown likely to be infringing.″ [117] Signeo also contends that the injunction it seeks is narrow in that it would enjoin only the use of the ″SOL″ mark on the headphones, not the use of Defendant's corporate name, SOL Republic, or other competing products that SOL Republic might decide to manufacture and that are non-infringing. According to Signeo, this possibility that SOL Republic may carry on its business undermines any argument that the public interest will suffer as a result of an injunction.

SOL Republic responds that its ″SOL″-marked headphones are its entire business in which it has made a substantial investment since August 2011 of over $4.5 million. [118] SOL Republic argues that the broad scope of Signeo's proposed injunction would bring the entire company to a halt, affecting not only its sales but the livelihood of its thirty-seven employees and its relationship with customers and business partners. **[*44]** In contrast, SOL Republic argues that the alleged hardship to Signeo is based purely on speculation.

As between the two parties, the court is persuaded that the balance of hardships favors SOL Republic, even if slightly.

While there is a strong public interest in enforcing intellectual property rights and preventing public confusion around the use of an infringing mark, the proposed injunction is particularly harsh and would affect not only SOL Republic, but also the retail consumer market, and its distributors. To the extent Signeo seeks a return of products already shipped to SOL Republic's distributors and others, it is a mandatory injunction, ″which goes well beyond simply maintaining the status quo pendent lite and is particularly disfavored.″ [119] Even as to the remainder of the injunction, in light of the relative weakness of Signeo's evidence to date regarding its claim that consumers are suffering from source confusion, the court is not persuaded that the public interest is served by a market intervention at this stage.

IV. CONCLUSION

Signeo's motion for a preliminary **[*45]** injunction is DENIED.

IT IS SO ORDERED.

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[115] *See* *Apple, Inc. v. Samsung Electr. Co., Ltd.* , No. 11-CV-1846-LHK, 2011 U.S. Dist. LEXIS 139049, 2011 WL 7036077, at *23 (N.D. Cal. Dec. 2, 2011) (″The hardship on a preliminarily enjoined manufacturer who must withdraw its product from the market before trial can be devastating.″) (quoting *Ill. Tool Works, Inc. v. Grip-Pak, Inc.*, 906 F.2d 679, 683 (Fed. Cir. 1998)).

[116] *See* *Int'l Jensen, Inc. v. Metrosound U.S.A., Inc.*, 4 F.3d 819, 827 (9th Cir. 1993) (″In evaluating the balance of hardships a court must consider the impact granting or denying a motion for a preliminary injunction will have on the respective enterprises.″).

[117] *See* Docket No. 11 at 22 (quoting *Dr. Seuss Enterprises, L.P. v. Penguin Books, USA, Inc.*, 924 F. Supp. 1559, 1574 (S.D. Cal. 1996)). *See also* *Cadence Design Sys., Inc. v. Avant! Corp.*, 125 F.3d 824, 829-830 (9th Cir. 1997).

[118] *See* Docket No. 14-2 ¶ 6.

[119] *Marlyn Nutraceuticals, Inc. v. Mucos Pharm GmbH & Co.*, 571 F.3d 873, 879 (9th Cir. 2009).

Dated: June 6, 2012

/s/ Paul S. Grewal

PAUL S. GREWAL

United States Magistrate Judge

No *Shepard's* Signal™
As of: October 12, 2015 7:03 PM EDT

2015 TTAB LEXIS 210

Trademark Trial and Appeal Board

June 19, 2015, Decided

Opposition No. 91200928

Reporter
2015 TTAB LEXIS 210

Threshold Enterprises Ltd. v. Renew Life Formulas, Inc.

Disposition: [*1]

DECISION: The opposition is sustained on the ground of likelihood of confusion with Opposer's mark ARCTICPURE.

Core Terms

notice, discovery, fish oil, registration, consumer, conjointly, deposition, oil, likelihood of confusion, third party, impression, channel, dietary, attest, renew, advertize, register

Counsel

Erica Connolly and Monty Agarwal of Arnold & Porter LLP, for Threshold Enterprises Ltd.

James B. Lake, James J. McGuire, and Mark R. Caramanica of Thomas & Locicero PL, for Renew Life Formulas, Inc.

Panel: Before Wellington, Ritchie, and Kuczma, Administrative Trademark Judges.

Opinion By: Ritchie, Lorelei

Opinion

THIS OPINION IS NOT A PRECEDENT OF THE T.T.A.B.

Opinion by Ritchie, Administrative Trademark Judge:

On January 10, 2011, Renew Life Formulas, Inc. (″Applicant″) applied to register ARCTIC NATURALS, in standard character form, for ″naturally derived dietary and nutritional supplements,″ in International Class 5.″ [1] On July 28, 2011, Threshold Enterprises, Ltd. (″Opposer″), filed an opposition to the registration of Applicant's mark on the ground that Applicant's mark is likely to cause confusion with Opposer's marks. Opposer asserted in its Notice of Opposition, that it owns the mark SOURCE NATURALS in typed drawing format [2] for ″vitamins, herbs and nutritional supplements,″ in International Class 5 [3] and in standard character format for ″cosmetics, **[*2]** namely, ointments, gels, creams, lotions, moisturizers, oils, serums, salves and bath oils, all of which are used for the

[1] Application Serial No. 85214143, filed under Section 1(b), and disclaiming the exclusive right to use the term ″NATURALS″ apart from the mark as shown.

[2] ″Prior to November 2, 2003, 'standard character' drawings were known as 'typed' drawings. The mark on a typed drawing was required to be typed entirely in capital letters. A typed mark is the legal equivalent of a standard character mark.″ TMEP § 807.03(i) (January 2015).

[3] Registration No. 1909705, registered August 8, 1995. Sections 8 and 15 affidavits accepted and acknowledged. Renewed.

skins," in International Class 3, [4] as well as the mark ARCTICPURE, in standard character format, for "dietary supplements," in International Class 5. [5] Opposer argues that it uses the two marks SOURCE NATURALS and ARCTICPURE conjointly, and as such, Applicant's mark ARCTIC NATURALS is confusingly similar thereto, or in the alternative that Applicant's mark is confusingly similar to Opposer's ARTICPURE mark. [6]

[*3]

In its Answer, Applicant denied the salient allegations of the Notice of Opposition. Applicant also asserted various affirmative defenses, including: "Numerous third parties use the term NATURALS or ARCTIC in connection with a wide variety of goods, including goods similar to Threshold's and Renew Life's." (Answer at Affirm. Def. No. 3; 5 TTABVUE 4).

Both parties filed briefs, and Opposer filed a reply brief.

The Record

The record consists of the pleadings; the file of the **[*4]** involved application; and the following evidence submitted by the parties:

By Opposer:

1. The testimonial declaration of Barry Sugarman, consultant to Opposer's President, dated January 19, 2014; [7]

2. Opposer's Notice of Reliance on May 22, 2013 discovery depositions for Don Pollo, Applicant's Chief Financial Officer; and Stan Watson, Applicant's Chief Executive Officer;

3. Opposer's Notice of Reliance on April 19, 2013 discovery depositions for Barry Sugarman, Opposer's Consultant to the President, and Ira Goldberg, Opposer's Chief Executive Officer;

4. Opposer's Notice of Reliance on written discovery responses from Applicant;

5. Opposer's Notice of Reliance on registration documents;

6. Opposer's Notice of Reliance on official records (Complaint in Renew Life v. Nordic Naturals, Inc., Case No. 12-cv-449 (M.D. Fla));

7. Opposer's Notice of Reliance on request for judicial notice (dictionary definitions);

8. Opposer's Notice of Reliance on Internet materials; and

9. Opposer's Notice of Reliance on Applicant's responses to discovery.

By Applicant:

1. Applicant's Notice of Reliance on documents produced in response to third **[*5]** party subpoenas.

2. Applicant's Notice of Reliance on discovery responses from Opposer;

3. Applicant's Notice of Reliance on the prosecution history of the application that issued as 3930397;

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[4] Registration No. 3930397, registered March 15, 2011, and disclaiming the exclusive right to use the term "NATURALS" apart from the mark as shown.

[5] Registration No. 3203797, registered January 30, 2007. Sections 8 and 15 affidavits accepted and acknowledged.

[6] Although the assertion of conjoint use was not expressly pleaded in the Notice of Opposition, it was discussed in the testimony and other documents submitted during the parties' trial period, and it was argued in substance by both parties on brief. Accordingly, we deem the pleadings amended to assert both bases. Fed. R. Civ. P. 15(b).

[7] The parties filed two stipulations regarding the submission of evidence, on December 12, 2013, and January 21, 2014, in which they agreed that testimony may be introduced "by sworn declaration in lieu of live deposition-subject to objection, as well as to live cross examination" as well as that "discovery depositions of a witness may be offered as testimony." 38 TTABVUE 3-4. The parties further stipulated that a "party may introduce as evidence, and rely on at trial, document or things [sic] it produced in discovery by Notice of Reliance alone without further evidence of authentication." 46 TTABVUE 3.

4. Applicant's Notice of Reliance on online publications, parts 1 and 2;

5. Applicant's Notice of Reliance on the testimony declaration of Stan Watson, Executive Chair of Applicant, dated March 24, 2014;

6. Applicant's Notice of Reliance on May 22, 2013 discovery depositions of Pollo and Watson; and

7. Applicant's Notice of Reliance on April 19, 2013 discovery depositions of Sugarman and Goldberg.

[*6]

Priority and Standing

Standing is a threshold issue that must be proven in every *inter partes* case. *See* *Lipton Industries, Inc. v. Ralston Purina Co., 670 F.2d 1024, 213 USPQ 185, 189 (CCPA 1982)* (″The facts regarding standing . . . must be affirmatively proved. Accordingly, [plaintiff] is not entitled to standing solely because of the allegations in its [pleading].″). To establish standing in an opposition, opposer must show both ″a real interest in the proceedings as well as a 'reasonable' basis for his belief of damage.″ *See* *Ritchie v. Simpson, 170 F.3d 1092, 50 USPQ2d 1023, 1025 (Fed. Cir. 1999)*.

Opposer's witness Barry Sugarman, consultant to the president for twenty years, who oversees trademark matters for Opposer, offered testimony regarding Opposer's continuing use of the marks SOURCE NATURALS and ARCTICPURE. See Sugarman decl. 49 TTABVUE 3. He further states that ARCTICPURE is used ″for fish oil products,″ and has been since 2001. *Id.*, and Ex. D (showing the label). The declaration further attests to use of SOURCE NATURALS on dietary supplements, since at least 1987. *See Id. at* Ex. C. Based on this testimony, we find **[*7]** that Opposer has shown a sufficient basis for standing. [8] *See* *Cunningham v. Laser Golf Corp., 222 F.3d 943, 55 USPQ2d 1842, 1844 (Fed. Cir. 2000)*.

The dates of use attested to by Opposer predate any dates of use claimed by Applicant, which states that it first used the ARCTIC NATURALS mark in or about January 2012. *See* Appl's Response to Interrogatory No. 1; *See also* Watson discovery depo. 62 TTABVUE 77.

Applicant argues that Opposer does not have standing in this action, based on a statement made by Barry Sugarman during his discovery deposition, as follows: ″And we believe Arctic Naturals isn't **[*8]** a threat to our intellectual property and our business.″ [9] 63 TTABVUE 21. We note, however, that the very next sentence is:

> We graded it as a higher risk to us in overall impression, in the usage of components of two of our marks. In the way that the style of the bottle is and the way the styles of the mark is and based on what our -- how we sell our products. All of those things pointed to us that it would be a higher risk.
> *Id.*

Furthermore, elsewhere in his discovery deposition, Mr. Sugarman attested to his concerns about Applicant's use of the ARCTIC NATURALS mark:

> Q: I guess what I would like to know having gone through these agreements why your company has a problem with Arctic Naturals

[8] Opposer also submitted copies of its pleaded registrations. However, these are not ″status and title″ copies as required by Trademark Rule 2.122(d), and thus Opposer cannot rely on them to establish its standing or remove priority as an issue with respect to the marks and goods covered by the registrations. No witness testified as to the status and title of the pleaded registrations.

[9] Opposer later filed a ″Request for Leave to Correct Errors in Deposition Transcript,″ arguing that ″Mr. Sugarman either misspoke or his testimony was not properly transcribed.″ 81 TTABVUE 4. Given our finding on standing, the request for leave to correctis moot.

> given that you have permitted other people to use Natural Sources, Natural Source, and and [sic] not objected to anyone using Arctic.
>
> A: Well, it's the overall -- the overall case as a whole. Number one, we view the combination of your Arctic mark, Arctic Naturals, as something that would be confusingly similar. We think the trade dress is similar, we think Renewed life is potential threat [sic] into our marketplace and that they would -- that there would be a **[*9]** substantial likelihood of confusion with those marks.
>
> So we graded it as a much higher risk than anything I have seen today.. . . And the usage of the mark appears to be a direct threat and a higher risk for us of confusion and risk in the marketplace for us. So that's why we have taken the position that we have taken. *Id.* at 19.

Notwithstanding the one statement by Mr. Sugarman in his deposition, we find that based on the evidence and testimony of record, Opposer has shown a reasonable belief of damage and has established its priority for ″fish oil products.″

Likelihood of Confusion

Our determination under *Section 2(d)* is based on an analysis of all of the relevant, probative evidence in the record related to a likelihood of **[*10]** confusion. *See In re E. I. du Pont de Nemours & Co., 476 F.2d 1357, 177 USPQ 563 (CCPA 1973)*; *see also Palm Bay Imports, Inc. v. Veuve Clicquot Ponsardin Maison Fondee En 1772, 396 F.3d 1369, 73 USPQ2d 1689 (Fed. Cir. 2005)*; *In re Majestic Distilling Company, Inc., 315 F.3d 1311, 65 USPQ2d 1201 (Fed. Cir. 2003)*; and *In re Dixie Restaurants Inc., 105 F.3d 1405, 41 USPQ2d 1531 (Fed. Cir. 1997)*. In any likelihood of confusion analysis, two key considerations are the similarities between the marks and the similarities between the goods and services. *See Federated Foods, Inc. v. Fort Howard Co., 544 F.2d 1098, 192 USPQ 24, 29 (CCPA 1976)* (″The fundamental inquiry mandated by *§ 2(d)* goes to the cumulative effect of differences in the essential characteristics of the goods and differences in the marks.″). We discuss the *du Pont* factors for which there is relevant argument and evidence. The others we consider to be neutral.

Conjoint Use of the Marks

Opposer argues that in analyzing the similarity or dissimilarity of the marks, ″the Board should consider Threshold's SOURCE NATURALS and ARCTICPURE **[*11]** marks conjointly rather than separately.″ 76 TTABVUE 17. In evaluating the propriety of viewing marks conjointly, we look to two key factors: First, whether the marks are ″used together on a single product or in marketing;″ and second whether they ″have been used and/or advertised conjointly in such a manner and to such an extent in connection with a single product that they have come to be associated together, in the minds of the purchasing public, as indications of origin for opposer's product.″ *Schering-Plough HealthCare Products Inc. v. Ing-Jing Huang, 84 USPQ2d 1323, 1326 (TTAB 2007)* (finding DR. SCHOLL'S and AIRPILLO used conjointly such that DR. PILLO likely to cause confusion).

In *Schering-Plough*, the Board stated that the first element is satisfied where opposer ″routinely uses″ the two marks together. *Id.*Opposer has used SOURCE NATURALS since 1982 and ARCTIC PURE since 2001. *See* Sugarman decl. , 49 TTABVUE 3. Mr. Sugarman further attested ″From the time that the ARCTICPURE mark was first used until the present, it has never appeared on goods without the SOURCE NATURALS mark also present.″ *Id.* In other testimony, Mr. Sugarman stated that SOURCE **[*12]** NATURALS is the brand name for ″an entire product line″ while ARCTICPURE is a subline, and also a product.″ 42 TTABVUE 13. However, as discussed below, there is not evidence of such level of sales and marketing that consumers have been exposed

to ″routine use″ of them together. Accordingly, we do not find the first element to be satisfied. As to the second element, *Schering-Plough* found it to be satisfied where opposer had undertaken ″great expense in advertising the marks together,″ noting that the decision was largely based on ″the fame of opposer's marks.″ *Schering-Plough Healthcare Products Inc. v. Ing-Jing Huang, 84 USPQ2d at 1327*. Here, by contrast, we note that while the numbers for SOURCE NATURALS are more significant, we do not find that there has been an extensive amount of advertising or sales for Opposer's ARCTICPURE. [10] Without significant use together, we do not find that Opposer's marks satisfy the second requirement that they ″have been used and/or advertised conjointly in such a manner and to such an extent in connection with a single product that they have come to be associated together, in the minds of the purchasing public, as indications of **[*13]** origin for opposer's product.″ *Id.* See also *Parke, Davis & Co v. The G.F. Harvey Co., 141 F.2d 132, 31 C.C.P.A. 879, 1944 Dec. Comm'r Pat. 218, 60 USPQ 572 (CCPA 1944)* (DIGISEALS similar to opposer's two marks KAPSEALS and DIGIFORTIS because ″opposer was using both well-known marks combined.″); *H.D. Hudson Manufacturing Co. v. Food Machinery and Chemical Corp., 230 F.2d 445, 43 C.C.P.A. 809, 1956 Dec. Comm'r Pat. 189*. *230 F.2d 445, 43 C.C.P.A. 809, 1956 Dec. Comm'r Pat. 189, 109 USPQ 48 (CCPA 1956)* (ROTOMIST not similar to opposer's ROTO-POWER and MISTY marks because ″Here appellant has not used its marks 'Roto-Power' and 'Misty' combined as one mark″)*; Sperry Rand Corp. v. Remvac Systems Corp., 172 USPQ 415 (TTAB 1971)* (REMVAC found confusingly similar to oppposer's conjointly used REMINGTON and UNIVAC).

Because we find that Opposer has not satisfied the necessary elements, we will not consider the marks conjointly in our analysis, but will proceed on Opposer's alternative basis, claiming **[*14]** likelihood of confusion as to its ARCTICPURE mark.

Goods and Channels of Trade

There is no dispute that the goods at issue in this dispute are legally identical, since Opposer has established rights in ARCTICPURE for ″fish oil products″ and Applicant seeks to register ARCTIC NATURALS for ″naturally derived dietary and nutritional supplements,″ which encompasses fish oil supplements.

As for channels of trade, Opposer has established via testimony that it sells its ARCTICPURE ″fish oil products″ via various means, including to ″Internet customers, Internet retailers″ as well as ″brick-and-mortar health food stores, health food chain stores″ and to ″some distributors who sell to practitioners.″ 42 TTABVUE 13. Opposer also provided more particular testimony on the confidential record regarding its distribution means. Applicant attests to selling to only one customer, Walgreens. 40 TTABVUE 20. Although it appears that the channels of trade do not currently overlap, Applicant's application is not limited in the potential channels of trade, and could overlap with those identified as being used by Opposer. Accordingly, we find these *du Pont* factors to weigh strongly in favor **[*15]** of a finding of likelihood of confusion.

The ARCTICPURE Mark

Initially we note that where the goods are identical or identical-in-part, as they are here, the degree of similarity between the marks which is required to support a finding of likelihood of confusion is less than if the goods were not identical. *In re Viterra Inc., 671 F.3d 1358, 101 USPQ2d 1905, 1912 (Fed. Cir. 2012)*, citing *Century 21 Real Estate Corp. v. Century Life of America, 970 F.2d 874, 23 USPQ2d 1698 (Fed. Cir. 1992)*.

[10] The numbers are in the confidential record. *See* 44 Conf TTABVUE 28, Ex 6; 50 Conf TTABVUE 2-3, and Ex. H.

In considering the similarity or dissimilarity of the ARCTICPURE mark to Applicant's ARCTIC NATURALS mark, we consider and compare the appearance, sound, connotation and commercial impression of the marks in their entireties. *Palm Bay Imports Inc. v. Veuve Clicquot Ponsardin Maison Fondee En 1772, 73 USPQ2d at 1692*. In comparing the marks, we are mindful that the test is not whether the marks can be distinguished when subjected to a side-by-side comparison, but rather whether the marks are sufficiently similar in terms of their overall commercial impression that confusion as to the source of the goods offered under the respective marks **[*16]** is likely to result. *San Fernando Electric Mfg. Co. v. JFD Electronics Components Corp., 565 F.2d 683, 196 USPQ 1, 3 (CCPA 1977)*; *Restaurants Inc. v. Morrison Inc., 23 USPQ2d 1735, 1741 (TTAB 1991)*, *aff'd unpublished*, *972 F.2d 1353 (Fed. Cir. 1992)*. The proper focus is on the recollection of the average consumer, who retains a general rather than specific impression of the marks. *Winnebago Industries, Inc. v. Oliver & Winston, Inc., 207 USPQ 335, 344 (TTAB 1980)*; *Sealed Air Corp. v. Scott Paper Co., 190 USPQ 106, 108 (TTAB 1975)*.

Opposer's mark is ARCTICPURE and Applicant's mark is ARCTIC NATURALS. Opposer submitted dictionary definitions of the terms ″pure″ and ″natural″ as follows:

> Pure : not mixed with anything else; clean and not harmful in any way.
> Merriam-Webster; *merriam-webster. com*
>
> Natural: existing in nature and not made or caused by people: coming from nature; not having any extra substances or chemicals added: not containing anything artificial. Merriam-Webster; *merriam-webster. com*

As explained by Opposer's Chief Executive Officer, regarding the choice of the name **[*17]** ARCTICPURE, ″We--the material we were buying we were told, you know, one of the factories we worked with was in Norway. And the material we were buying was near the Arctic Circle. The fact they told us that they used fish primarily from the Arctic Sea or -- Arctic Sea I guess.″ Goldberg discovery deposition; 65 TTABVUE 7. Applicant's Executive Chair similarly stated regarding ARCTIC NATURALS, ″those words convey that our product is natural and comes from fish that inhabit cold-water areas, such as the Arctic Ocean.″ Decl. Stan Watson 61 TTABVUE 4. As such, we find that the marks have similar connotations and commercial impressions of pure or natural fish oil from the Arctic Sea.

Applicant argues that the term ″ARCTIC″ is weak, which we later discuss in the sixth *du Pont* factor. We find, however, that the similarities in commercial impression clearly outweigh any differences in sight and sound, and this first *du Pont* factor also weighs in favor of finding a likelihood of confusion.

Number and Nature of Third Party Use of Shared Term

Applicant argues that consumers will recognize the subtle differences between the marks since there are a number of third-party marks **[*18]** containing the term ″ARCTIC″ for fish oil products. Applicant's Executive Chair attested that ″The words ARCTIC and NATURALS are commonly used to identify dietary supplements, particularly products that contain fish oil. ″ 61 TTABVUE 4. Applicant further subpoenaed third parties in this proceeding, and submitted evidence of eight uses of the term ″ARCTIC″ by third parties for fish oil products. [11] These uses include Arctic Essentials from Urban Nutrition, LLC; Arctic Fresh and Arctic Fresh Omega 3 from Mr. David Ruggieri; Arctic Ocean Krill Oil from

[11] The parties stipulated that documents obtained in discovery ″from a third party in response to a subpoena″ may be made of record ″by Notice of Reliance alone without further evidence of Authentication.″ 38 TTABVUE 3. Although Opposer objected to the probative weight of the third party evidence, it did not object to their submission into the record.

Natural Biology, Inc.; Arctic Sea and Forever Arctic Sea from Aloe Vera; and Arctic Select Krill Oil from Pro-Health; and Arctic Oils from Xymogen.

[*19]

Opposer argues that the submitted uses ″do not support that the relevant consuming public has been conditioned to distinguish between close marks.″ 76 TTABVUE 31. Notably, Opposer asserts that several of the third parties either don't sell their products in the same channels of trade or don't have significant sales. We note, however, that with the possible exception of Arctic Ocean Krill Oil, the uses are not *de minimus*, and some indicate significant market exposure. Urban Essentials stated that Arctic Essentials has been sold since 2007, in all U.S. states, and that it has a registration for ARCTIC ESSENTIALS, Registration No. 3,360,277. 61 TTABVUE 206-207; 217. Mr. David Ruggieri stated that Arctic Fresh Omega 3 and Arctic Fresh have been used since 2007 in all fifty states, with sales including through the Internet. *Id.* at 225. Natural Biology stated that Arctic Ocean Krill Oil has been sold under the mark since 2010. Although sales were less than $ 20,000 for 2011, they were marketed through the Internet. *Id.* at 242-243. Aloe Vera of America produced documents related to its Arctic Sea and Forever Arctic Sea products. These reflect sales to numerous states around the **[*20]** country, reflecting millions of dollars in sales. *Id.* at 344-352. The documents also include a registration for ARCTIC-SEA, Registration No. 1,908,108. *Id.* at 303. Pro-Health stated that it has promoted its Arctic Select Krill Oil since 2010 in twenty-two direct mail catalogs and via amazon.com as well as via search engine optimization and Google pay-per-click advertising in addition to direct consumer emails. *Id.* at 369. The eighth use, discussed only in the confidential record, notes significant sales of Arctic Oil by Xymogen.

While these eight uses demonstrate some weakness of the term ″ARCTIC″ for fish oil products, there is insufficient evidence of the extent of market exposure of several of the individual products for us to find that the term is widely used for such goods. Furthermore, it remains unclear what share of the fish oil market is possessed by the third-party use. *Cf.* *In re Broadway Chicken Inc., 38 USPQ2d 1559 (TTAB 1996)* (finding BROADWAY PIZZA not confusingly similar to BROADWAY BAR & PIZZA where hundreds of third-party uses of shared term). Overall, we find that this sixth *du Pont* factor weighs slightly against finding a likelihood **[*21]** of confusion.

Conditions of Sale

Applicant urges us to consider the level of purchasing care likely to be exercised by consumers of dietary supplements and fish oil products. There is conflicting evidence in the record in this regard, with Applicant's Chief Financial Officer testifying that ″Supplement consumers are very discerning consumers″ 40 TTABVUE 77, and Opposer's consultant to the president testifying to a gamut of customers including all levels. (41 Conf TTABVUE 27). Applicant noted in a response to interrogatory that its suggested retail price is as low as $ 14.99 for its product. Appl's Response to Interrogatory No. 3. Moreover, it is well-established that even sophisticated consumers are not immune from source confusion. *Cunningham v. Laser Golf Corp., 55 USPQ2d at 1846*. With identical goods and similar marks, even a careful, sophisticated consumer of these goods is not likely to note the differences in the marks. *Stone Lion Capital Partners, LP v. Lion Capital LLP, 746 F.3d 1317, 110 USPQ2d 1157, 1163 (Fed. Cir. 2014)*.

Accordingly, we find this fourth *du Pont* factor to be neutral.

Actual Confusion and Potential for Confusion **[*22]**

The parties discussed the lack of actual confusion and the extent of potential confusion. Applicant

argues that there have been no instances of actual confusion. We note, however, that while the presence of confusion may be very useful to our analysis, the lack of evidence of actual confusion carries little weight. *J.C. Hall Co. v. Hallmark Cards, Inc., 340 F.2d 960, 52 C.C.P.A. 981, 144 USPQ 435, 438 (CCPA 1965)*. This is especially true where, as here, the record is unclear as to the amount of meaningful opportunities for confusion to have occurred among purchasers. *Nike Inc. v. WNBA Enters. LLC, 85 USPQ2d 1187, 1202 (TTAB 2007)*. The parties do not appear to be currently selling to the same consumers. Accordingly, we find these *du Pont* factors to be neutral.

Conclusion

We do not analyze Opposer's SOURCE NATURALS and ARCTICPURE marks conjointly as the requisite elements were not satisfied.

In comparing Opposer's mark ARCTICPURE to applicant's ARCTIC NATURALS mark, and taking into account all of the arguments and evidence of record as they pertain to the relevant *du Pont* factors, we conclude that the goods are legally identical, and may **[*23]** travel through the same or similar channels of trade. Although the shared term ″ARCTIC″ is somewhat weak for the goods involved, the marks nonetheless have the same connotation and commercial impression with the similarity of the terms ″PURE″ and ″NATURALS,″ that, when considered in their entireties, the marks are similar. In conclusion, we find that there is a likelihood of confusion between the marks.

2 McCarthy on Trademarks and Unfair Competition § 11:73 (4th ed.)

McCarthy on Trademarks and Unfair Competition, Fourth Edition
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Chapter 11. The Spectrum of Distinctiveness of Marks
VI. STRENGTH OF MARKS
A. THE SIGNIFICANCE OF STRENGTH

References

§ 11:73. Greater protection for stronger marks

West's Key Number Digest
West's Key Number Digest, Trademarks 1033

The Stronger the Mark, the Broader the Scope of Protection. All trademarks are not equal. Some are strong, some are weak and most are somewhere in between. "Strong" marks are given "strong" protection—protection over a wide range of related products and services and variations on visual and aural format. [1] As the Sixth Circuit observed: "The stronger the mark, the more likely it is that encroachment on it will produce confusion." [2] Conversely, relatively weak marks are given a relatively narrow range of protection both as to products and format variations. [2.50] To be more precise, there are three dimensions along which the relative strength of a mark may operate: market, format and territory.

Consumer Perception Creates Strength. Trademark strength is a product of both conceptual strength and commercial strength. Conceptual strength depends on placement of a mark on the spectrum of distinctiveness. Commercial strength turns on the degree of public recognition of the mark. [3] As infringement is measured by the likelihood of confusion of the relevant customer group, so also is trademark "strength" measured by customer perception. As Chief Judge Markey noted:

> What is intended by references to "strong" and "weak" marks is the effect of such marks upon the mind of the consuming public. A mark that is strong because of its fame or uniqueness, is more likely to be remembered and more likely to be associated in the public mind with a greater breadth of products and services than is a mark that is weak because relatively unknown or very like similar marks or very like the name of the product. [4]

This observation on strength was echoed by the Federal Circuit in 1992 when it remarked that the stronger the mark, the greater the variation of similar marks that will create probable confusion:

> The … fame of the prior mark plays a dominant role in cases featuring a famous or strong mark. Famous or strong marks enjoy a wide latitude of legal protection. … Thus, a mark with extensive public recognition and renown deserves and receives more legal protection than an obscure or weak mark. … Thus, the Lanham Act's tolerance for similarity between competing marks varies inversely with the fame of the prior mark. As a mark's fame increases, the Act's tolerance for similarities in competing marks falls. … The driving designs and origins of the Lanham Act demand the standard consistently applied by this court—namely, more protection against confusion for famous marks. [5]

Consumer Recognition, Strength and the Scope of Exclusive Rights. Thus, the rationale is that the more distinctive, unique and well-known the mark, the deeper is the impression it creates upon the public's consciousness and the greater the scope of protection to which it is entitled. [6] The legal strength of a mark is usually the same as its economic and marketing strength. [7] A term which has achieved widespread customer recognition as a symbol of origin is more likely to result in confusion because of a junior user's similar mark on similar goods than a mark that few customers know of or recognize.

A Contrarian View. The contrarian view is that the stronger the senior mark, the less will be the likelihood of confusion because customers will more readily distinguish even small differences in the junior mark. This view seems counter-intuitive and has enjoyed little success in the courts. It has been rejected by the Federal Circuit [8] and Second Circuit. [9]

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Footnotes

1

Second Circuit

Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254, 2 U.S.P.Q.2d 1677 (2d Cir. 1987) ("The unparalleled strength of Mobil's [flying horse logo] mark demands that it be given broad protection against infringers."); Virgin Enterprises Ltd. v. Nawab, 335 F.3d 141, 148, 67 U.S.P.Q.2d 1420 (2d Cir. 2003) ("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.")

Third Circuit

Checkpoint Systems, Inc. v. Check Point Software Technologies, Inc., 104 F. Supp.2d 427, 457 (D.N.J. 2000), judgment aff'd, 269 F.3d 270, 60 U.S.P.Q.2d 1609, 187 A.L.R. Fed. 585 (3d Cir. 2001)

Fifth Circuit

Exxon Corp. v. Texas Motor Exchange of Houston, Inc., 628 F.2d 500, 504, 208 U.S.P.Q. 384 (5th Cir. 1980) ("The strength of a trademark is important in determining the scope of protection that is granted."); Xtreme Lashes, LLC v. Xtended Beauty, Inc., 576 F.3d 221, 91 U.S.P.Q.2d 1385 (5th Cir. 2009) ("Stronger marks are entitled to greater protection.")

Sixth Circuit

Ameritech, Inc. v. American Information Technologies Corp., 811 F.2d 960, 1 U.S.P.Q.2d 1861 (6th Cir. 1987) (the stronger a trademark, the greater the protection afforded); Champions Golf Club, Inc. v. The Champions Golf Club, Inc., 78 F.3d 1111, 38 U.S.P.Q.2d 1161, 1996 FED App. 0094P (6th Cir. 1996)

Seventh Circuit

James Burrough, Ltd. v. Sign of Beefeater, Inc., 540 F.2d 266, 192 U.S.P.Q. 555 (7th Cir. 1976); Sullivan v. CBS Corp., 385 F.3d 772, 32 Media L. Rep. (BNA) 2516, 72 U.S.P.Q.2d 1586 (7th Cir. 2004); AutoZone, Inc. v. Strick, 543 F.3d 923, 88 U.S.P.Q.2d 1225 (7th Cir. 2008) (Quoting Treatise: "The stronger the mark, the more likely is it that encroachment on it will produce confusion.")

Eighth Circuit

SquirtCo v. Seven-Up Co., 628 F.2d 1086, 207 U.S.P.Q. 897 (8th Cir. 1980) ("a strong and distinctive trademark is entitled to greater protection than a weak or commonplace one")

Ninth Circuit

J. B. Williams Co., Inc. v. Le Conte Cosmetics, Inc., 523 F.2d 187, 189 U.S.P.Q. 10 (9th Cir. 1975) (strong mark entitled to a greater degree of protection); GoTo.com, Inc. v. Walt Disney Co., 202 F.3d 1199, 53 U.S.P.Q.2d 1652 (9th Cir. 2000) (the stronger the mark "the greater protection the mark is accorded by trademark laws")

Tenth Circuit

First Sav. Bank, F.S.B. v. First Bank System, Inc., 101 F.3d 645, 40 U.S.P.Q.2d 1865 (10th Cir. 1996) ("When the primary term is weakly protected to begin with, minor alterations may effectively negate any confusing similarity between the two marks.")

Eleventh Circuit

Welding Services, Inc. v. Forman, 509 F.3d 1351, 85 U.S.P.Q.2d 1233 (11th Cir. 2007) ("The stronger or more distinctive a trademark or service mark, the greater the likelihood of confusion and the greater the scope of protection afforded it and conversely, the weaker the mark, the less protection it receives.")

Federal Circuit

Recot, Inc. v. Becton, 214 F.3d 1322, 54 U.S.P.Q.2d 1894 (Fed. Cir. 2000) ("Famous marks are accorded more protection precisely because they are more likely to be remembered and associated in the public mind that a weaker mark … . [W]e hold that the fame of the mark must always be accorded full weight when determining the likelihood of confusion."); Packard Press, Inc. v. Hewlett-Packard Co., 227 F.3d 1352, 1360, 56 U.S.P.Q.2d 1351 (Fed. Cir. 2000) ("The fifth DuPont factor, fame of the prior mark, when present, plays a 'dominant' role in the process of balancing the DuPont factors.")

Trademark Board

Loreal S.A. and Loreal USA, Inc. v. Marcon, 102 U.S.P.Q.2d 1434, 1437, 2012 WL 1267956 (T.T.A.B. 2012) ("[E]xtreme deference is accorded to a famous mark in terms of the wide latitude of legal protection it receives ….")

2 Champions Golf Club v. The Champions Golf Club, 78 F.3d 1111, 38 U.S.P.Q.2d 1161 (6th Cir. 1996), quoted with approval in First Sav. Bank, F.S.B. v. First Bank System, Inc., 101 F.3d 645, 40 U.S.P.Q.2d 1865 (10th Cir. 1996) ("When the primary term is weakly protected to begin with, minor alterations may effectively negate any confusing similarity between the two marks.").

See discussion and cases at § 24:49.

2.50 *See e.g.* Sure-Fit Products Co. v. Saltzson Drapery Co., 45 C.C.P.A. 856, 254 F.2d 158, 160, 117 U.S.P.Q. 295 (1958) (Affirming dismissal of opposition by SURE-FIT against the registration of RITE-FIT, both for furniture slip-covers. "[W]here a party chooses a trademark which is inherently weak, he will not enjoy the wide latitude of protection afforded the owners of strong trademarks.").

See § 11:76.

3 *See* § 11:83.

4 James Burrough, Ltd. v. Sign of Beefeater, Inc., 540 F.2d 266, 192 U.S.P.Q. 555 (7th Cir. 1976) (BEEFEATER gin mark conceded by defendant to be "famous and celebrated throughout the United States").

5 Kenner Parker Toys, Inc. v. Rose Art Industries, Inc., 963 F.2d 350, 22 U.S.P.Q.2d 1453, 1456 (Fed. Cir. 1992), cert. denied, 506 U.S. 862, 121 L. Ed. 2d 126, 113 S. Ct. 181 (1992). *Accord* Recot, Inc. v. Becton, 214 F.3d 1322, 54 U.S.P.Q.2d 1894 (Fed. Cir. 2000) ("Famous marks are accorded more protection precisely because they are more likely to be remembered and associated in the public mind that a weaker mark … . [W]e hold that the fame of the mark must always be accorded full weight when determining the likelihood of confusion."); Interlego AG v. Abrams/Gentile Entertainment Inc., 63 U.S.P.Q.2d 1862, 2002 WL 31039614 (TTAB 2002) (The mark LEGO for toys was found to be a famous mark entitled to "a very broad scope of protection." A likelihood of confusion was found by the use of applicant's MEGO for toys.); Checkpoint Systems, Inc. v. Check Point Software Technologies, Inc., 104 F. Supp. 2d 427, 457 (D.N.J. 2000), judgment aff'd, 269 F.3d 270, 60 U.S.P.Q.2d 1609, 187 A.L.R. Fed. 585 (3d Cir. 2001), related reference, 2002 WL 1181046 (T.T.A.B. 2002) (quoted with approval); The Nasdaq Stock Market, Inc. v. Antartica, S.R.L., 69 U.S.P.Q.2d 1718, 2003 WL 22021943 (T.T.A.B. 2003) (the fame of the mark NASDAQ is a "significant factor" in finding a likelihood of confusion); Starbucks U.S. Brands, LLC and Starbucks Corporation D.B.A. Starbucks Coffee Company v. Marshall S. Ruben, 78 U.S.P.Q.2d 1741, 2006 WL 402564 (T.T.A.B. 2006) (STARBUCKS for coffee shops is a "famous" mark, resulting in a finding of a likelihood of confusion with the competitive LESS BUCKS).

6 Family Circle, Inc. v. Family Circle Associates, Inc., 332 F.2d 534, 141 U.S.P.Q. 848 (3d Cir. 1964). *Accord* Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254, 2 U.S.P.Q.2d 1677 (2d Cir. 1987) ("The unparalleled strength of Mobil's [flying horse logo] mark demands that it be given broad protection against infringers.").

7 Quoted with approval in Sullivan v. CBS Corp., 385 F.3d 772, 32 Media L. Rep. 2516, 72 U.S.P.Q.2d 1586 (7th Cir. 2004).

8 Judge Rich of the Federal Circuit in 1988 floated the notion that: "The fame of a mark cuts both ways with respect to likelihood of confusion. The better known it is, the more readily the public becomes aware of even a small difference." B.V.D. Licensing Corp. v. Body Action Design, Inc., 846 F.2d 727, 729, 6 U.S.P.Q.2d 1719, 25 Fed. R. Evid. Serv. 954 (Fed. Cir. 1988). This speculation was soundly rejected by the court four years later in 1992 when it specifically disapproved the supposition of the B.V.D. case: "Both before and after B.V.D., this court has consistently afforded strong marks a wider latitude of legal protection than weak marks… . The holding of B.V.D., to the extent it treats fame as a liability, is confined to the facts of that case." Kenner Parker Toys Inc. v. Rose Art Industries, Inc., 963 F.2d 350, 354, 22 U.S.P.Q.2d 1453 (Fed. Cir. 1992); Time Warner Entertainment Company v. Jones, 65 U.S.P.Q.2d 1650, 2002 WL 1628168 (T.T.A.B. 2002) (noting that the dictum from the B.V.D. case is "not controlling precedent"); Loreal S.A. and Loreal USA, Inc. v. Marcon, 102 U.S.P.Q.2d 1434, 1438, 2012 WL 1267956 (T.T.A.B. 2012) ("[T]he fame of a registered or previously used mark can never support a junior party; this *DuPont* factor can only support the senior party.").

Compare Gallagher and Goodstein, Inference versus Speculation in Trademark Infringement Litigation: Abandoning the Fiction of the Vulcan Mind Meld, 94 Trademark Rptr. 1229, 1251 (2004) ("Thus, it appeared to the courts in *B.V.D.* and *Jim Beam* that mark strength could make confusion unlikely. This possibility has not been explored in reported opinions, yet it certainly seems plausible.").

9 Starbucks Corp. v. Wolfe's Borough Coffee, Inc., 588 F.3d 97, 115, 92 U.S.P.Q.2d 1769 (2d Cir. 2009) (Rejecting the argument that the strength of plaintiff's mark should weigh against finding of likely confusion. "We reject [defendant's] argument, however, that the particularly strong Starbucks Marks should 'weigh … against the likelihood of confusion.' In so arguing, [defendant] ignores the rule that a strong mark 'would be a factor favoring the trademark *plaintiff.*'").

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2 McCarthy on Trademarks and Unfair Competition § 11:85 (4th ed.)

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VI. STRENGTH OF MARKS
C. STRENGTH AND THIRD PARTY USE

References

§ 11:85. Crowded trademark markets

West's Key Number Digest
West's Key Number Digest, Trademarks 1033

Just Another Mark in the Crowd of Look-Alikes. The ultimate test of relative strength is the distinctiveness of a mark in the perception and mind of the relevant customer group. A mark that is hemmed in on all sides by similar marks on similar goods or services cannot be very "distinctive." It is merely one of a crowd of similar marks. In such a crowd, customers will not likely be confused between any two of the crowd and may have learned to carefully pick out one from the other. [1]
When numerous sellers in a product or service line use similar marks, there may be little if any individual distinctiveness and consumers may have difficulty telling one seller from another. [2] "[I]f consumers don't have a clear sense of what plaintiff's mark represents, they are unlikely to purchase defendant's product or service thinking it is plaintiff's." [3]
Each One in the Crowd is a "Weak" Mark. In a "crowded" field of look-alike marks, each member of the crowd is relatively "weak" in its ability to prevent use by others in the crowd. For example, the Trademark Board has said that the field of trademarks in stripe designs on sports shoes is a "crowded" field. That is, widespread use by different firms of a plethora of similar stripe designs "has narrowed the breadth of protection" afforded each mark such that any one such design on sports shoes is limited to substantially that identical design. [4] As the Trademark Board observed:

> [T]his complete saturation of the market with somewhat similar stripe and bar designs leave[s] … manufacturers of athletic shoes engaging in such practice with marks that are extremely weak and certainly entitled to only a very narrow and limited scope of protection …. This means that competitors in this field may come closer to such weak marks without violating the owner's rights therein than would be the case with a stronger mark. [5]

The Trademark Board reversed an *ex parte* refusal to register GRAND HOTELS NYC based on a likelihood of confusion with a registration for GRAND HOTEL. Applicant submitted evidence of five registrations of variations on GRAND HOTEL (such as ANCORAGE GRAND HOTEL), five additional uses of variations on GRAND HOTEL (such as KYOTO GRAND HOTEL AND GARDENS in Los Angeles), and website advertising of ten other GRAND hotels (such as MGM GRAND HOTEL & CASINO in Las Vegas). The Board concluded that because "grand" was a highly suggestive term for a hotel and the proliferation of variations on GRAND for hotels, the mark GRAND HOTEL was entitled to only a very narrow scope of protection: "[W]e conclude that consumers are able to distinguish between different GRAND HOTEL marks based on small differences in the marks, including the addition of a geographic term." [5.50]
Examples of Crowded Markets. Applying the "crowded market" test, the Ninth Circuit found that marks used to identify beauty pageants are a "crowded field" of similar marks consisting of a marital prefix and a geographic term, such as Miss U.S.A., Miss America, Mrs. America, Miss World, etc. In such a crowded field, defendant's MRS. OF THE WORLD was not so close to plaintiff's MISS WORLD as to be likely to cause confusion. [6] The Seventh Circuit affirmed a Rule 12(b)(6) dismissal where a rap duo sued for infringement of its name (PHIFTY-50) by use of "50/50" as the title of a motion picture about a character who has a 50% chance of surviving cancer. Noting that the phrases "50/50" and "fifty-fifty" have been

used as the title of a number of films and songs, the court said plaintiff was "a *very* junior user and in no position to complain about the 2011 film. [Plaintiff] Phifty–50 entered a crowded field, and its rights are correspondingly weak and narrow." [6.50]
Many local cafes and restaurants have similar names. For example, where evidence showed hundreds of restaurants and eating establishments with a name containing the word "Broadway," the Trademark Board held that in this context, "Broadway" was so weak that the applied-for BROADWAY CHICKEN for restaurant services was not confusingly similar to a prior registration of BROADWAY PIZZA for restaurant services. [7] Similarly, in a battle between two "Joe's" Restaurants the San Francisco Bay Area, the court noted that there were several "Joe's" in that area, such as "Joe's Coffee Shop," "Joe's Café," "Little Joe's Pizzeria," "Big Joe's Broiler," "Joe Joe's BBQ Café," "Joe's 24th Street Café," "Joe's Cable Car," "Marin Joe's," "San Rafael Joe's," and an "Original Joe's" in San Jose. The court denied a preliminary injunction in a suit brought by "Original Joe's" in San Francisco against "Uptown Joe's" also in San Francisco, noting that the mark "is not very strong in the marketplace." [8]
Other examples where courts have found a crowded field of marks are:

- ADVANTAGE used on health care programs [9]
- BONGO used in restaurant names [10]
- FLEX on exercise machines [11]
- GRAND hotels [11.50]
- JUPITER in the Internet technology field [12]
- MOOSE (and its image) on clothing [13]
- PEOPLES bank [13.25]
- PLUS on vitamins [13.50]
- Bold colors and graphics for energy drinks [14]

Other examples of terms in common use as marks are found in the following section.

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Footnotes

1 *See* Standard Brands Incorporated v. RJR Foods, Inc., 192 U.S.P.Q. 383, 385, 1976 WL 21135 (T.T.A.B. 1976) (no proof that the public had been educated by exposure to many uses of ROYAL marks to distinguish between different ROYAL marks "on the basis of minute distinctions"); Miss World (UK) Ltd. v. Mrs. America Pageants, Inc., 856 F.2d 1445, 1449, 8 U.S.P.Q.2d 1237, 1241 (9th Cir. 1988) (quoting treatise with approval).

2 However, a mark, to be strong and even famous, need not be unique in the sense of being the one and only. TIFFANY was found to be a famous and very strong mark notwithstanding the existence of some third party users. "We do not think that there is a per se requirement that a mark be unique to be accorded 'famous' status." Applicant's CLASSIC TIFFANY for autos was held confusingly similar to Opposer's TIFFANY for jewelry and other such goods. Tiffany & Co. v. Classic Motor Carriages Inc., 10 U.S.P.Q.2d 1835, 1989 WL 281893 (T.T.A.B. 1989).

3 Source Services Corp. v. Chicagoland JobSource, Inc., 643 F. Supp. 1523, 1531, 1 U.S.P.Q.2d 1048 (N.D. Ill. 1986) ("Where numerous producers or providers use similar marks for similar products or services, consumers may not be at all sure whose mark they are dealing with. … [P]aradoxically, that sort of real confusion militates against finding a 'likelihood of confusion' in the Lanham Act infringement sense.").

4 Puma-Sportschuhfabriken Rudolf Dassler K.G. v. Superga S.P.A., 210 U.S.P.Q. 316, 317, 1980 WL 30117 (T.T.A.B. 1980) (dismissing opposition). See other cases limiting protection to substantially identical designs: Puma-Sportschuhfabriken Rudolf

Dassler Kg v. Roller Derby Skate Corporation, 206 U.S.P.Q. 255, 1980 WL 30121 (T.T.A.B. 1980); In re Chung, Jeanne & Kim Company, Inc., 226 U.S.P.Q. 938, 1985 WL 72090 (T.T.A.B. 1985) (One stripe and six stripe sports shoe designs are mere ornamentation and non-distinctive. Evidence of secondary meaning held insufficient. But "star and stripe" design held a registerable trademark.).

5 In re the Lucky Company, 209 U.S.P.Q. 422, 423, 1980 WL 39048 (T.T.A.B. 1980) (Slight differences between three stripe designs prevented a likelihood of confusion.).

5.50 In re Hartz Hotel Services Inc., 102 U.S.P.Q.2d 1150, 2012 WL 1193704 (T.T.A.B. 2012) ("[W]e find that the addition of NYC to applicant's mark is sufficient to render applicant's mark distinguishable from the mark in the cited registration.").

6 Miss World (UK) Ltd. v. Mrs. America Pageants, Inc., 856 F.2d 1445, 1449, 8 U.S.P.Q.2d 1237 (9th Cir. 1988) ("We view the beauty pageant industry's marks as a 'crowded field' In a 'crowded field of similar marks, each member of the crowd is relatively 'weak' in its ability to prevent use by others in the crowd.'" (quoting treatise)). *See:* Sand Hill Advisors, LLC v. Sand Hill Advisors, LLC, 680 F. Supp. 2d 1107, 1118–1119, 93 U.S.P.Q.2d 1789 (N.D. Cal. 2010) (SAND HILL is weak in view of the many financial businesses which use it in their name which are located near Sand Hill Road in Silicon Valley.); Holding Co. of the Villages, Inc. v. Power Corp., 101 U.S.P.Q.2d 1528, 2012 WL 39395 (M.D. Fla. 2012) ("Village" is a weak mark in a crowded field of names of residential developments. Preliminary injunction denied in THE VILLAGES versus VILLAGES OF LAKESIDE LANDINGS for nearby competitive retirement residential area.).

6.50 Eastland Music Group, LLC v. Lionsgate Entertainment, Inc., 707 F.3d 869, 871, 106 U.S.P.Q.2d 1078 (7th Cir. 2013), petition for cert. filed, 82 U.S.L.W. 3012 (U.S. June 17, 2013) (Citing treatise. Any allegation that the film title caused confusion with plaintiff about the source of the film was "too implausible to support costly litigation.").

7 In re Broadway Chicken Inc., 38 U.S.P.Q.2d 1559, 1996 WL 253841 (T.T.A.B. 1996) ("Evidence of widespread third-party use, in a particular field, of marks containing a certain shared term is competent to suggest that purchasers have been conditioned to look to other elements of the marks as a means of distinguishing the source of goods or services in the field.").

8 Original Joe's Inc. v. Pinsonneault Holdings, LLC, 93 U.S.P.Q.2d 1156, 2009 WL 4254434 (N.D. Cal. 2009).

9 Washington Nat. Ins. Co. v. Blue Cross and Blue Shield United of Wisconsin, 727 F. Supp. 472, 14 U.S.P.Q.2d 1307 (N.D. Ill. 1990) (the suggestive term ADVANTAGE, as used on health care programs, was held to be weak because of extensive use by competitors).

10 Michael Caruso and Co., Inc. v. Estefan Enterprises, Inc., 994 F. Supp. 1454, 1460 (S.D. Fla. 1998), aff'd, 166 F.3d 353 (11th Cir. 1998) (BONGO held a weak mark for wearing apparel because of extensive third party use in the defendant's field of restaurants.).

11 Nautilus Group, Inc. v. Savvier, Inc., 427 F. Supp. 2d 990, 79 U.S.P.Q.2d 1850 (W.D. Wash. 2006) (There is a crowded market of marks in the exercise industry using the word "flex." No likelihood of confusion between senior BOWFLEX exercise machines and junior BODY FLEX exercise bar.).

11.50 In re Hartz Hotel Services Inc., 102 U.S.P.Q.2d 1150, 2012 WL 1193704 (T.T.A.B. 2012) ("Because of the highly suggestive nature of the mark 'Grand Hotel,' the proliferation of registered 'Grand Hotel' marks and the unregistered uses of 'Grand Hotel' marks, the mark 'Grand Hotel' itself, is entitled to only a very narrow scope of protection or exclusivity of use." Reversing *ex parte* refusal to register GRAND HOTELS NYC based on citation of GRAND HOTEL.).

12 Jupiter Hosting Inc. v. Jupitermedia Corp., 76 U.S.P.Q.2d 1042, 2004 WL 3543299 (N.D. Cal. 2004) (There is a crowded field of JUPITER Internet technology marks: preliminary injunction denied.).

13 Moose Creek, Inc. v. Abercrombie & Fitch Co., 331 F. Supp. 2d 1214, 73 U.S.P.Q.2d 1287 (C.D. Cal. 2004), aff'd, 114 Fed. Appx. 921 (9th Cir. 2004) (The word "moose" and a logo of a moose are so commonly used on wearing apparel that confusion is unlikely: preliminary injunction denied. "[M]any retailers are selling clothing bearing with the word 'moose' or a picture of a moose very similar in appearance to the moose depicted in plaintiffs' marks.").

13.25 Peoples Federal Sav. Bank v. People's United Bank, 672 F.3d 1, 8, 101 U.S.P.Q.2d 1663 (1st Cir. 2012) (PEOPLES was descriptive because it described a bank as "people-oriented" and had secondary meaning only in certain neighborhoods around Boston. "Peoples" was found to be in use by 159 banks and thus was "a common [name] in the banking industry as a whole," making the mark weaker. Affirmed denial of preliminary injunction against PEOPLES UNITED BANK.).

13.50 Plus Products v. Natural Organics, Inc., 204 U.S.P.Q. 773, 770, 1979 WL 24902 (T.T.A.B. 1979) ("[A] number of different owners of trademarks have believed, over a long interval of time, that various 'PLUS' marks can be used and registered side by side without causing confusion or mistake provided there are minimal differences between the marks." Dismissing opposition by owner of PLUS against NATURE'S PLUS, both for vitamins.).

14 Hansen Beverage Co. v. National Beverage Corp., 493 F.3d 1074, 83 U.S.P.Q.2d 1276 (9th Cir. 2007), opinion vacated as moot, 499 F.3d 923 (9th Cir. 2007) (There is a crowded market of aggressive graphics and bold color trade dress in the energy drink market. Preliminary injunction reversed.).

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4 McCarthy on Trademarks and Unfair Competition § 23:14 (4th ed.)

McCarthy on Trademarks and Unfair Competition, Fourth Edition
Database updated September 2015
J. Thomas McCarthy
Chapter 23. Likelihood of Confusion: The Test of Trademark Infringement
I. TEST OF LIKELIHOOD OF CONFUSION
B. LIKELIHOOD OF CONFUSION VERSUS ACTUAL CONFUSION

References

§ 23:14. Actual confusion as evidence of a likelihood of confusion—Weight of the evidence

West's Key Number Digest
West's Key Number Digest, Trademarks 1086
West's Key Number Digest, Trademarks 1629(2)

Evidence of only a small number of instances of actual confusion can be dismissed as inconsequential or *de minimis*. [1] Evidence of actual confusion of a very limited scope may be dismissed as *de minimis*: "Probable confusion cannot be shown by pointing out that at someplace, at some time, someone made a false identification." [2] And, as the First Circuit observed:

> Just as one tree does not constitute a forest, an isolated instance of confusion does not prove probable confusion. To the contrary, the law has long demanded a showing that the allegedly infringing conduct carries with it a likelihood of confounding an appreciable number of reasonably prudent purchasers exercising ordinary care. [3]

It has been stated that a likelihood of confusion must be shown by more than an "occasional misdirected letter." [4] However, evidence of misdirected letters is entitled to some weight as indicative of a likelihood of confusion. [5]

Evidence of the number of instances of actual confusion must be placed against the background of the number of opportunities for confusion before one can make an informed decision as to the weight to be given the evidence. If there is a very large volume of contacts or transactions which could give rise to confusion and there is only a handful of instances of actual confusion, the evidence of actual confusion may receive relatively little weight. "Given significant volume of sales, isolated instances of actual confusion may be disregarded as de minimis." [6] Similarly, the Ninth Circuit held that in the light of both parties' high volume of business, several misdirected letters and checks were "insignificant" in stances of actual confusion: "[T]he instances of confusion, at best, were thin, and at worst, were trivial. … The court acted properly in finding that any actual confusion was de minimis." [7]

The increasing use in the 21st Century of e-mail as a conduit of personal and commercial communication introduces a new source of misdirected messages as possible evidence of actual confusion, but a handful of such misdirected messages may be dismissed as insignificant when the company engages in a large volume of transactions and communications. [8] In addition, there is the possibility that e-mails were misdirected by people "because they were inattentive or careless, as opposed to being actually confused." [9]

However, given the proper factual setting, even just a few instances of actual confusion can provide very persuasive evidence of how and why confusion can occur. [9.50] Remarking that "it takes very little evidence to establish the existence of the actual confusion factor," the Eleventh Circuit noted that when the goods are inexpensive, it is difficult to obtain actual confusion evidence. In such a case, four bona fide instances of actual confusion were found sufficient to support a finding of actual confusion. [10] Similarly, the Fifth Circuit has noted that when there is real evidence of actual customer confusion, this "evidence is highly probative of infringement" and can prevent a summary dismissal of charges of infringement. [10.10]

It has been held that defendant need not disclose in discovery the names of defendant's customers in order for plaintiff to question them regarding instances of actual confusion. [11]

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Footnotes

1

First Circuit

DeCosta v. Columbia Broadcasting System, Inc., 520 F.2d 499, 186 U.S.P.Q. 305 (1st Cir. 1975)

Second Circuit

Atlantic Richfield Co., 43 U.S.P.Q.2d 1574, 1997 WL 607488 (S.D. N.Y. 1997), aff'd on other grounds, 150 F.3d 189, 47 U.S.P.Q.2d 1529 (2d Cir. 1998) (Evidence of actual confusion was characterized as "meager" and "de minimis at best." "[I]solated incidents of confusion, especially by unidentified individuals after the commencement of litigation, is insufficient to establish a likelihood of confusion."); Nora Beverages, Inc. v. Perrier Group of America, Inc., 269 F.3d 114, 60 U.S.P.Q.2d 1038 (2d Cir. 2001) (two allegedly confused consumers was de minimis evidence of actual confusion and did not support a finding of a likelihood of confusion.)

Third Circuit

McNeil Nutritionals, LLC v. Heartland Sweeteners, LLC, 511 F.3d 350, 85 U.S.P.Q.2d 1545 (3d Cir. 2007) (The testimony of a single consumer did not prove a likelihood of confusion where that person was "not representative of the kind of shopper ordinarily purchasing" the food product at issue.)

Fourth Circuit

Petro Stopping Centers, L.P. v. James River Petroleum, Inc., 130 F.3d 88, 44 U.S.P.Q.2d 1921 (4th Cir. 1997) ("In light of its huge volume of commerce, [plaintiff's] meager evidence of actual confusion is at de minimis.")

Sixth Circuit

Champions Golf Club, Inc. v. The Champions Golf Club, Inc., 78 F.3d 1111, 38 U.S.P.Q.2d 1161 (6th Cir. 1996) ("[F]our incidents is not a considerable quantum of evidence of actual confusion and minimal or isolated instances of actual confusion are, obviously, less probative than a showing of substantial actual confusion.")

Seventh Circuit

Platinum Home Mortg. Corp. v. Platinum Financial Group, Inc., 149 F.3d 722, 47 U.S.P.Q.2d 1587 (7th Cir. 1998) ("[D]e minimis evidence of actual confusion does not necessarily establish a likelihood of consumer confusion."); Syndicate Sales, Inc. v. Hampshire Paper Corp., 192 F.3d 633, 52 U.S.P.Q.2d 1035 (7th Cir. 1999) (evidence of only two retailers who were confused was "minimal" and did not prevent dismissal on summary judgment)

Ninth Circuit

Nutri/System, Inc. v. Con-Stan Industries, Inc., 809 F.2d 601, 1 U.S.P.Q.2d 1809 (9th Cir. 1987); Entrepreneur Media, Inc. v. Smith, 279 F.3d 1135, 61 U.S.P.Q.2d 1705 (9th Cir. 2002) (Evidence of one instance of actual confusion does not require summary judgment of infringement for plaintiff. Summary judgment was reversed)

Tenth Circuit

Universal Money Centers, Inc. v. American Tel. & Tel. Co., 22 F.3d 1527, 30 U.S.P.Q.2d 1930, 28 Fed. R. Serv. 3d 1383 (10th Cir. 1994) (de minimis evidence of actual confusion does not establish a genuine issue of fact on the likelihood of confusion issue sufficient to prevent dismissal on summary judgment); King of the Mountain Sports, Inc. v. Chrysler Corp., 185 F.3d 1084, 51 U.S.P.Q.2d 1349 (10th Cir. 1999) (seven examples of actual confusion is insufficient: "Thus handful of anecdotal evidence is de minimis and does not support a finding of a genuine issue of material fact as to the likelihood of confusion. …"); Vail Associates, Inc. v. Vend-Tel-Co., Ltd., 516 F.3d 853, 85 U.S.P.Q.2d 1971 (10th Cir. 2008) one person's testimony about the possible confusion of "some" others is not convincing evidence of actual confusion.); Water Pik, Inc. v. Med-Systems, Inc., 726 F.3d 1136, 1151, 107 U.S.P.Q.2d 2095, 92 Fed. R. Evid. Serv. 136 (10th Cir. 2013) (Four instances of actual confusion were *de minimis* and were "isolated episodes with minimal probative value on whether reasonable consumers as a whole are actually confused by Water Pik's trademark."); Hornady Mfg. Co., Inc. v. Doubletap, Inc., 746 F.3d 995, 1005, 110 U.S.P.Q.2d 1140 (10th Cir. 2014) (Three instances of confusion over the ten years that defendant was in the market "constitute *de minimis* evidence of a likelihood of confusion." Affirmed summary dismissal of infringement claim.)

D.C. Circuit

McGraw-Hill Pub. Co. v. American Aviation Associates, 117 F.2d 293, 47 U.S.P.Q. 494 (App. D.C. 1940)

Cal.

Schwartz v. Slenderella Systems of Cal., 43 Cal. 2d 107, 271 P.2d 857, 102 U.S.P.Q. 177 (1954)

T.T.A.B.

National Rural Electric Cooperative Association v. Suzlon Wind Energy Corporation, 78 U.S.P.Q.2d 1881, 2006 WL 1151404 (T.T.A.B. 2006), aff'd, 214 Fed. Appx. 987 (Fed. Cir. 2007) (One instance of an e-mail asking if the defendant's mark might be an infringement was not sufficient evidence of a likelihood of confusion. “We are not persuaded that this single instance of alleged actual confusion is significant.”)

2 McGraw-Hill Pub. Co. v. American Aviation Associates, 117 F.2d 293, 295, 47 U.S.P.Q. 494 (App. D.C. 1940).

3 International Ass'n of Machinists & Aero. Workers v. Winship Green Nursing Ctr., 103 F.3d 196, 41 U.S.P.Q.2d 1251 (1st Cir. 1996). *Accord* Cosmetic Dermatology and Vein Centers of Downriver P.C. v. New Faces Skin Care Centers Ltd., 54 U.S.P.Q.2d 1250, 2000 WL 423352 (E.D. Mich. 2000) (one isolated instance of actual confusion over a four year period of co-existence “supports the inference that there is no likelihood of confusion.”).

4 Everest & Jennings, Inc. v. E & J Mfg. Co., 263 F.2d 254, 120 U.S.P.Q. 247 (9th Cir. 1958), cert. denied, 360 U.S. 902, 3 L. Ed. 2d 1254, 79 S. Ct. 1284, 121 U.S.P.Q. 653 (1959). *See* Safeway Stores, Inc. v. Safeway Discount Drugs, Inc., 675 F.2d 1160, 216 U.S.P.Q. 599 (11th Cir. 1982) (one misdirected letter to plaintiff from a creditor of defendant and one customer enquiry held “worthy of some consideration”).

5 Technicon Co. v. Erickson Tool Co., 116 U.S.P.Q. 97, 1958 WL 5832 (Comm'r Pat. 1958) (misdirected letters entitled to weight as indicative of likely confusion).

6 Inc. Publishing Corp. v. Manhattan Magazine, Inc., 616 F. Supp. 370, 227 U.S.P.Q. 257 (S.D.N.Y. 1985), aff'd without op., 788 F.2d 3 (2d Cir. 1986) (“Anecdotal evidence” of misdirected telephone calls and inquiries to employees were not impressive because not proof of confusion of consumers contemplating a purchase and because similarity of marks alone may not have prompted these events: “We have no idea what prompted the declarations.”). *See* Door Systems, Inc. v. Pro-Line Door Systems, Inc., 83 F.3d 169, 38 U.S.P.Q.2d 1771 (7th Cir. 1996) (“the plaintiff's evidence that two consumers (out of how many thousands?) may have been misled cannot by itself be thought to create a contestable issue of likelihood of confusion even if the evidence, which is hearsay, is admissible and credible, as we doubt”; likelihood of confusion not found); Madison Reprographics, Inc. v. Cook's Reprographics, Inc., 552 N.W.2d 440, 41 U.S.P.Q.2d 1905 (Wis. App. 1996) (when viewed in context, instances of actual confusion were “minimal”); A & H Sportswear Co., Inc. v. Victoria's Secret Stores, Inc., 57 F. Supp. 2d 155, 52 U.S.P.Q.2d 1143 (E.D. Pa. 1999), judgment aff'd in part, vacated in part on other grounds, 237 F.3d 198, 57 U.S.P.Q.2d 1097 (3d Cir. 2000) (“Placed against the background of the number of opportunities for confusion, it is not so surprising that isolated evidence of actual confusion exists. However, such evidence is not itself sufficient to establish a likelihood of confusion.”); McDonald's Corp. v. Shop at Home, Inc., 82 F. Supp. 2d 801, 53 U.S.P.Q.2d 1959 (M.D. Tenn. 2000) (sixteen instances of actual confusion “borders on insignificant” for a mass marketer like McDonald's).

7 Nutri/System, Inc. v. Con-Stan Industries, Inc., 809 F.2d 601, 1 U.S.P.Q.2d 1809 (9th Cir. 1987). *See* Homeowners Group, Inc. v. Home Marketing Specialists, Inc., 931 F.2d 1100, 18 U.S.P.Q.2d 1587 (6th Cir. 1991) (“Where the parties have been doing business in the same area for some time and where they have advertised extensively, isolated instances of actual confusion are not conclusive or entitled to great weight in the determination.”); Alchemy II v. Yes! Entertainment Corp., 844 F. Supp. 560, 30 U.S.P.Q.2d 1770, n.12 (C.D. Cal. 1994) (“[F]ifteen phone calls inquiring about a [toy] product during the Christmas season is *de minimis*, and in fact to be expected.”); Daddy's Junky Music Stores, Inc. v. Big Daddy's Family Music Ctr., 109 F.3d 275, 42 U.S.P.Q.2d 1173 (6th Cir. 1997) (“[I]solated instances of actual confusion after a significant period of time of concurrent sales or extensive advertising do not always indicate an increased likelihood of confusion and may even suggest the opposite.” But one instance of actual confusion “favors plaintiff at least to some degree.” Summary judgment of no likely confusion was reversed.); Petro Shopping Centers L.P. v. James River Petroleum, 130 F.3d 88, 44 U.S.P.Q.2d 1921 (4th Cir. 1997) (“In light of its huge volume of commerce, [plaintiff's] meager evidence of actual confusion is at *de minimis*.”); D & J Master Clean, Inc. v. Servicemaster Co., 181 F. Supp. 2d 821, 828 (S.D. Ohio 2002) (two misdirected phone calls per week out of average of 550 calls is only 0.36% and does not support a finding of actual confusion.); Nautilus Group, Inc. v. ICON Health and Fitness, Inc., 372 F.3d 1330, 71 U.S.P.Q.2d 1173, 64 Fed. R. Evid. Serv. 687 (Fed. Cir. 2004) (Four misdirected phone calls out of thousands is a "relatively small number" which is "too unreliable to establish actual confusion." CAFC applied Ninth Circuit law.); George & Co. LLC v. Imagination Entertainment Ltd., 575 F.3d 383, 398, 91 U.S.P.Q.2d 1786 (4th Cir. 2009) (Evidence of four instances of confusion was at most *de minimis* in light of the “huge sales volume.”).

8 Therma-Scan, Inc. v. Thermoscan, Inc., 295 F.3d 623, 63 U.S.P.Q.2d 1659, 2002 FED App. 0227P (6th Cir. 2002) (six misdirected e-mail messages as evidence of confusion were held "legally insignificant" where defendant sold 3,200,000 medical thermometers during a 3 ½ year period and received 11,000 calls each month on its consumer information phone number).

9 Therma-Scan, Inc. v. Thermoscan, Inc., 295 F.3d 623, 63 U.S.P.Q.2d 1659, 2002 FED App. 0227P (6th Cir. 2002) ("[W]e conclude that the six e-mail messages provide only weak support for finding a likelihood of confusion." Summary dismissal was affirmed.).

9.50 Heartland Animal Clinic, P.A. v. Heartland SPCA Animal Medical Clinic, LLC, 861 F. Supp. 2d 1293, 102 U.S.P.Q.2d 1905 (D. Kan. 2012), aff'd, 503 Fed. Appx. 616 (10th Cir. 2012) (Relying on treatise and granting preliminary injunction where evidence showed confused customers contacting plaintiff by mistake.).

10 AmBrit, Inc. v. Kraft, Inc., 805 F.2d 974, 1 U.S.P.Q.2d 1161 (11th Cir. 1986), op. superseded by 812 F.2d 1531 (11th Cir. 1986), cert. denied, 481 U.S. 1041, 95 L. Ed. 2d 822, 107 S. Ct. 1983 (1987). *See* Beer Nuts v. Clover Club Foods Co., 805 F.2d 920, 231 U.S.P.Q. 913 (10th Cir. 1986) ("Purchasers are unlikely to bother to inform the trademark owner when they are confused about an inexpensive product."); Fuddruckers, Inc. v. Doc's B.R. Others, Inc., 826 F.2d 837, 4 U.S.P.Q.2d 1026 (9th Cir. 1987) ("Evidence of actual confusion is persuasive proof that future confusion is likely."); Brunswick Corp. v. Spinit Reel Co., 832 F.2d 513, 4 U.S.P.Q.2d 1497 (10th Cir. 1987) (evidence of actual confusion when the product is low priced is "more valuable because purchasers are more likely to avoid the brand in the future than complain"); Varitronics Sys. v. Merlin Equip., 682 F. Supp. 1203, 6 U.S.P.Q.2d 1789 (S.D. Fla. 1988) (while there is only one incident of actual confusion, "it is a very compelling incident" and substantiates a finding of a likelihood of confusion).

10.10 Xtreme Lashes, LLC v. Xtended Beauty, Inc., 576 F.3d 221, 230, 91 U.S.P.Q.2d 1385 (5th Cir. 2009) ("While summary judgment may be appropriate in outlier cases, … courts may not ignore competent evidence of actual confusion, … The evidence shows more than a fleeting mix-up of names. It shows actual confusion about the origin of the parties' products. The confusion was caused by the trademarks employed and it swayed consumer purchases.").

11 Foxworthy v. Sun Art Designs Inc., 42 U.S.P.Q.2d 1317, 1997 WL 196624 (S.D. Fla. 1997) (because evidence of actual confusion is not necessary to plaintiff's case, it is not necessary for defendant to disclose its list of customers).

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May 11, 1993

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TABLES and INDEX

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(4th Cir.1990); Mobil Oil Corp. v. Pegasus Petroleum Corp., 818 F.2d 254 (2d Cir.1987); My-T Fine Corp. v. Samuels, 69 F.2d 76 (2d Cir.1934). Cf. Resource Developers, Inc. v. Statue of Liberty-Ellis Island Foundation, Inc., 926 F.2d 134 (2d Cir.1991) (intent to deceive creates a presumption of actual confusion for the purpose of proving damages, citing Restatement Third, Unfair Competition § 22 (Tent. Draft No.2 (1990))) (dictum). Other courts view an intent to confuse merely as a factor that may justify an inference that confusion is likely. E.g., Computer Care v. Service Systems Enterprises, Inc., 982 F.2d 1063 (7th Cir.); American Home Products Corp. v. Barr Laboratories, Inc., 834 F.2d 368 (3d Cir.1987); Restatement of Torts § 729, Comment *f* (1938). However, an intent to copy or imitate another's mark does not necessarily establish an intent to confuse. See, e.g., American Home Products, *supra*; Sno-Wizard Mfg., Inc. v. Eisemann Products Co., 791 F.2d 423 (5th Cir.1986); Blau Plumbing, Inc. v. S.O.S. Fix-It, Inc., 781 F.2d 604 (7th Cir.1986); Devan Designs, Inc. v. Palliser Furniture Corp., 25 U.S.P.Q.2d 1991 (M.D.N.C. 1992), affirmed 998 F.2d 1008 (4th Cir.1993) (citing Restatement Third, Unfair Competition § 22 (Tent. Draft No.2 (1990))). See also Nike, Inc. v. "Just Did It" Enterprises, 6 F.3d 1225 (7th Cir.1993) (distinguishing an intent to parody from an intent to confuse); Anheuser-Busch, Inc. v. L & L Wings, Inc., 962 F.2d 316 (4th Cir.), cert. denied ___ U.S. ___, 113 S.Ct. 206, 121 L.Ed.2d 147 (1992) (same); Jordache Enterprises, Inc. v. Hogg Wyld, Ltd., 828 F.2d 1482 (10th Cir.1987) (same); American Express Co. v. Vibra Approved Laboratories Corp., 10 U.S.P.Q.2d 2006 (S.D.N.Y. 1989); Tetley, Inc. v. Topps Chewing Gum, Inc., 556 F.Supp. 785 (E.D.N.Y. 1983). On the other hand, an intent to cause confusion may be inferred from intentional copying if there is no other plausible explanation for the copying. See Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc., 659 F.2d 695 (5th Cir.1981), cert. denied 457 U.S. 1126, 102 S.Ct. 2947, 73 L.Ed.2d 1342 (1982).

Illustration 1 is based on *Chevron Chemical Co., supra.*

Illustration 2 is based on *American Express Co., supra.*

Illustration 3 is suggested by the facts in *Blau Plumbing, supra.*

§ 23. Proof of Likelihood of Confusion: Evidence of Actual Confusion

(1) A likelihood of confusion may be inferred from proof of actual confusion.

(2) An absence of likelihood of confusion may be inferred from the absence of proof of actual confusion if the actor and the other have made significant use of their respective designations in the same geographic market for

a substantial period of time, and any resulting confusion would ordinarily be manifested by provable facts.

Comment:

a. Scope. This Section describes the role of proof of actual confusion in determining the likelihood of confusion under the rule stated in § 20. Evidence of actual confusion can also be relevant in determining appropriate relief under the rules stated in §§ 35–37.

b. Relevance of actual confusion. Evidence of actual confusion is not necessary in order to prove infringement, but the existence of actual confusion is frequently included in judicial enumerations of the factors to be considered in determining the likelihood of confusion. However, like the actor's intent (see § 22), proof of actual confusion differs from the factors listed in § 21 because it does not relate to the marketing circumstances that influence the manner in which the designation is perceived by prospective purchasers. Rather, the existence of actual confusion is direct evidence that in the market context of their actual use the similarities between the two designations are sufficient to create confusion. Thus, actual confusion, or the absence of actual confusion, can confirm or discredit inferences drawn from the market factors in § 21.

All courts recognize the relevance of proof of actual confusion in determining whether there is a likelihood of confusion, and convincing evidence of substantial actual confusion is ordinarily decisive. Courts occasionally suggest that proof of actual confusion is necessary if the evidence relating to market factors fails to establish a likelihood of confusion, but these statements merely recognize that such proof can overcome a contrary inference arising from the marketing context of the use.

c. Proof of actual confusion. Actual confusion can be established through the direct testimony of consumers. It can also be shown through evidence of conduct probative of confusion such as misdirected letters and telephone calls. Evidence of inquiries by customers as to whether the plaintiff and the defendant are associated, however, may not establish the existence of actual confusion if the nature of the inquiries indicates that consumers perceive a difference between the designations and are skeptical of the existence of a connection between the users. Evidence of confusion arising in circumstances that differ from those in which the designations are encountered by prospective purchasers may be entitled to little weight. Proof of only a few instances of actual confusion may also be insufficient to support an inference that a significant number of prospective purchasers are likely to be confused. See § 20, Comment *g*.

Consumer surveys can be helpful in establishing whether confusion is likely. Although no survey can duplicate perfectly the market-

ing circumstances of the use, a survey that reasonably reflects the state of mind of prospective purchasers as they encounter the designations in the marketplace is admissible evidence of the likelihood of confusion. The reliability of a survey depends on the construction of the survey instrument, the validity of the sample, and the manner in which the survey is conducted. A survey that is substantially flawed on any of these grounds may be so unreliable as to be inadmissible. Less substantial flaws may be considered in assessing the appropriate weight to be accorded to the survey's findings. See § 20, Comment *g*.

Although surveys can be helpful in resolving the issue of infringement, they can also add significantly to the cost of trademark litigation. While some courts have drawn adverse inferences against parties who fail to introduce a consumer survey, such an approach attributes too much importance to survey evidence. Surveys are useful but not indispensable evidence of the likelihood of confusion, and no inference on that issue should be drawn from a mere failure to offer survey evidence.

d. Absence of actual confusion. A trademark owner need not prove actual confusion in order to prove a likelihood of confusion, and ordinarily the absence of proof of actual confusion is not significant. In an impersonal marketplace, instances of actual confusion may not be readily discoverable because consumers do not typically disclose their state of mind when making purchases. However, when the parties have made significant use of their respective designations in the same geographic market for a substantial period of time, the absence of any evidence of actual confusion may in some cases justify an inference that the actor's use does not create a likelihood of confusion. Whether such an inference is justified depends upon the likelihood that any actual confusion of prospective purchasers would be manifested by provable facts.

REPORTERS' NOTE

The relevance of evidence of actual confusion is discussed in McCarthy, Trademarks and Unfair Competition § 23.02.

Comment b. Evidence of actual confusion is not necessary in order to prove a likelihood of confusion. See Wynn Oil Co. v. Thomas, 839 F.2d 1183 (6th Cir.1988); Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co., 799 F.2d 867 (2d Cir.1986); Chevron Chemical Co. v. Voluntary Purchasing Groups, Inc., 659 F.2d 695 (5th Cir.1981), cert. denied 457 U.S. 1126, 102 S.Ct. 2947, 73 L.Ed.2d 1342 (1982) (actual confusion may be difficult to detect when the goods are relatively inexpensive). However, proof of actual confusion is strong evidence of a likelihood of confusion and in some cases may be sufficient to prove infringement. See, e.g.,