

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO**

Civil Action No. 09-cv-00636-REB-KLM

VIDEO PROFESSOR, INC., a Colorado corporation,

Plaintiff,

v.

AMAZON.COM, INC., a Delaware corporation,

Defendant.

PLAINTIFF'S TRIAL MEMORANDUM

Plaintiff Video Professor, Inc. ("VPI"), by and through its counsel, Fairfield and Woods, P.C., and pursuant to REB Civ. Practice Standard IV.F., hereby submits its Trial Memorandum, and states:

I. Likelihood of Confusion Under Lanham Act

The Tenth Circuit recognizes three primary forms of consumer confusion: direct, reverse and initial interest. *See Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1238 (10th Cir. 2006). In this case, VPI alleges initial interest confusion and direct confusion.

Initial Interest Confusion. Initial interest confusion exists if a defendant diverts Internet traffic away from the plaintiff's Web site and products to the defendant's Web site and products, by using the plaintiff's mark or one similar thereto. *Id.* at 1238. The Lanham Act violation occurs regardless if the consumer eventually realizes he or she is at a competitor's Web site, or even where no sale actually occurs. *See id.* at 1239.

Damage to the mark holder occurs at the moment of the diversion, and can manifest in at least three ways: “(1) the original diversion of a potential customer’s interest to a source he or she erroneously believes is authorized; (2) the potential consequent effect of that diversion on the customer’s ultimate decision whether to purchase caused by an erroneous impression that two sources of a product may be associated; and (3) the initial credibility that the would-be buyer may accord to the infringer’s products—customer consideration that otherwise may be unwarranted and that may be built on the strength of the protected mark, reputation and goodwill.” *Id.*; see also *Brookfield Commcns., Inc. v. West Coast Entm’t Corp.*, 174 F.3d 1036, 1063-64 (9th Cir. 1999) (collecting cases).

It is irrelevant whether the mark holder’s products may also be available for sale along with the competitor’s products on the defendant’s Web site, *i.e.*, the brick and mortar grocery store or product placement analogy. See *id.* (stating “While viewing Defendants’ Web sites, consumers had the opportunity to purchase [the Plaintiffs’] Products, but also to purchase lotions from Plaintiffs’ competitors”); see also *Rescuecom Corp. v. Google Inc.*, 562 F.3d 123, 130 (2nd Cir. 2009) (rejecting product placement analogy in Internet context and stating it was not a “magic shield” and that a deceptive display or delivery “would [not] escape liability merely because it could claim the mantle of ‘product placement.’”).

A disclaimer or a “product placement” argument in defense to an established initial interest confusion claim is inapposite as the damage, and the Lanham Act violation, occurs at the moment of the diversion, and so cannot be cured thereafter.

Australian Gold, Inc., 436 F.3d at 1240 (rejecting a disclaimer argument); *see also*, *Forum Corp. of North America v. Forum, Ltd.*, 903 F.2d 434, 442 n.2 (7th Cir. 1990) (confusion later dispelled cannot eliminate the infringement that has already occurred).

For initial interest confusion, the Tenth Circuit applies the traditional six-factor likelihood of confusion test. *Australian Gold, Inc.*, 436 F.3d at 1239-40. The factors are: “(1) the degree of similarity between the marks;¹ (2) the intent of the alleged infringer in adopting the mark; (3) evidence of actual confusion; (4) similarity of products and manner of marketing; (5) the degree of care likely to be exercised by purchasers; and (6) the strength or weakness of the marks.” *John Allan Co. v. Craig Allan Co.*, 540 F.3d 1133, 1138 (10th Cir. 2008). No one factor is dispositive and the determination of likelihood of confusion must be based on all relevant factors. *See id.* The issue of likelihood of confusion is a question of fact. *Id.*

With respect to the first factor, *i.e.*, the degree of similarity between the marks, where the marks are not identical (as opposed to the initial interest confusion context where they are identical), courts consider the similarities in the sight, sound and meaning of the two marks at issue. *See, e.g., First Sav. Bank, F.S.B. v. First Bank Syst., Inc.*, 101 F.3d 645, 653 (10th Cir. 1996) (similarity in sight, sound and meaning informs issue of similarity of marks).² Where two marks share a common element or

¹ *See Australian Gold, Inc.*, 436 F.3d at 1240 (stating that for use of trademarks to improperly divert internet traffic, thereby establishing initial interest confusion, the similarity of the marks factor is established as they are identical).

² *See also, e.g., Kenner Parker Toys Inc. v. Rose Art Indus., Inc.*, 963 F.2d 350, 354-55 (Fed. Cir. 1992) (stating that mental impact of similar marks informs confusion issue and holding that “Play-Doh” and “Fun Dough” were confusingly similar marks because “play” and “fun” convey very similar impression); *see also Northam Warren Corp. v. Univ. Cosmetic Co.*, 18 F.2d 774, 775 (7th Cir. 1927) (noting that when

word, confusion can result, such as for “Blockbuster Video” and “Video Buster,”³ “Miracle Whip” and “Salad Whip,”⁴ “Q-Tips” and “Cotton Tips,”⁵ and “Chic” and “L.A. Chic.”⁶ There is a higher likelihood of confusion if the two products actually compete. *See, e.g., Beer Nuts, Inc. v. Clover Club Foods Co.*, 805 F.2d 920, 925 (10th Cir. 1986). Courts, in considering likelihood of confusion, must consider the factors in the same context that the public will view the conduct. *See, e.g., Daddy’s Junky Music Stores, Inc. v. Big Daddy’s Family Music Ctr.*, 109 F.3d 275, 283 (6th Cir. 1997) (recognizing where products at issue are not displayed side-by-side, analysis is whether the mark would confuse public when viewed alone).

Regarding the second factor, courts consider whether the defendant adopted the mark with the intent to derive benefit from the reputation or goodwill of the plaintiff. *See, e.g., Sally Beauty Co., Inc. v. Beautyco, Inc.*, 304 F.3d 964, 973 (10th Cir. 2002). Additionally, if intent to confuse is shown, a presumption of actual confusion arises. *Fleischmann Dist. Corp. v. Maier Brewing Co.*, 314 F.2d 149, 157-58 (9th Cir. 1963).⁷

With respect to the third factor, evidence of actual confusion, actual confusion is the best possible evidence of a likelihood of confusion. *Frito-Lay, Inc. v. Morton Foods*,

similarities in mark are significant, differences may be *de minimis*); *Saxlehner v. Eisner & Medelson Co.*, 179 U.S. 19, 33 (1900) (not every name in a mark need be appropriated for it to be confusingly similar).

³ *See Blockbuster Entn’t Group v. Layco, Inc.*, 869 F. Supp. 2d 505, 515 (E.D. Mich. 1994).

⁴ *Kraft Cheese Co. v. Leston Co.*, 43 F. Supp. 782, 783 (D. Mo. 1941).

⁵ *Q-Tips, Inc. v. Johnson & Johnson*, 206 F.2d 144, 148 (3rd Cir. 1953).

⁶ *Henry Siegel Co. v. M & R Int’l Mfg. Co.*, 1987 WL 123838, * 8 (T.T.A.B. 1987) (unpublished opinion) (stating that customers who may see junior user’s mark may mistakenly believe it is a line of clothing of the senior holder).

⁷ Bad faith is also relevant to the issue and amount of lost profits and other damages. *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 131 (1947).

Inc., 316 F.2d 298, 301 (10th Cir. 1963). Where the goods at issue are inexpensive, evidence of actual confusion is difficult to obtain and even a few instances are significant. *AmBrit, Inc. v. Kraft, Inc.*, 805 F.2d 974, 987 (11th Cir. 1986), *superseded by* 812 F.2d 1531 (11th Cir. 1986), *cert. denied*, 481 U.S. 1041 (1987).

With respect to the fifth factor, consumers looking for relatively inexpensive computer learning software will exercise a relatively low degree of care as compared to those seeking to purchase a more expensive product, and, therefore, will be more susceptible to confusion. See, e.g., *Beer Nuts, Inc.*, 805 F.2d at 928; see also *Commncs. Satellite Corp. v. Comcet, Inc.*, 429 F.2d 1245, 1252-53 (4th Cir. 1970).

Finally, the sixth factor, *i.e.*, the strength or weakness of the marks, the stronger the mark, the more likely encroachment will lead to confusion. *Sally Beauty Co., Inc.*, 304 F.3d at 975. To determine the strength of the mark, courts consider both “conceptual strength,” and “commercial strength.” *King of the Mountain Sports, Inc. v. Chrysler Corp.*, 185 F.3d 1084, 1093 (10th Cir. 1999) (citing McCarthy on Trademarks and Unfair Competition § 11:83). With respect to the conceptual strength of a mark:

To determine the relative strength of plaintiff's trademark, we place the mark in one of five categories of increasing distinctiveness and strength: (1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful. . . . We have defined these terms as follows:

A generic term is a term used to describe the relevant type or class of goods. It is the weakest mark and cannot become a trademark under any circumstances. A descriptive term describes a characteristic of a product or service.... The third, and stronger, mark is the suggestive mark, which suggests rather than describes a characteristic of the product and requires the consumer to use imagination and perception to determine the product's nature. Finally, the arbitrary or fanciful mark is the strongest mark. An arbitrary mark has a common meaning unrelated to the product for which it has been assigned, such as APPLE when applied to

computers, while a fanciful mark, such as KODAK or EXXON, signifies nothing but the product.

Heartsprings, Inc. v. HeartSpring, Inc., 143 F.3d 550, 555 (10th Cir. 1998) (quoting *First Sav. Bank, F.S.B. v. First Bank Syst., Inc.*, 101 F.3d 645, 654-55 (10th Cir. 1996)).

With respect to commercial strength, that “prong measures the marketplace recognition value of the mark. The amount of money spent on advertising . . . [,] although not automatically indicative of consumer recognition, is relevant to the analysis.” *Big O Tires, Inc. v. Bigfoot 4X4, Inc.*, 167 F. Supp. 2d 1216, 1227 (D. Colo. 2001) (citation omitted).

Direct Confusion. Direct confusion, as opposed to initial interest confusion, is established where a “defendant’s use of the trademark is likely to cause consumers to believe . . . that the plaintiff is the source of the defendant’s products” *Australian Gold, Inc.*, 436 F.3d at 1238. The Tenth Circuit applies the same six-factor test set forth *supra* to determine if a likelihood of direct confusion exists. *Sally Beauty Co., Inc.*, 304 F.3d at 972.

II. Nominative Fair Use

Nominative fair use “is ‘not an affirmative defense to trademark infringement but rather goes to . . . proof of the likelihood of confusion element of [a] claim.’ Accordingly, though [a] fair use argument may sway the likelihood of confusion analysis, it is not an affirmative defense which would excuse actual infringement.” *Gennie Shifter, LLC v. Lokar, Inc.*, 2010 WL 126181, *14 (D. Colo., Jan. 12, 2010) (Judge Kane) (unpublished opinion) (internal citations omitted).

In the Ninth Circuit, a nominative fair use exists, and so no infringement, if, *inter alia*, the defendant's use of the mark does not attempt to capitalize on consumer confusion or to appropriate the cachet of one product for a different one. See *Health Grades, Inc. v. Robert Wood Johnson Univ. Hosp., Inc.*, 634 F. Supp. 2d 1226, 1239-40 (D. Colo. 2009) (quoting *New Kids on the Block v. News America Publ'g, Inc.*, 971 F.2d 302 (9th Cir. 1992)). Examples include where a garage truthfully advertises that it fixes "Volkswagen" cars, or where an imitator of brand name perfumes advertises that its perfumes smell like a trademarked brand. *Id.* at 1239. It is deemed a "nominative fair use" because there is no consumer confusion that the garage is associated with Volkswagen or that the imitator is the brand name perfume. See *id.* For nominative fair use to apply, there can be no likelihood of confusion at all. *Tiffany (NJ) Inc. v. eBay Inc.*, ___ F.3d ___, 2010 WL 1236315, *6 (2nd Cir., April 1, 2010) (providing there can be no likelihood of confusion for the doctrine to apply); McCarthy, *supra*, at § 23:11.

"Under the doctrine . . . , a trademark may be used for purposes of 'comparison, criticism, or point of reference where it would be impossible to do so without using the mark.'" See *Gennie Shifter, LLC*, 2010 WL 126181 at *14. If applied, the defendant must prove: (1) the product in question must be one not readily identifiable without the use of its trademark; (2) only so much of the trademark must be used as is reasonably necessary to identify the product; and (3) "the user [can do] nothing that would, in conjunction with the mark, suggest sponsorship or endorsement by the trademark holder" *Health Grades, Inc.*, 634 F. Supp. 2d at 1240. "[A]ll of the circuit courts that have considered [the doctrine] to date have either rejected [it] outright , or modified

it . . . to allow likelihood of confusion to be determined based largely on the traditional multi-factor analysis. . . .” *Id.*

III. Waived Alleged Fifth Affirmative Defense

Pursuant to REB Civ. Practice Standard IV.F.1., VPI hereby brings to the Court’s attention an evidentiary issue. Twelve days before trial, Amazon first informed VPI that it would seek to assert a theretofore unmentioned alleged affirmative defense of *jus tertii*. After a two-day conferral, Amazon refused to withdraw the defense, and VPI moved to exclude the alleged defense from the trial of this matter due to waiver of the defense. See Plaintiff’s Motion to Exclude Waived Affirmative Defense [Doc. No. 59]. On April 16, 2010—ten days before trial was to commence and seven months after the deadline to amend pleadings—Amazon filed a Motion for Leave to File an Amended Answer and Affirmative Defenses [Doc. No. 62].

VPI vociferously opposes Amazon’s attempt to reshape the case at the eleventh hour on the eve of trial. Amazon has been at all times aware of VPI’s theory of the case, a theory that was exhaustively detailed in the cross-motions for summary judgment, briefed in October, 2009-January, 2010. There is no justifiable excuse for the delay in moving for leave to amend, which leave should be denied due to waiver of the defense. F.R.C.P. 8(c). The degree of prejudice to VPI from lack of any notice and, thereby, having been deprived of an opportunity to discover relevant evidence and formulate a legal argument in opposition to the defense, is patent and would represent a manifest injustice.

Moreover, because the defense is factually inapposite to the claims at issue in this case, it should be excluded. *Jus tertii* is a defense of questionable continuing viability, but generally states that in a trademark action where a plaintiff alleges that the defendant improperly used the plaintiff's trademark, the defendant can raise the alleged senior status of a non-party who may have superior rights in the trademark at issue than the plaintiff, if the defendant is in privity with the non-party. See McCarthy, *supra*, at § 31:157-60. In this case, VPI does not claim that the Professor Teaches mark, standing alone, infringes VPI's Video Professor mark. Rather, VPI asserts that, when placed within the totality of the circumstances created by Amazon through its keyword advertising using VPI's Mark, the confusing Amazon Landing Page and its related unnatural and reversed search results, consumers are likely to be confused as to the relationship between the Professor Teaches products and the VPI products. Therefore, the defense is inapposite.

Additionally, and as a separate ground for denial of leave to amend and to exclude the presentment of any evidence related thereto, *jus tertii* is a strongly criticized defense that is of doubtful legal viability. It is such a disfavored defense that it calls into question Amazon's motives in asserting the issue at the eleventh hour. In fact, the First Circuit has expressly held it is no defense at all. *Ward Banking Co. v. Potter-Washington, Inc.*, 298 F. 398, 402 (1st Cir. 1924).

McCarthy, the nation's preeminent trademark scholar, has stated that "[a]s a matter of policy, *jus tertii* should not be allowed as a defense in any trademark case. So long as plaintiff proves rights superior to defendant, that is enough. Defendant is no

less an infringer because it is brought to account by a plaintiff whose rights may or may not be superior to the whole world. The plaintiff's speculative dispute with a third party does not concern the defendant. To permit a *jus tertii* defense would be unwise judicial policy because it would expand many trademark disputes far beyond a two-party conflict. . . ." McCarthy, *supra*, at § 31:160; *see also id.* at note 4 (collecting cases where courts have recently rejected the defense). The case Amazon cites for the defense states that it is "severely disfavored" in the federal courts. *Diarama Trading Co., Inc. v. J. Walter Thompson U.S.A., Inc.*, 2005 WL 2148925, *6 (S.D.N.Y., September 6, 2005) (unpublished opinion).

Accordingly, because of its waiver, potential prejudice and the doubtful relevance and legal viability of *jus tertii* as a defense, the Court should exclude the defense and all evidence related thereto from the trial.

Respectfully submitted this 19th day of April, 2010.

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ATTORNEYS FOR PLAINTIFF

CERTIFICATE OF SERVICE

I hereby certify that on the 19th day of April, 2010, a true and correct copy of the foregoing **PLAINTIFF'S TRIAL MEMORANDUM** was sent CM/ECF system addressed as follows:

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