

## THE DEFENSE OF A TRADEMARK INFRINGEMENT CASE [n.1]

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### Introduction

Sancho: But if this is hell, why do we see no lawyers?

Clarindo: They won't receive them, lest they bring lawsuits here.

Sancho: If there are no lawsuits here, hell's not so bad.

Lope de Vega, *The Star of Seville*, Act 3, Scene 2.

The topic of the defense of a trademark infringement case is rarely addressed in treatises, articles or speeches and, even then, only sparingly. Several reasons suggest themselves. The first is that it seems more interesting to describe how an injunction or a multi-million dollar award was obtained than it is to describe why injunctive relief was denied or how a claim for unspecified monetary relief was thwarted. With respect to the latter point, trademark cases do not usually involve any preset amount of prospective damages so that a decision denying monetary recovery [n.2] would not normally reflect that millions of dollars were being sought. A second reason is that just as it is easier to prove the positive than the negative, it is easier to discuss how to prove the former than it is to discuss how to prove the latter.

My reason for selecting this topic is my impression that I have had more success in defending trademark infringement cases than I have had in prosecuting them. I attribute this success to two factors. First, and foremost, I learned how to defend trademark infringement cases from Leslie D. Taggart, and second, I have been fortunate that few, if any, of the defendants whom I have represented have been "willful" infringers.

\*384 A word about Leslie D. Taggart, who passed away last summer. I first met Leslie D. Taggart in 1962 when I became associated with the firm of Watson, Leavenworth, Kelton & Taggart, of which he was a senior partner, and I worked with him until I left that firm in 1979. As I said in 1978 when I introduced Leslie D. Taggart to the USTA Annual Meeting, he was the best trademark lawyer of his era. His passing received inadequate notice.

A word about innocent infringement. Trademark law is above all else equitable. A defendant who has acted in bad faith has an almost impossible task, regardless of any other factors, and this article will not discuss the defense of willful infringers.

Also excluded from this article is a defense strategy which unfortunately continues to be practiced by many attorneys, including trademark attorneys, and that is a defense based upon abusive discovery. I am constantly amazed at the number of attorneys who continue to serve lengthy discovery requests addressed to subjects which are immaterial to any issues in the litigation and where even they do not care what the answers may be. Fortunately, when you represent trademark infringement defendants, you generally find that responding to needless discovery is beneficial because it forces you to prepare your case for trial.

In recent years, trademark infringement litigation has come to involve consideration of numerous factors (e.g., the Polaroid factors) which are said to be determinative of the issue of likelihood of confusion, or the issue of trademark infringement, or the issue of injunctive relief, or some combination thereof. This article will discuss a number of cases which illustrate elements of defense strategy in trademark cases both prior and subsequent to the emergence of these factors.

## DEFENSE STRATEGY BEFORE THE EMERGENCE OF THE FACTORS

### Classic Infringement

The classic definition of infringement was set forth by the Supreme Court as follows:

No trader can adopt a trademark so resembling that of another trader as that ordinary purchasers, buying with ordinary caution, are likely to be misled. *McLean v. Fleming*, 96 U.S. 245, 251 (1877).

This definition was codified in Section 32(1) (a) of the Lanham Act, 15 U.S.C. § 1114(1) (a):

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

\*385 Under the classic definition, trademark infringement litigation seemed to focus on the ultimate issue, namely, whether or not ordinary purchasers buying with ordinary caution were likely to be confused. Among the types of evidence used by trademark infringement plaintiffs to prove the affirmative of this issue, in addition to appealing to the trier of the fact's perceptions (or preconceptions or prejudices), are evidence of actual confusion and surveys.

Unfortunately such types of evidence are not equally useful to those seeking to prove the negative. The absence of evidence of actual confusion is not the same as evidence of no actual confusion, particularly in view of the uniform line of cases holding (a) that evidence of actual confusion is difficult to obtain and (b) that it is not necessary. A survey seeking to prove the absence of a likelihood of confusion is usually counterproductive since there is always some level of people who will be confused.

Thus, a defendant's better arguments have seemed to turn on the words "ordinary purchasers buying with ordinary caution."

### How Do You Prove That Ordinary Purchasers Are Not Likely To Be Misled?

In *Humble Oil & Refining Company v. Standard Oil Company*, 229 F.Supp. 586, 141 USPQ 153 (S.D. Miss. 1964), reversed 363 F.2d 945, 150 USPQ 312 (5th Cir.1966), the defendant (declaratory judgment plaintiff) sought a declaratory judgment that its use of ESSO in the five-state territory in which the plaintiff had exclusive rights in its STANDARD OIL name and derivatives, such as S.O., did not violate the plaintiff's trademark rights. The plaintiff (declaratory judgment defendant) counterclaimed for injunctive relief. The defendant established to the trial court's satisfaction that (1) the plaintiff's confusion witnesses had been either careless or inattentive or their confusion had been caused by the plaintiff's misconduct or was non-actionable and (2) that ordinary persons buying with ordinary caution would not be confused. [n.3]

The second point is of particular interest. In order to establish that confusion was likely the plaintiff adduced confusion evidence from a survey of some 7,500 respondents and numerous instances of actual confusion. The defendant countered in part by calling "non-confusion" witnesses. Using the ESSO dealer network in the territory, the defendant \*386 was able to locate numerous "non-confusion" witnesses, several hundred of whom agreed to travel to the scene of the trial to testify.

In order to render such non-confusion testimony admissible, these witnesses were not offered to state their conclusions but rather to explain to the court how ordinary purchasers such as themselves ordinarily patronize service stations. Of course, they also stated that when they patronized the local ESSO stations, they did not believe them to be connected with the STANDARD OIL stations in their communities. After several days of testimony from 48 such witnesses, the plaintiff stipulated that the remaining 286 persons on the defendant's witness list would testify to the same effect.

In *Ye Olde Tavern Cheese Products. Inc. v. Planters Peanuts Division, Standard Brands Incorporated*, 261 F.Supp. 203, 151 USPQ 244 (N.D. Ill. 1966), affirmed, 394 F.2d 833, 155 USPQ 481 (7th Cir.1967), the plaintiff, as prior user and registrant of the trademark YE OLDE TAVERN for nuts sought to enjoin the defendant's use of PLANTERS TAVERN NUTS. During the trial, the plaintiff offered no evidence of how products were sold or purchased. From this the defendant was able to argue successfully that the Court

had no alternative but to consider the marks as they appeared on packaging, that it had no basis to consider "Tavern" to be the dominant part of the plaintiff's mark and that it needed to consider "Planters" and the other distinguishing elements of the defendant's packaging. In this way, the defendant was able to avoid application of the doctrine of *Jacobs v. Beecham*, 221 U.S. 263 (1911), which held the addition of a defendant's house mark to a plaintiff's mark was no defense. The defendant relied upon the following cases:

In other words, defendants' label as it appears upon its product when placed upon the market, may properly be compared with plaintiff's trade mark. *John Morrell & Co. v. Doyle*, 97 F.2d 232, 236, 37 USPQ 565, 569 (7th Cir.1938).

When met in the market place, the products of the parties left no room for doubt as to their source or their nature. There was no confusion there. That is the place that counts. Purchases of merchandise are not made in a vacuum with Professor Quiz in charge. It may be possible to create confusion in this case, but neither the names nor the manner of marketing the products does so. *Quaker Oats Co. v. General Mills. Inc.*, 134 F.2d 429, 432, 56 USPQ 400, 435 (7th Cir.1943).

*Camacho Cigars, Inc. v. Compania Insular Tabacalera, S.A.*, 171 USPQ 673 (D.D.C. 1971), involved a review of a TTAB decision. On the basis of prior use and registration of SAN MARCO for cigars, the plaintiff had opposed defendant's application to register DON MARCOS for cigars. The opposition was dismissed, the plaintiff appealed to the CCPA, the defendant removed to District Court and the plaintiff counterclaimed to enjoin use. [n.4]

\*387 The Court stated the issue as follows:

In short, does the admitted similarity of the marks [SAN MARCO vs. DON MARCOS] make it reasonably probable or likely the persons in the cigar market will be likely to be mistaken or deceived" (p. 674).

Here again, the plaintiff relied upon the "obvious" similarity in the marks and offered no evidence as to the conditions under which the products of the parties (relatively expensive cigars) were offered for sale or how they were purchased. The defendant augmented the TTAB record by the live testimony of Marcos Glaser ("Don Marcos"), the president of the exclusive importer of the defendant's cigars, who testified as to how the cigars were displayed (i. e., in very distinguishable boxes) and how the discriminating purchaser would examine the cigars before selection. With such evidence supplementing that before the Board, the District Court had no difficulty in affirming the dismissal of the opposition and in dismissing the trademark infringement counterclaim.

## THE FACTORS

Over the last several decades, the classic test of trademark infringement has fallen into disfavor and been replaced by adherence, if not blind adherence, to the "factors." As first enunciated by the Second Circuit, they are:

Where the products are different, the prior owner's chance of success is a function of many variables: the strength of his mark, the degree of similarity between the two marks, the proximity of the products, the likelihood that the prior owner will bridge the gap, actual confusion, and the reciprocal of defendant's good faith in adopting its own mark, the quality of defendant's product, and the sophistication of the buyers. Even this extensive catalogue does not exhaust the possibilities--the court may have to take still other variables into account. American Law Institute, Restatement of Torts, § § 729,730,731. *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d. 492, 495, 128 USPQ 411, 413 (2d Cir.1961).

Other circuits have stated them similarly. For example, in the Third Circuit:

(1) [T]he 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 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, though not competing, are marketed through the same channels of trade and advertised through the same media; (8) the extent to which the \*388 targets of the parties' sales efforts are the same; (9) the relationship of the goods in the minds of the public because of the similarity of function; (10) other facts suggesting that the consuming public might expect the prior owner to manufacture a product in the defendant's market. *Scott Paper Company v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225, 1229, 200 USPQ 421, 425 (3d Cir.1978).

While some courts have stated that the factors are to be used to decide the issue of infringement, the Second Circuit, at least, has intimated that their proper purpose should be to decide whether or not to issue injunctive relief. For example, in *Mushroom Makers, Inc. v. R.G. Barry Corporation*, 441 F.Supp. 1220, 196 USPQ 471 (SDNY 1977), affirmed, 580 F.2d 44, 199 USPQ 65 (2d Cir.1978), where the District Court had found no infringement and denied injunctive relief, the Court of Appeals affirmed even though it found infringement to exist as a matter of law.

In *Vittaroz Corporation v. Borden. Inc.*, unreported (SDNY 1980), affirmed, 644 F.2d 963, 209 USPQ 969 (2d Cir.1981), the Court expanded the use of the factors to competitive goods, and it is now generally accepted that the factors must be considered even where the goods are identical.

In cases involving unrelated goods, the classic test of trademark infringement is often inadequate since ordinary purchasers buying in the ordinary way may not be likely to be confused even though there is real present or prospective harm to the plaintiff. In such cases the factors appear to be a valuable supplement to the classic test. However, where the goods are related or competing or identical, the factors appear to be at most a supplement, not a substitute, for the classic test.

It is interesting to note that there is no factor involving the results of a survey even though a properly conducted survey would seem to be the only direct evidence of

likelihood of confusion. A number of decisions and a number of writers have subsumed the results of a survey into the "actual confusion" factor even though a survey does not normally purport to measure actual confusion. [n.5] At most a survey can ascertain whether the respondents would be confused as to source or sponsorship when presented with stimuli which can at best only approximate actual purchase conditions.

## OTHER DEFENSE STRATEGIES

One defense strategy which sometimes becomes available is to let the plaintiff try the wrong issue. For example, in *\*389 Ross Bicycles, Inc. v. East Coast Cycles, Inc.*, 224 USPQ 725 (ND Fla. 1984), affirmed, 765 F.2d 1002, 226 USPQ 879 (11th Cir.1985), a case involving the trademarks ROSS and BOSS CRUISER for cruiser-type bicycles, the plaintiff had alleged claims for registered trademark infringement and a violation of Section 43(a). In articulating the Section 43(a) claim, the plaintiff claimed that the defendant's bicycle copied the plaintiff's bicycle. Even though the dimensions of the bicycles seemed irrelevant to the issue of whether BOSS CRUISER falsely designated the origin of the defendant's bicycle, the defendant was able to refute the plaintiff's claim of copying by having its President hold up each of the parts of the respective bicycles to demonstrate the significant dimensional differences between the two. The Court dismissed the 43(a) claim in part because of this testimony.

Another "strategy" which sometimes works for others is to take advantage of incorrect legal rulings. In *American Television & Communications Corp. v. American Communications & Television, Inc.*, (ND Fla. 1986), affirmed 810 F.2d 1546, 1 USPQ 2d 2084 (11th Cir.1987), the District Court accepted the defendant's argument that Section 43(a) did not apply to trade name infringement, citing a case which relied upon the fact that trade names are not registrable under the Lanham Act. Even though the Court of Appeals appeared to have known better, it refused to correct the error.

In another instance, a plaintiff, who proved no relevant use, argued with some success that its registration constituted evidence that its mark was in use as early as the date of first use claimed in the application for registration, which made it the prior user in spite of the defendant's proven use earlier than the plaintiff's filing date. I do not believe an experienced trademark attorney could have advanced either of these erroneous arguments. In spite of this, it does not seem a good defense strategy to hire counsel not expert in trademark law merely to make arguments not otherwise available.

A final comment on defense strategy relates to the issue of damages in general and the so-called Texaco [n.6] dilemma in particular. What should a defendant do when the plaintiff has advanced a damage theory which, if accepted, could lead to a substantial damage award? If the defendant merely denies any damages are due, the trier of the fact might have no alternative but to accept the plaintiff's theory; if the defendant advances an alternative theory with a lesser potential, it may be construed as an admission of guilt, even when prefaced by the statement that "defendant denies there is any liability but. . . ."

\*390 This was the problem faced by the defense in *Frisch's Restaurants Inc. v. Elby's Big Boy of Steubenville, Inc.*, supra. Even though liability had already been established and the plaintiff urged a damage theory which would have resulted in a multi-million dollar award, the defendants decided to run the risk and offer no alternative theory. Fortunately, the Court awarded no monetary recovery, finding that there was no basis for an accounting to compensate for lost profits, no unjust enrichment, no need to deter future infringement and failure of proof of bad faith, deliberate intent or purposeful palming off. In fact, during the argument of the appeal, it was the plaintiff who was asked by the Court of Appeals to suggest a theory which would lead to a reasonably sized award and who was unable to do so.

## Conclusion

Leslie D. Taggart was the lead counsel for the defendants in the *Humble Oil, Ye Olde Tavern, Camacho Cigars and Mushroom Makers* cases discussed above. These cases and many others demonstrate his skills in the defense of a trademark infringement case. His skills extended to the prosecution of infringement cases and to other aspects of the practice of trademark law as well.

Above all, he recognized the need to understand first hand the relevant marketplace conditions and to see how the products in question were bought and sold. As he would say, you have to "get the sniff of it" before giving trademark advice or planning litigation strategy.

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[n.1]. The article is adapted from a speech given at the Franklin Pierce Law Center program entitled "Enforcing and Litigating Patents and Trademarks", September 23-25, 1991.

[n.2]. See, e.g., *Frisch's Restaurants Inc. v. Elby's Big Boy of Steubenville Inc.*, 661 F.Supp. 971, 4 USPQ2d 1837 (S.D. Ohio 1987), affirmed 849 F.2d 1012 (6th Cir.1988).

[n.3]. The Court of Appeals, contrary conclusion appears to have been based in part upon the preconception that ESSO and S.O. were confusingly similar "as a matter of law."

[n.4]. It should be noted that by forcing the appeal to the District Court, the defendant drastically increased the stakes from a contest involving only the right to register to one also involving the right to use.

[n.5]. The Maritz Study in the SQUIRT-QUIRST case, *Squirt Co. v. Seven-Up Co.*, 628 F.2d 1086, 1089 n.3, 207 USPQ 897, 898-9 n.3 (8th Cir. 1980), appears to have been an investigation although given the same weight as an opinion survey.

[n.6]. *Texaco, Inc. v. Pennzoil Co.*, 729 S.W.2d 768 (Tex. App. 1988).