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COMPLEX LITIGATION

Ending the Confusion Over Trademark Confusion

Strategies to detect, develop and weigh confusion evidence

By Roberta Jacobs-Meadway

It is recited like a mantra in trademark infringement actions: the best evidence of likelihood of confusion is actual confusion. See, *International Kennel Club v. Mighty Star*, 846 F.2d 1079 (7th Cir. 1988). But what does it mean? What is evidence of actual confusion that a court will credit? How much evidence is enough? How do you find it? And, what do you do if it's your opponent who found it? Why are these questions asked?

Courts, looking at evidence of actual confusion, discount it not infrequently, as: "generalized," de minimis, anecdotal, transient; and/or not related to or impacting on a purchase decision. Generalized confusion about affiliation does not establish actual confusion for purposes of a Lanham Act infringement analysis. The key inquiry for some courts is whether there is confusion that affected a *purchasing decision*. See, e.g., *First Keystone Federal Savings Bank v. First Keystone Mortgage*, 923 F.Supp. 693, 705 (E.D. Pa. 1996). *First Keystone* held that evidence of consumers' calls to the plaintiff mortgage company asking for the defendant's rates did not establish the type of confusion that is actionable under the Lanham Act. Absent evidence that any consumer mistook defendant for plaintiff in applying for or getting a mortgage, there was no "actual confusion." Id. at 706.

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In 1962, 15 U.S.C. 1114 was amended to delete the wording relating to purchasers. The deliberate revision eliminated any restriction of actionable likelihood of confusion to likelihood of confusion of purchasers at the point of sale. Since the revision, the act has continued to be interpreted by courts as aimed against confusion of purchasers (interchangeably called consumers) at point of sale. Other courts more accurately read the language of the act, and sounder precedent identifies as actionable in appropriate circumstances: initial interest confusion; post-sale confusion; and confusion of persons other than purchasers, including investors. See, *Syntex Laboratories Inc. v. The Norwich Pharmaceutical Co.*, 315 F.Supp. 45 (S.D.N.Y. 1970); aff'd 473 F.2d 566 (2d Cir. 1971): "Although Norwich cites several cases for the proposition that confusion among purchasers as to source of origin is the 'keystone' of a trademark infringement action under the Lanham Act … the Act itself does not contain such a limitation."

How much and what kind of confusion is necessary before confusion is relevant? In *Lang v. Retirement Living Publishing Co.*, 949 F.2d 576 (2d Cir. 1991), no relevant confusion was found, although there were 400 phone calls, and several letters, received by plaintiff from people attempting to reach defendant. The court stated, with no sound authority, that the Lanham Act seeks to prevent consumer confusion that enables a seller to pass his goods off as those of another. Although several callers questioned whether the two entities were affiliated, the court found no evidence that linked confusion "evinced by the calls to any potential or actual effect on consumers' purchasing decisions." The court found no reason to believe that the confusion could inflict any commercial injury. Injunctive relief was denied.

Compare this with *Beacon Mutual Insurance Company v. OneBeacon Insurance Group*, 376 F.3d 8, 10 (1st Cir. 2004), where the court weighed 249 instances of confusion between the two companies. Most instances involved misdirected premium checks, claim forms, medical records and legal correspondence. OneBeacon argued those incidents did not demonstrate confusion because the confused persons were not

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those who made purchasing decisions and there was no evidence that confusion caused Beacon Mutual to lose sales. The court held that the commercial injury actionable under the act is not restricted to loss of sales. Confusion is relevant when it exists in the minds of persons in a position to influence the purchasing decision or persons whose confusion presents a significant risk to the sales, goodwill or reputation of the trademark owner. The court found sufficient evidence of actual confusion relevant to commercial interests for this factor to favor summary judgment of infringement.

Confusion has been found not actionable where it is not shown that the misdirected calls or mail resulted from confusion between the two companies, as opposed to mere carelessness or accident. "[C]onfusion resulting from the consuming public's carelessness, indifference, or ennui will not suffice." *International Assoc. of Machinists v. Winship*, 103 F.3d 196, 201 (1st Cir. 1996).

Minimal, isolated incidents do not rise to the level of what the trademark laws seek to prevent. Nineteen misdirected letters over four years showed no pattern of market confusion because so few relative to the length and volume of plaintiff's business. *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225, 1231 (3d Cir. 1978). The court explained: "Ownership of a trademark does not guarantee total absence of confusion in the marketplace." Several instances of anecdotal actual confusion supported a survey yielding 21 percent confusion as to source of products for the general population and 15 percent of premium cigar smokers (where cigars were at issue) was enough to weigh toward a finding of likelihood of confusion, *Empressa Cubana Del Tabaco v. Culbro Corp.*, 70 U.S.P.Q.2d 1650, 1686 (S.D.N.Y. 2004).

Evidentiary issues arise in the context of establishing confusion. Hearsay is one of such evidentiary issues to consider. In *Popular Bank of Florida v. Banco Popular de Puerto Rico*, 9 F.Supp. 2d 1347 (S.D.F.L. 1998), the court considered the hearsay objection to confusion evidence of consumer inquiries as to affiliation, misdirected mail and phone calls tallied by a switchboard operator. The court noted that some courts have held such testimony to be inadmissible hearsay (*Programmed Tax Sys. v. Raytheon Co.*, 439 F.Supp. 1128, 1131 n.1 (S.D.N.Y. 1977), while others admit such evidence without discussion of the issue (*U. of Georgia Athletic Ass'n v. Laite*, 756 F.2d 1535, 1546 (11th Cir. 1985)), and some courts conclude that testimony of an employee is not hearsay because not offered to prove the truth of matter asserted (*Armco Inc. v. Armco Burglar Alarm Co*., 693 F.2d 1155, 1160 N.10 (5th Cir. 1982)). Some courts hold the statement is hearsay but it is admitted under the 803(3) state of mind exception. The *Popular Bank* court found the testimony admissible under the state of mind exception. It discounted testimony that a relief receptionist told the receptionist about calls from people who were confused as double hearsay.

Expert testimony can play a significant role in establishing actual confusion. The testimony of experts in a field as to their own confusion has received inconsistent treatment. Compare *Acxiom v. Axiom*, 27 F.Supp.2d 478, 487 (D. Del. 1998), where the court relied, inter alia, on testimony of a registered stockbroker and professional investor, and *Troublé v. Wet Seal, Inc*., S.D.N.Y. No. 99 cv. 10997 (12/14/01), where an expert witness's opinion on consumer confusion was held inadmissible under *Daubert*. The court, noting that Traub had visited several of the parties' stores, looked at their products and reviewed Troublé's "confusion logs," concluding that there "is a vast amount of confusion between [the] brands [of Troublé and Wet Seal]." However, the court faulted Traub's lack of experience in assessing confusion between names and marks or "any other experience that might qualify him as an expert on this issue." The court also noted that it was hard to determine what methodology, "if any," Traub used to reach his conclusion.

Most experts used on the issue of confusion are survey experts. Rules and guidelines for survey evidence are generally known in principle, are applied with apparent inconsistency based on the factual context. *Daubert v. Merrill Dow*, 509 U.S. 579 (1993); *Kumho v. Carmichael*, 526 U.S. 137 (1999). In addition to survey experts, testimony on confusion may be offered by linguistic experts, marketing experts, and others dealing in the relevant field. Absent an adequate basis, most such testimony may be excluded. Where the probative value is problematic and the risk of confusion of the issues or undue expenditure of time is high, evidence alleged to show confusion may be excluded under Federal Rule of Evidence 403. The provision may be invoked to exclude evidence, e.g.: of misdirected calls, where it cannot be determined what the cause of the misdirection was; of inquiries where it is not clear whether there was "confusion"; or an inquiry as to affiliation or something else. The provision may also be invoked to exclude survey evidence purporting to show confusion.

Strategies for identifying evidence of confusion should be put in place when an issue of infringement arises. Employee involvement is a key. Employees should be encouraged to keep and maintain: field reports — comments from sales calls, reports of inquiries; phone logs — kept contemporaneously; delivering records — records of product returns; and customer inquiries — records help identify people who may have been confused and may be willing to testify. The evidence needs to be recorded and preserved.

Failure to preserve evidence may jeopardize the ability to present evidence of confusion. A party that anticipates litigation has an affirmative duty to preserve relevant evidence. *Baliotis v. McNeil*, 870 F.Supp. 1285, 1290 (M.D. Pa. 1994). Although parties are not required to keep every document they have once litigation is filed, they are under a duty to preserve what they know or should know is relevant to the case. When a party fails to meet its duty to preserve relevant evidence, a proper remedy is to exclude the evidence and testimony about it. See *Dillon v. Nissan*

Motor Co., Ltd., 986 F.2d 263, 267 (8th Cir. 1993) (affirming preclusion of expert testimony and evidence). A court does not need to find any "bad faith" to preclude testimony based on a party's failure to preserve evidence.

Strategies for dealing with evidence of confusion identified by the adverse party are the converse, to a great extent, of the plaintiff's strategy. While cases state that no survey is necessary, an attack on a survey, even by a qualified expert, appears generally to be less persuasive if the party opposing the survey fails to provide a counter survey and is in a position financially to undertake the effort. It is, of course, possible without a survey to attack confusion evidence on the basis of the sufficiency or significance of the evidence; the de minimis nature of the evidence; and the unlikely nature of confusion of reasonably prudent purchasers in ordinary purchase conditions.

Timing considerations in dealing with confusion evidence should be taken into account early. What is the trend? There is a risk of dissipation of confusion over time. In *Bruckhorst Co. v. G. Heileman Brewing Co. Inc.*, 875 F.Supp. 966 (E.D.N.Y. 1994), the court noted that since defendant was a recent market entry, what evidence there was of confusion weights more heavily than if all the products were out in the market longer, side-by-side. If plaintiff moves for a preliminary injunction, there may be no evidence of actual confusion. If plaintiff delays, the evidence may be secured but the ability to secure a preliminary injuntion may be hampered. If the confusion evidence is not developed, then that may impact negatively the case as a whole.

The best time to secure confusion evidence is often at the time of defendant's product introduction. While the market is unfamiliar with defendant and its mark, confusion may be more likely to ensue. Months later, if defendant advertises and gains a position in the market, confusion may be less likely, and evidence of confusion may diminish, as purchasers become familiar with defendant and its product and learn to distinguish it from like products (or marks) of others, including the senior user.

Confusion evidence, like surveys, may have more or less impact depending on the case as a whole. That is, if the finder of fact is disposed favorably, the evidence of confusion may weigh accordingly.

There are, certainly, multiple bases for accepting and crediting or for excluding, denigrating or simply ignoring various forms of confusion evidence, be it misdirected phone calls, customer inquiries, or testimony of non-purchasers. If four people testify that each was confused, it may, or may not, be given weight. On balance, the better course is to plan early how to identify, and present any available evidence of confusion of anyone with a legitimate commercial interest in the subject matter. ■