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August 15, 2016

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Re: *Diamond State Tire, Inc. v.*
Diamond Town Tire Pros & Auto Care, LLC
C.A. No. 11550-VCS
Date Submitted: August 8, 2016

Dear Counsel:

Two words, “Diamond” and “Tire,” incorporated within the names of two Delaware businesses, have been the focus and drivers of expedited litigation in this Court. Diamond State Tire, Inc. (“Diamond State”) alleges that Diamond Town Tire Pros & Auto Care LLC (“Diamond Town”) has violated Delaware’s Deceptive Trade Practices Act (“the Act”) by operating under a business name that creates a “likelihood of confusion” between the two businesses among vendors,

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customers and potential customers.¹ Diamond State seeks a permanent injunction banning Diamond Town from continuing to operate under that trade name. Unfortunately, no effort was made by the parties to reach an accommodation outside of litigation. And so the matter proceeded to trial.

This is the court's post trial decision after considering the parties' pre-trial briefs, the pretrial stipulation and order, the testimony Ed Long, Todd Miller, Jamie Barns and Kristen Krenzer and the trial exhibits submitted by the parties. For the reasons that follow, I find that Diamond State has failed to prove a claim under the Act. Judgment will be entered for Diamond Town.

I. FACTUAL BACKGROUND

A. Diamond State

Diamond State has been in business since 1989. It moved to its current location in Bear, Delaware in 1994. Its customers and vendors often refer to Diamond State simply as Diamond Tire.²

¹ 6 *Del. C.* § 2531 *et. seq.*

² Joint Trial Exhibit (“JX”) 7 (newspaper article referring to the two businesses as “Diamond Tire” and “Diamond Town”); JX 9 (vendor bill labeled “Diamond Tire”).

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Diamond State was founded by Steven Bailey and Edward Long. Mr. Long served as its President until December 31, 2015. Currently, Diamond State's stock is owned 33% by Mr. Long, 33% by Steven Bailey and 33% by Todd Miller who also now serves as its President.

When it first started in business, Diamond State worked only on commercial vehicles performing vehicle repairs and selling and installing tires. Eventually it expanded its business to include retail tire sales and retail auto repairs. Over time, its focus shifted from commercial vehicles to passenger (retail) vehicles.

Diamond State's target markets are in Bear, Middletown, Newark and surrounding areas in Delaware, but it draws customers from northern New Castle County, Pennsylvania, Maryland and even New Jersey. It advertises through the Clipper Magazine which circulates in Newark, Bear, New Castle, St. George's, Delaware City, Middletown, Odessa and Townsend. It also advertises in a Cecil County, Maryland local newspaper, the Yellow Pages, direct mailings and through promotional programs offered by Goodyear Tires. By all accounts, Diamond State has developed an excellent reputation for quality products and quality service.

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B. Diamond Town

Diamond Town opened for business in early 2015. It is owned by James Barnes who serves as its President. Diamond Town is a franchisee of Tire Pros Francorp, a national tire franchise.

Diamond Town is located in Middletown, Delaware approximately 12.3 miles from Diamond State. Prior to opening Diamond Town, Mr. Barnes owned and operated, and still owns and operates, Truck Tire America, a commercial tire business located in Bear, Delaware. Truck Tire America is a direct competitor of Diamond State's commercial tire business. Diamond Town sells and installs retail tires and performs automotive service on passenger vehicles of a nature similar if not identical to the work performed at Diamond State.

Diamond Town markets its services in the Clipper Magazine, like Diamond State, and also through direct mailings targeted to Middletown residents. It also advertises in the Middletown Transcript, a local newspaper, and through a program administered by Tire Pros. Mr. Barnes intended Diamond Town to be a local tire and auto repair shop that serves primarily the needs of Middletown residents and others residing south of the C&D Canal.

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According to both Mr. Barnes and Kristen Krenzer, a public relations representative of the Town of Middletown, Mr. Barnes selected the name “Diamond Town” because it is a nickname by which Middletown is known to its residents. Ms. Krenzer testified that she specifically recalls Mr. Barnes calling her at work and asking her for guidance on a name he could incorporate within his business that would reflect an identity with the Middletown community. Ms. Krenzer had never met or spoken to Mr. Barnes before that telephone conversation. She confirmed that she was the one who first suggested that the business name incorporate a reference to “Diamond Town.” It was either that or “Frog Town,”³ also a Middletown nickname. Mr. Barnes opted for “Diamond Town.”

³ According to Ms. Krenzer, “Frog Town” comes from the Frog Town railroad crossing within the Middletown city limits. This, of course, begs the question: where does the Frog Town crossing get its name? Unfortunately, this must remain a Delaware mystery as Ms. Krenzer was unaware of the backstory. The origin of the name “Diamond Town,” however, is not a mystery. It derives from the fact that Middletown’s boundaries form the shape of a diamond. JX 15 (an excerpt from the Middletown website entitled “So What’s This ‘Diamond Town’ All About?”). The nickname is not lost on other Middletown businesses. The parties submitted a newspaper clipping that included advertisements in the same circular for Diamond State, Diamond Town and Diamond Car Wash, a Middletown based carwash with a logo in the shape of a diamond. JX 11. *See also* JX 28 (a compilation from the Secretary of State, Division of Corporations of

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Although Messrs. Long and Miller testified that they have heard customers complain about the quality of the work performed at Diamond Town, I note that both Diamond Town and Diamond State received “readers’ choice” recognition for quality service in the Middletown Transcript.⁴ I find no basis in the competent evidence to conclude that Diamond Town performs its sales and services any more or less reputably than Diamond State.

C. The Alleged Confusion

Mr. Long and Mr. Miller testified that they both had received reports from customers and vendors that the names Diamond State and Diamond Town were confusing. Mr. Miller began to keep a log of telephone calls, customer encounters and other reports that evidenced actual instances of customer, potential customer or vendor confusion.⁵ Plaintiff also presented a series of invoices as evidence that a

business names with “Diamond Town” as the preface, including “Diamond Town Baseball, Inc.,” “Diamond Town Excavating, LLC,” and “Diamond Town LLC.”).

⁴ JX 7.

⁵ JX 13. Defense counsel objected to this so-called “Confusion Log” and any testimony from Mr. Long or Mr. Miller regarding reports of confusion on hearsay grounds. I asked the parties to address this issue in brief post trial letter memoranda. After considering these arguments, I am satisfied that the confusion log and the testimony regarding

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particular vendor, Berrodin Parts Warehouse, would confuse Diamond State and Diamond Town and would deliver parts intended for one to the other.⁶ At trial, it became clear that the same Berrodin driver was usually involved in the confused deliveries.

II. ANALYSIS

The Act, at 6 *Del. C.* § 2532(a)(2), provides that a “person engages in a deceptive trade practice when, in the course of a business ..., that person ... [c]auses likelihood of confusion or of misunderstanding as to the source, sponsorship, approval, or certification of goods or services.” “Likelihood of confusion exists when consumers viewing a mark would probably assume that the

confusion is admissible. *See Air Reduction Co. v. Airco Supply*, 258 A.2d 302, 06 (Del. Ch. 1969) (allowing evidence of customer confusion even though customers did not testify); *Conversive, Inc. v. Conversagent, Inc.*, 433 F. Supp.2d 1079, 1091 (C.D. Cal. 2006) (“Although at least one circuit court has held that [alleged customer reports of confusion] is inadmissible hearsay, the majority of circuit courts that have considered this issue have relied on the evidence rules cited by plaintiff and found that such evidence is admissible.”). Having found the evidence is admissible does not, however, mean that I have found it terribly persuasive. As explained below, the instances of confusion are, in context, trivial and not worthy of the extraordinary relief Diamond State seeks here.

⁶ JX 1–6, 8. Diamond State presented two other invoices reflecting incorrect deliveries from parts vendors. JX 9, 14.

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product or service it represents is associated with the source of a different product or service identified by a similar mark.”⁷ When determining whether a trade name or mark creates a likelihood of confusion for purposes of the Act, Delaware courts consider ““(i) the degree of similarity between the marks, (ii) the similarity of products for which the name is used, (iii) the area and manner of concurrent use, (iv) the degree of care likely to be exercised by consumers, (v) the strength of the plaintiffs’ mark, (vi) whether there has been actual confusion, and (vii) the intent of the alleged infringer to palm off his products as those of another.”⁸ As in most instances where a multi-factored analysis is prescribed and then applied to a unique set of facts, some factors will be informative than others.

A. Similarity of the Marks

The parties agree; the marks are similar. Both begin with “Diamond” and both contain the word “Tire.” Indeed, it is the combination of these two words in the Defendant’s name—Diamond and Tire—that is of most concern to Diamond

⁷ *Sanofi-Aventis v. Advancis Pharm. Corp.*, 453 F. Supp.2d 834, 847 (D. Del. 2006).

⁸ *Draper Commc’ns, Inc. v. Del. Valley Broadcasters Ltd. P’ship*, 505 A.2d 1283, 1290 (Del. Ch. 1985).

State. This is not surprising since the Plaintiff is known among many of its customers as “Diamond Tire.”

B. Similarity of the Products

Here again, there was little if any dispute. Both parties sell tires for passenger vehicles. Both fix passenger cars. Their products and services are similar.⁹

C. The Area and Manner of Concurrent Use

Diamond State and Diamond Town operate their businesses about twelve miles apart. While they may target customers in different geographic regions—Diamond State broadly targets customers in the greater Bear, Newark and Middletown areas, while Diamond Town is more focused on customers in Middletown, Odessa and points south—the fact is that there is customer overlap. Of course, overlap is inevitable given the close proximity of the two businesses. Nevertheless, I found credible Mr. Barnes’ testimony that he has been and is

⁹ While Diamond State continues to sell commercial tires, and Diamond Town leaves that to its sister company, Truck Tire America, both Diamond State and Diamond Town sell and install retail tires and both run retail automobile service shops where they perform similar if not identical services.

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striving to develop a local tire sales and automobile repair shop focused on the Middletown community. His testimony regarding the divide he perceives between locations north and south of the C&D Canal also made sense to me as it would to most who are familiar with Delaware geography. The presence of the canal as a divider between the two businesses adds at least some distance to the 12.3 miles that separates them.

D. The Degree of Care Likely to be Exercised By Customers

Diamond State has repeated throughout these proceedings that its customers, and those of Diamond Town, are not terribly sophisticated. Although Diamond State presented no evidence on this point, beyond the conclusory testimony of Mr. Long and Mr. Miller, it does make sense that most customers of both businesses would not be experts in tires or automotive repair and, to that extent, would lack the sophistication of customers who are serviced by wholesale or commercial tire businesses. But it also makes sense that when customers are shopping for bigger ticket items, like tires, or are seeking to repair their personal automobiles, they are likely to be more discerning than they might be if they were

buying a sandwich or purchasing routine household goods. Accordingly, I do not give full credit to Diamond State's argument on this factor.

E. The Strength of the Mark

This is where the Defendant has focused most of its energy, and for good reason. The stronger the mark the greater protection it deserves.¹⁰ When considering the distinctiveness of a mark or name, Delaware courts typically place the mark into one of four categories: (1) generic marks, which function as the common descriptive name of a product class; (2) descriptive marks, which convey an immediate idea of the ingredients, qualities, or characteristics of the goods; (3) suggestive marks, which suggest a quality or ingredient of goods and require consumer imagination, thought, or perception to determine what the product is; and (4) arbitrary or fanciful marks, which use terms that neither describe nor suggest anything about the product, and bear no logical or suggestive relation to the actual

¹⁰ See *Sanofi-Aventis*, 453 F. Supp.2d at 849.

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characteristics of the goods.¹¹ The purpose of this “classification system” is to determine whether a mark is worthy of protection.¹²

Diamond State contends that its mark is strong because the combination of “Diamond” with “Tire” in its name renders the mark “distinctive” and “distinctive marks are strong marks.”¹³ To support this contention, Diamond State cites to the Restatement (Third) of Unfair Competition § 13 (1995) for the proposition that “descriptive marks” consumers associate with the origin of the mark are entitled to greater protection under the law. Section 13 actually addresses marks that are “distinctive in that, as a result of [their] use, prospective purchasers have come to perceive it as a designation that identifies goods [or] services as having been “produced or sponsored by a particular person.”¹⁴ This “acquired distinctiveness”

¹¹ *Id.* at 849–50.

¹² *Id.* (citing *A&H Sportswear, Inc. v. Victoria’s Secret, Inc.*, 237 F.3d 198, 222 (3d Cir. 2000)).

¹³ Diamond State Opening Pretrial Brief at 22–23.

¹⁴ Restatement (Third) of Unfair Competition § 13(a), (b) (1995).

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is known as “secondary meaning” and a mark that has acquired secondary meaning is entitled to protection.¹⁵

When determining whether a mark has acquired secondary meaning, the Court should inquire whether “it is used in connection with a number of different products.”¹⁶ If so, the mark is considered “weak.”¹⁷ In this case, both parties have incorporated geographic references in their business names. As recognized in Restatement (Third) of Unfair Competition § 14 (1995),¹⁸ “[a] designation that is likely to be perceived by prospective purchasers as ... merely geographically descriptive of their origin or location ... is not inherently descriptive under the rule stated in § 13(a).” For purposes of this section, the comment confirms that “nicknames and abbreviations of geographic locations” are likewise not inherently descriptive.¹⁹

¹⁵ *Id.* See also *A&H Sportswear, Inc.*, 237 F.3d at 221–22.

¹⁶ *Sanofi-Aventis*, 453 F. Supp.2d at 850.

¹⁷ *Id.*

¹⁸ Restatement (Third) of Unfair Competition § 14, comment d (1995).

¹⁹ *Id.*

The illustration in the comment is also instructive. It demonstrates that in instances where geographic regions are actually associated with the product, such as “Swiss watches,” or “California wine,” or “Vermont syrup,” the geographic reference may then be deemed descriptive of the product or services and worthy of protection.²⁰ Otherwise, the geographic reference within the trade name, even when linked with a product or service, is not sufficiently descriptive to acquire secondary meaning.²¹

Diamond State has chosen to incorporate one of Delaware’s most well-known nicknames into its business name. A report from the Delaware Secretary of State, Division of Corporations, lists literally hundreds of businesses and organizations registered in Delaware which also have elected to use “Diamond State” as the preface for their business or organization names.²² Among those on the list are “Diamond State Auto, Inc.,” “Diamond State Auto Repair, Inc.,” “Diamond State Automotive LLC,” “Diamond State Auto Sales, Inc.,” “Diamond

²⁰ *Id.*

²¹ *Id.*

²² JX 27.

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State Auto Sales LLC,” “Diamond State Truck Center LLC,” and “Diamond State Transmission, Inc.”²³ Like Diamond State, none of these businesses can credibly claim that their incorporation of Delaware’s nickname into their trade name is descriptive of their products or services. At best, the “Diamond State” reference is an indicator of geographic location or a nod to State pride. It is not, however, worthy of trade name protection.

For this reason, Diamond State’s citation to *American Radio Stores, Inc. v. American Radio & Television Stores Corp.*²⁴ is inapt. There, Chancellor Wolcott considered whether two businesses operating in the Philadelphia area could share the words “American,” “Radio,” and “Stores” in their business names. The court concluded that the use of “American” by the plaintiff in its business name, along with “Radio” and “Stores,” had caused the name to become a “distinguishing mark” entitled to protection.²⁵ “American,” as used in “American Radio Stores, Inc.,” was not a geographic marker but instead had acquired a secondary meaning

²³ *Id.*

²⁴ 150 A. 180 (Del. Ch. 1930).

²⁵ *Id.* at 183.

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when connected to “Radio” and “Stores” that defined the business and its products and was worthy of protection.²⁶

Not so with respect to “Diamond State.” That nickname is associated directly with the geographic location in which the business operates and that geographic location is not associated in any distinctive manner with the products or services Diamond State sells or delivers.²⁷ It is, instead, a mark “used in connection with a number of different products.”²⁸ It is, therefore, a weak mark.²⁹

F. Actual Confusion

This factor was also featured extensively in the testimony and arguments of counsel.³⁰ As mentioned, much if not all of the evidence presented by Diamond

²⁶ *Id.*

²⁷ The fact that some of Diamond State’s customers and vendors refer to it as “Diamond Tire” is evidence only that they have become so familiar with the business that they have now given it a moniker for ease of reference. These customers and vendors are hardly likely to confuse Diamond State for another business.

²⁸ *Sanofi-Aventis*, 453 F. Supp.2d at 850.

²⁹ *Id.*

³⁰ The parties stipulated in the Pretrial Stipulation that “[t]here has been actual confusion on the part of vendors and customers.” Pretrial Stipulation at § II, ¶11. The testimony at

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State of actual confusion was in the form of Mr. Long and Mr. Miller testifying about what customers or vendors told them, either directly or through the “confusion log” kept by Mr. Miller, as well as some invoices from vendors reflecting that they delivered parts intended for one party’s store to the other party’s store. None of the customers or vendors gave a deposition or testified at trial. While I have considered this evidence over Defendant’s objection, I have not found it to be terribly persuasive.

As for the vendors, the evidence suggests that one driver for Berrodin operated in a state of chronic confusion as reflected by his serial misguided deliveries. This is more likely a product of his lack of attention than his genuine confusion.

As for the customers, while I am satisfied that there has been some actual confusion among Diamond State customers and, indeed, the parties have stipulated as much, I do not find that the confusion has been of a nature or frequency that would justify relief under the Act, particularly given that Diamond State has

trial focused on the extent of the confusion and whether it is of a nature and degree that would justify permanent injunctive relief under the Act.

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chosen a name that is so common-place in Delaware as to justify very little, if any, protection. I note as well that Diamond State produced no evidence that its business had been affected, adversely or positively, since Diamond Town's arrival on the scene in 2015. While this evidence was not necessary to prove actual confusion or likelihood of confusion,³¹ it may well have been persuasive.

G. The Intent of Diamond Town

Diamond State maintains that Diamond Town must have intended to create confusion given its selection of such a similar name when it knew well of Diamond State's existence and of the nature of Diamond State's business. I reject this contention based on the evidence. In particular, I found the testimony of Ms. Krenzer to be especially probative and credible. She works for the town of Middletown and recalls specifically speaking with Mr. Barnes about potential names that reflected the history and/or character of Middletown. It was Ms. Krenzer who advised Mr. Barnes that Middletown is nicknamed the Diamond Town because of its unique shape. I also found Mr. Barnes' testimony credible that he had not considered the name Diamond Town before speaking with

³¹ *Am. Radio Stores, Inc.*, 150 A. at 182.

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Ms. Krenzer and that he selected the name not to be confused with Diamond State but instead to reflect his desire to be a local, Middletown automotive center.

Diamond State's evidence regarding intent amounted to nothing more than Mr. Long's rather aggressive testimony that an intent to confuse was the only plausible explanation for Mr. Barnes' selection of the name Diamond Town. I pause here to note that Mr. Long clearly has some history with either Mr. Barnes or his business, Truck Tire America, that very much appeared to me as, fact-finder, to pre-date the creation of Diamond Town and to be a driver of this litigation. In any event, Mr. Long's surmising of Mr. Barnes' intent does not overcome the credible explanation offered by Mr. Barnes.

III. CONCLUSION

After considering the applicable factors, and weighing all of the testimony, I have determined that Diamond State has not demonstrated a violation of Delaware's Deceptive Trade Practices Act. Accordingly, I decline to issue an order compelling Diamond Town to change its name. The two businesses will have to co-exist as named and I have no doubt that they can do so, both profitably, if they chose to focus their energy on sustaining and building their businesses as

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opposed to ongoing litigation. The parties will advise the Court as to any remaining issues that need to be addressed. If there are none, Diamond Town shall prepare and submit a form of final order upon notice to Diamond State.

Very truly yours,

/s/ Joseph R. Slights III