

EXHIBIT

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Not Reported in F.Supp.2d, 2010 WL 1687883 (N.D.Ill.)
(Cite as: 2010 WL 1687883 (N.D.Ill.))

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Only the Westlaw citation is currently available.

This decision was reviewed by West editorial staff and not assigned editorial enhancements.

United States District Court,
N.D. Illinois,
Eastern Division.
BOBAK SAUSAGE COMPANY, Plaintiff,
v.
A & J SEVEN BRIDGES, INC., d/b/a Bobak's Signature Events, an Illinois Corporation, and John Bobak and Anna Zalinski, Defendants.

No. 07 C 4718.
April 26, 2010.

Ethan F. Hayward, Lowis & Gellen, LLP, Marcos Reilly, Stephen Devereux Vernon, Hinshaw & Culbertson LLP, Chicago, IL, for Plaintiff.

Annette Michele McGarry, Marianne C. Holzhall, McGarry & McGarry, LLC, Chicago, IL, for Defendants.

MEMORANDUM OPINION AND ORDER ROBERT M. DOW, JR., District Judge.

*1 This matter is before the Court on Defendants' motion [52] to exclude the expert testimony of Plaintiff's witness, Thomas J. Callahan, pursuant to Federal Rule of Civil Procedure 702. For the reasons explained below, Defendants' motion [52] is respectfully denied without prejudice.

I. Background

A. The Parties

Plaintiff Bobak Sausage Company ("BSC") is an Illinois corporation that manufactures, markets, and sells a variety of wholesale and retail food products. BSC owns three federally registered trademarks, but alleges infringement only of

Bobak's word mark ("the Mark"). BSC provides retail grocery, deli, restaurant, and catering services under the marks, and has its principal place of business in Chicago. BSC and its predecessors have used the Mark in commerce continually since 1967, and the Mark has been federally registered by BSC on the Principal Register since 2004.

Defendant A & J Seven Bridges, Inc. ("A & J") is an Illinois corporation that provides banquet hall, conference center, and food catering services at its location at 6440 Double Eagle Drive in Woodridge, Illinois, under the mark "Bobak's Signature Events (and Conference Center at Seven Bridges)". Defendants (and siblings) John Bobak and Anna Zalinski operate the conference center.^{FN1} A & J's events consist of approximately forty-five percent corporate functions and fifty-five percent family social events such as weddings and anniversaries. A & J serves steak, chicken, and seafood dishes, and, prior to the commencement of this lawsuit, occasionally served BSC sausage as an appetizer. Most of A & J's patrons either are customers who patronized the business before A & J purchased it or are referrals from those patrons. However, A & J also advertises through its website and in local wedding materials.

^{FN1}. Stan Bobak, president of BSC, is a cousin of Defendants; in fact, their fathers are brothers and their mothers are sisters.

B. The Lawsuit

Early in 2005, BSC orally granted A & J a limited license to use the Mark as part of its d/b/a "Bobak's Signature Events." The license was terminable at will and was conditioned upon A & J's execution of a formal written trademark license agreement. Since at least April of 2005, A & J has used the registered trademark "Bobak's" as part of its trade name for banquet and catering services. BSC alleges that since it granted the oral license in January 2005, it has repeatedly (albeit unsuccessfully) demanded that A & J execute a formal writ-

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ten license agreement. In October 2006, BSC provided A & J with a draft formal trademark license agreement with BSC, but A & J did not execute that agreement. On July 10, 2007, Plaintiff sent A & J a formal notice of termination of the alleged license agreement. Despite that notice and repeated demands to cease and desist, A & J continues to use the “Bobak's” name.

C. The Survey

BSC hired Amplitude Research to develop and analyze a trademark confusion survey. Thomas J. Callahan is a senior consultant for Amplitude Research. Callahan has never developed a trademark confusion survey, nor has he ever served as an expert witness. However, Callahan has designed more than 100 academic, governmental, and commercial surveys. Amplitude, in turn, hired Communications Center, Inc. (“CCI”) to conduct the actual survey.

*2 The survey consisted of eight questions that were asked of 360 participants. In total, eight thousand calls were made. Two questions were targeted toward understanding the participants' familiarity with the companies and six questions measured the participants' perceptions concerning the products. The participants were selected using a random digit dial sample drawn from the population of the Chicago Metropolitan Statistical Area and reflect census data quotas. The surveyors only contacted households, not businesses.

The survey did not use threshold questions, such as “Are you in the market to buy sausage and rent a banquet facility?” in order to locate and utilize potential purchasers. Additionally, Callahan did not use a third product as a “control.” According to Callahan, his controls were the “familiarity” questions and statistical controls that would reveal random guessing. Because the survey was conducted over the phone, the participants did not see the trademarks in question. The marks referred to in the survey were “Bobak's brand food products” and “Bobak's Signature Events.” The surveyors did not inform the participants what products and services each company provided.

The participants answered according to a scale (provided by the surveyor), ranging from strongly agree to strongly disagree. The surveyors asked follow-up questions to ascertain why the participants answered as they did. Verbatim responses to the questions were coded and tabulated by Amplitude. After analyzing the survey, Callahan concluded that 31%-43% of the participants “agree it is likely that Bobak's brand food products and Bobak's Signature Events have the same ownership, management, or products” and 7%-13% of the participants “agreed it is unlikely that the two businesses share ownership, management, or products.”

II. Analysis

Federal Rule of Evidence 702 and the Supreme Court's decision in *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579, 113 S.Ct. 2786, 125 L.Ed.2d 469 (1993), provide the legal framework for the admissibility of expert testimony. See *U.S. v. Pansier*, 576 F.3d 726, 737 (7th Cir.2009). Rule 702 permits the admission of expert testimony if “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. Rule 702 requires that the district court act as a “‘gatekeeper’ who determines whether proffered expert testimony is reliable and relevant before accepting a witness as an expert.” *Winters v. Fru-Con Inc.*, 498 F.3d 734, 741-42 (7th Cir.2007) (quoting *Autotech Tech. Ltd. P'ship v. Automationdirect.com*, 471 F.3d 745, 749 (7th Cir.2006)); see also *Kumho Tire Co., Ltd. v. Carmichael*, 526 U.S. 137, 147-49, 119 S.Ct. 1167, 143 L.Ed.2d 238 (1999); *Daubert*, 509 U.S. at 589; *Jenkins v. Bartlett*, 487 F.3d 482, 488-89 (7th Cir.2007).

To determine reliability, “the court should consider the proposed expert's full range of experience and training, as well as the methodology used to arrive at a particular conclusion.” *Pansier*, 576 F.3d at 737 (citing *Smith v. Ford Motor Co.*, 215 F.3d 713, 718 (7th Cir.2000)); see *Ervin v. Johnson & Johnson, Inc.*, 492 F.3d 901, 904 (7th Cir.2007).

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Daubert lists a number of relevant considerations in evaluating an expert's reasoning and methodology-including testing, peer review, error rates, and acceptability in the relevant scientific community. *Daubert* at 593-94. "[T]he test of reliability is flexible," however, "and *Daubert's* list of specific factors neither necessarily nor exclusively applies to all experts or in every case." *Kumho*, 526 U.S. at 141 (internal quotation omitted). "Rather the law grants a district court the same broad latitude when it decides how to determine reliability as it enjoys in respect to its ultimate reliability determination." *Id.* at 142; see also *Pansier*, 576 F.3d at 737 (the Seventh Circuit "gives the [district] court great latitude in determining not only how to measure the reliability of the proposed expert testimony but also whether the testimony is, in fact, reliable.") (citing *Jenkins*, 487 F.3d at 489); *Lewis*, 561 F.3d at 704-05 ("the law grants the district court great discretion regarding the manner in which it conducts that [*Daubert*] evaluation.").

*3 In addition, in considering Defendants' motion, it is important to bear in mind the Seventh Circuit's teaching about the critical distinction between a jury trial and a bench trial with respect to the Rule 702 inquiry:

Where the gatekeeper and the factfinder are one and the same-that is, the judge-the need to make such decisions prior to hearing the testimony is lessened. See *United States v. Brown*, 415 F.3d 1257, 1268-69 (11th Cir.2005). That is not to say that the scientific reliability requirement is lessened in such situations; the point is only that the court can hear the evidence and make its reliability determination during, rather than in advance of, trial. Thus, where the factfinder and the gatekeeper are the same, the court does not err in admitting the evidence subject to the ability later to exclude it or disregard it if it turns out not to meet the standard of reliability established by Rule 702.

In re Salem, 465 F.3d 767, 777 (7th Cir.2006); see also *United States v. Brown*, 415 F.3d 1257,

1269 (11th Cir.2005) ("There is less need for the gatekeeper to keep the gate when the gatekeeper is keeping the gate only for himself"). Under this sensible approach, where there is no jury demand, and therefore the judge will be the trier of fact at trial, the Court may choose to (i) allow the presentation of borderline testimony, (ii) subject the testimony to the rigors of cross-examination, and (iii) decide later whether the testimony is entitled to some consideration or whether it should be excluded as irrelevant, unreliable, or both.

A. Qualifications

Thomas Callahan has a B.A. in Economics from the University of Missouri, an M.A. in Psychology from the University of Missouri, an M.B.A. from Michigan State University, and a Ph.D. in Business Administration, concentrating in Organizational Behavior and Strategic Management, from Michigan State University. He is an Associate Professor at the University of Michigan. As noted above, Callahan has never developed a trademark confusion survey, nor has he ever testified as an expert witness; however, he has designed more than 100 academic, governmental, and commercial surveys. In Defendants' initial brief, they appear to challenge Callahan's qualifications to offer expert testimony in this matter. In their reply brief, they do not address his qualifications, but rather focus on the reliability of the survey. In the interest of completeness, the Court briefly addresses Callahan's qualifications.

Federal Rule of Evidence 702 allows parties to introduce expert opinions if the expert is qualified by "knowledge, skill, experience, training, or education." Anyone who has relevant expertise enabling him to offer responsible opinion testimony helpful to judge or jury may qualify as an expert witness. See *Tuf Racing Products, Inc. v. Am. Suzuki Motor Corp.*, 223 F.3d 585, 591 (7th Cir.2000). In assessing an expert's qualifications, a court should consider the proposed expert's full range of experience and training. *LG Electronics U.S.A., Inc. v. Whirlpool Corp.*, 661 F.Supp.2d 940, 951

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(N.D.Ill.2009); *Rust Env't & Infrastructure, Inc. v. Teunissen*, 131 F.3d 1210, 1218 (7th Cir.1997). Experts can be qualified based on experience alone. Shari Seidman Diamond, *Reference Guide on Survey Research*, in Federal Judicial Center, REFERENCE MANUAL ON SCIENTIFIC EVIDENCE 238 (2d ed. 2000) (“FJC REFERENCE MANUAL”). However, in regard to surveys, education in psychology, marketing, and communication, or other related fields, may be pertinent. *Id.* At the very least, the survey expert must understand “survey methodology, including sampling, instrument design (questionnaire and interview construction), and statistical analysis.” *Id.*

*4 An expert witness should not be precluded from testifying simply because he has never testified as an expert witness. In fact, many courts have expressed more concern about expert witnesses who have too much-not too little-experience as witnesses in court. See *Daubert v. Merrrell Dow Pharmaceutical, Inc.*, 43 F.3d 1311, 1317 (9th Cir.1995); *Tokio Marine & Fire Ins. Co. v. Grove Mfg. Co.*, 958 F.2d 1169, 1174-1175 (1st Cir.1992); *Thomas J. Kline, Inc. v. Lorillard, Inc.*, 878 F.2d 791, 800 (4th Cir.1989); *In re Air Crash Disaster At New Orleans, La.*, 795 F.2d 1230, 1236 (5th Cir.1986).

On balance, the Court concludes that Callahan has the “knowledge, skill, experience, training, or education” that Rule 702 mandates from experts. Callahan has written questionnaires and analyzed data since 1985. In addition, Callahan's curriculum vitae states that he has written surveys for more than twelve years, and Callahan testified that he designed more than 100 surveys in his career. Although Callahan could be qualified based on his experience alone, his academic career—a Master's Degree in Psychology and a Doctorate in Philosophy in Organizational Behavior and Strategic Management—enhances his qualifications. To be sure, Callahan has never created nor analyzed a trademark survey. Callahan has performed limited research regarding trademark surveys, which detracts from his ability to transfer his experience and education to

professional testimony. Nevertheless, he is educated in relevant fields and his professional experience, deposition, and survey report reflect that he has sufficient understanding of survey methodology, instrument design, and statistical analysis to be qualified for the purpose of giving opinion testimony under Rule 702.

B. Reliability

To meet Rule 702 and *Daubert's* standard of reliability, a survey offered to establish the likelihood of consumer confusion must “have been fairly prepared and its results directed to the relevant issues.” *Weight Watchers Int'l, Inc. v. Stouffer Corp.*, 744 F.Supp. 1259, 1272 (S.D.N.Y.1990) (citations omitted); see also *Coors Brewing Co. v. Anheuser-Busch Co., Inc.*, 802 F.Supp. 965, 972 (S.D.N.Y.1992) (“The evidentiary value of a survey's results rests upon the underlying objectivity of the survey itself.”). “The criteria for the trustworthiness of survey evidence are that: (1) the ‘universe’ was properly defined; (2) a representative sample of that universe was selected; (3) the questions to be asked of interviewees were framed in a clear, precise, and non-leading manner; (4) sound interview procedures were followed by competent interviewers who had no knowledge of the litigation or the purpose for which the survey was conducted; (5) the data gathered was accurately reported; (6) the data was analyzed in accordance with accepted statistical principles[;] and (7) objectivity of the entire process was assured.” *Weight Watchers Int'l, Inc.*, 744 F.Supp. at 1272 (collecting cases). Although these criteria generally address the weight that a fact finder should give the survey, a survey method that ignores these criteria may be of so little utility as to be rendered irrelevant, and thus inadmissible. See, e.g., *Evory v. RJM Acquisitions Funding LLC*, 505 F.3d 769, 776 (7th Cir.2007) (“survey evidence in debt-collection as in trademark cases must comply with the principles of professional survey research; if it does not, it is not even admissible”).

*5 Consumer surveys frequently are used by

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litigants as a means of attempting to show likelihood of confusion in a trademark case. *Simon Property Group, L.P. v. mySimon, Inc.*, 104 F.Supp.2d 1033, 1038 (S.D.Ind.2000). To be admissible, consumer survey results must be presented through expert witnesses. *Id.* at 1039. “No survey model is suitable for every case. At bottom, however, a survey to test likelihood of confusion must attempt to replicate the thought processes of consumers encountering the disputed mark or marks as they would in the marketplace.” *Id.* at 1038; see also 5 MCCARTHY ON TRADEMARKS § 32:163 at 32-237 (4th ed.1999) (“the closer the survey methods mirror the situation in which the ordinary person would encounter the trademark, the greater the evidentiary weight of the survey results”); *Lindy Pen Co. v. Bic Pen Corp.*, 725 F.2d 1240, 1245-46 (9th Cir.1984) (even where marks were identical when viewed in isolation, determination of likely confusion required consideration “in light of the way the marks are encountered in the marketplace and the circumstances surrounding the purchase of the pens,” which sufficed to distinguish the two marks except in context of telephone solicitation, where such distinctions were not evident).

Trademark confusion measures whether a potential purchaser who views the junior mark would associate its products with the products of the senior mark. *James Burrough Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266, 275 (7th Cir.1976). A trademark confusion survey “must attempt to replicate the thought processes of consumers encountering the disputed mark or marks as they would in the marketplace.” *Simon Prop. Group*, 104 F.Supp.2d at 1038. However, trademark confusion also can be measured by sound, meaning, or connotation. *Planet Hollywood (Region IV), Inc. v. Hollywood Casino Corp.*, 80 F.Supp.2d 815, 880 (N.D.Ill.1999) (citing *Knaack Mfg. Co. v. Rally Accessories, Inc.*, 955 F.Supp. 991, 1000 (N.D.Ill.1997); *Henri's Food Prod., Inc. v. Kraft, Inc.*, 717 F.2d 352, 354 (7th Cir.1983)).

As Judge Hamilton observed in *Simon Property*

Group, “[n]o survey is beyond criticism, especially in the context of litigation.” 104 F.Supp.2d at 1039. That observation accords with the Seventh Circuit's teaching that survey evidence need not be perfect to be admissible. *Indianapolis Colts, Inc. v. Metropolitan Baltimore Football Club*, 34 F.3d 410, 416 (7th Cir.1994). In fact, the court of appeals has stressed that only in “rare” situations will a proffered survey be “so flawed as to be completely unhelpful to the trier of fact and therefore inadmissible.” *AHP Subsidiary Holding Co.*, 1 F.3d 611, 618. Finally, consistent with the Seventh Circuit's observations about bench trials noted above, the Court may provisionally admit borderline opinion testimony and exclude it later if, upon further reflection, it is not sufficiently reliable or relevant to be entitled to any consideration at all. See *Simon Property Group, L.P.*, 104 F.Supp.2d at 1039 n. 3 (explaining that in cases dealing with problematic survey evidence involving an injunction hearing or a bench trial, “the safest course for the trial judge is to admit the evidence and to treat the criticisms as going to the weight of the evidence”).

*6 Callahan's survey, composed of eight questions asked to 360 participants (out of 8,000 calls made), was relatively straightforward. The first two questions gauged familiarity; the third, fifth, and seventh questions measured perceptual familiarity; and the fourth and sixth questions requested that the participant explain his or her reasoning. Plaintiffs and their lawyer requested that the eighth question be added to the survey, and Callahan claims that it did not affect his analysis. The participants had the option to choose one of six answers ranging from “strongly agree” to “strongly disagree,” including “can't say,” and no answer was suggested as the correct one. Closed-ended questions are thought to be useful in surveys. See FJC REFERENCE MANUAL at 253. Although Callahan did not rotate the responses-and therefore the participant might have reflexively answered “can't say,” because it was always the last option in the close-ended questions-his report contains the percentages of times that the participants selected an answer. Thus, the

Court can pinpoint responses that may have been suspect because of the recency effect and take that potential shortcoming into consideration in assessing the reliability of the survey. Finally, participants were directed not to guess when responding, which presumably supports the reliability of the survey because the participants would have answered knowledgeably or not at all.

Despite these useful features, the survey has many significant flaws. First, the universe is too broad. Callahan's definition of the relevant universe was the entire Chicago metropolitan area (or at least anyone in that area with a telephone), without regard to the respondents' purchasing preferences. The participants were filtered according to demographic quotas and to exclude businesses. Furthermore, the survey did not use threshold questions to measure the preferences or purchasing inclinations of the participants. As such, the survey was overinclusive, as it included many participants who were not in the market for either Bobak's Sausage Company Products or A & J's Signature Events products. The survey also was underinclusive because it excluded businesses, a large section of A & J's market. In a trademark case, the proper universe usually is potential purchasers of the junior users' products or services. See *LG Electronics U.S.A., Inc. v. Whirlpool Corp.*, 661 F.Supp.2d 940, 953 (N.D.Ill.2009). To narrow the scope of potential customers of A & J, Callahan could have added two simple survey questions: (1) Have you sought to purchase banquet or conference facility services in the last twelve months? and (2) Do you plan to purchase banquet or conference facility services in the next twelve months? See *id.* And to broaden the survey appropriately, Callahan could have included businesses.

The survey also used leading questions. Respondents were asked if they agreed with statements such as (1) "It is likely that Bobak's brand food products and Bobak's Signature Events have the same ownership," and (2) "When planning an event, it is likely that I would choose Bobak's Sig-

nature Events based on the belief that they serve Bobak's brand food products." These questions appear skewed to obtain a desired result, by linking Bobak's brand food products and Bobak's signature events (and thereby implying that the two are affiliated) and also by using "likely" to imply the answer to the question.

*7 Furthermore, Callahan did not use the visual marks and he took no steps to put the trademarks in a typical marketplace situation. Admittedly, as the products sold by the parties are substantially dissimilar, a marketplace situation would have been difficult to replicate. And Callahan's perceptual similarity questions marginally addressed whether or not the companies are associated with one another. Therefore, although Callahan's survey is not as probative as it would have been if it had used the actual marks, the survey is not fatally flawed simply because it was a telephone survey.

The survey also had minimal controls. Surveys typically use a control group or a control question. *Nat'l Football League Props., Inc. v. Prostyle, Inc.*, 57 F.Supp.2d 665, 667-73 (E.D.Wis.1999). Trademark surveys measure how the trademark influences participants' "perceptions or understanding of a product." FJC REFERENCE MANUAL at 256. Therefore, a control group or control question is used to measure the origins of the perceptions in order to assure that the participants are not basing their answers on preconceptions. *Id.* In addition, the ability to evaluate the effect of the wording of a particular question makes the control group design particularly useful in assessing responses to closed-ended questions, providing an additional safeguard against poorly worded questions. *Id.* at 258.

Callahan claims that "principle components analysis" was his control. Although Callahan did not use a control group, he contends that the familiarity questions and the random selection of respondents were types of controls. However, Callahan did not explain if the responses to the familiarity questions affected whether or not the participants were included in the study. Otherwise, he

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took no steps to account for skewing factors specific to a trademark case. Plaintiff's response argues that this statistical analysis was used to "ensure the survey respondents were not giving random answers." (Pl. Resp. at 10.) However, the goal of a control in a trademark survey is not only to prevent random answers, but also to bring preconceptions to light. Therefore, in Callahan's survey, is it difficult to ascertain the baseline knowledge of some of the participants. This is apparent in some of the responses. For example, in response to a follow-up question, one participant answered, "We used to have a Bobak restaurant and there was (sic) some problems with the family and the ownership of the store." (Callahan Dep. 98:8-10.) Furthermore, the use of a control group or a control questions could have emphasized potential problems with Callahan's questions. See FJC REFERENCE MANUAL at 258. Despite these concerns, Plaintiff raises a legitimate question concerning whether an additional control (another hypothetical "Bobak" entity) would have added much to the reliability of the survey in the particular circumstances of this case.

Technical defects in a survey are a matter of degree. The judge, as a trier of fact, has wide discretion in assessing whether the cumulative effect of technical defects simply affects the weight given to the survey or renders the expert's opinion inadmissible altogether. *LG Elecs. U.S.A., Inc.*, 661 F.Supp.2d at 951. The Court's preliminary conclusion is that the flaws described above substantially limit the helpfulness of the proposed survey in this case to the trier of fact. Plaintiff has described the survey as "no frills," which is not a problem if at least the critical steps in survey methodology are followed. Here, for the reasons stated above, it is evident to the Court that "plaintiff could have conducted its survey more carefully." *McDonald's Corp. v. McBagels, Inc.*, 649 F.Supp. 1268, 1278 (S.D.N.Y.1986). Two hallmarks of a good survey include the selection of an appropriate universe of respondents and the use of non-leading questions. The Callahan survey fell somewhat short of the mark in both respects.

*8 Cumulatively, the flaws noted above present a close question in regard to whether to exclude Callahan and his survey evidence. On balance, however, the Court cannot conclude at this time that as a result of these errors, the Callahan survey is one of the "rare" surveys that is "so flawed as to be completely unhelpful to the trier of fact and therefore inadmissible." *AHP Subsidiary Holding Co.*, 1 F.3d at 618. The Court stresses that this conclusion is preliminary-in part because of the somewhat atypical circumstances in which this motion was brought. The admissibility of survey evidence often is resolved in the context of a battle of the experts, where both sides have developed and placed before the Court competing views on the issue of consumer confusion. Here, because Defendants chose to seek the exclusion of Plaintiff's expert before undertaking any expert work of their own, the Court has evaluated Dr. Callahan's survey with a less developed record than often is the case. In addition, because there is no jury demand in this case, the Court retains the ability to "exclude" or "disregard" Dr. Callahan's testimony and survey at a later stage-even after trial-if it later concludes that the testimony and survey are of little or no value in deciding the issues in the case. See *Simon Property Group*, 104 F.Supp.2d at 1039 n. 3.

III. Conclusion

For the reasons stated above, Defendants' motion [52] to exclude the expert testimony of Plaintiff's expert witness is denied without prejudice. This case is set for further status on 5/10/10 at 9:00 a.m.

N.D.Ill.,2010.

Bobak Sausage Co. v. A & J Seven Bridges, Inc.
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United States District Court,
W.D. Pennsylvania.
COMPONENTONE, L.L.C., Plaintiff,
v.
COMPONENTART, INC., Steve G. Rolufs, Miljan
Braticevic, Dusan Braticevic, and Cyberakt, Inc.,
Defendants.

No. 02:05cv1122.
Oct. 27, 2008.

Dennis M. Moskal, Gregg R. Zegarelli, Technology
& Entrepreneurial Ventures Law Group, Pittsburgh,
PA, for Plaintiff.

Jonathan M. Gelchinsky, Lawrence R. Robins, Fin-
negan, Henderson, Farabow, Garrett & Dunner,
Cambridge, MA, William F. Ward, Ward
McGough, LLC, Pittsburgh, PA, for Defendants.

OPINION AND ORDER OF COURT

TERRENCE F. MCVERRY, District Judge.

*1 Presently pending before the Court is the MOTION FOR SUMMARY JUDGMENT filed by Defendants (*Document No. 182*) with related filings and briefs in support and opposition, and Plaintiff's MOTION TO STRIKE DEFENDANTS' REFERENCES TO SURVEY EVIDENCE (*Document No. 191*) with briefs in support and opposition. After in depth consideration of the numerous and detailed filings of both parties, the relevant statutory and case law, and the record evidence, the Court will grant summary judgment in favor of defendants on all claims and deny plaintiff's motion to strike defendants' references to survey evidence.

I. Background^{FN1}

FN1. The Court looks to the parties' Local Rule 56.1 statements to discern the facts and interprets them in the light most favor-

able to the non-movant.

This case arises from a trademark dispute between two firms that develop, sell, and provide support for users of reusable software tools designed to be integrated into larger software applications, generally known as "components," "tools" or "controls." Defs.' Rule 56.1 Statements 22; Pl.'s Rule 56.1 Counterstatements 11. Plaintiff ComponentOne L.L.C. ("ComponentOne"), is a Pennsylvania limited liability company with its principal place of business in Pittsburgh, Pennsylvania. Am. Compl. 1. ComponentOne's components are designed for use with Microsoft Windows. Pl.'s Rule 56.1 Counterstatements 8. Defendant ComponentArt, Inc., ("ComponentArt") is a Canadian corporation with its principal place of business in Toronto, Ontario, Canada. Am. Compl. 1. ComponentArt's components are designed for Microsoft Windows and web-based development. Defs.' Rule 56.1 Statements 1–11. ComponentArt also provides consulting services in conjunction with its products. *Id.* at 10. A number of ComponentOne and ComponentArt's products have overlapping functionality and the two firms consider themselves to be direct competitors. Pl.'s Rule 56.1 Counterstatements 12; Defs.' Resps. To Pl.'s Rule 56.1 Counterstatements 25.

A. ComponentOne

ComponentOne was formed in July 2000 when two companies, VideoSoft, Inc.,^{FN2} ("VideoSoft") and Apex Software Corporation ("Apex"), merged. Pl.'s Rule 56.1 Counterstatements 11. Prior to the merger, VideoSoft and Apex were "top sellers" of components. *Id.* at 2. The resulting firm chose the name "ComponentOne" because it suggested "one source for ComponentOne's products." *Id.* at 7.

FN2. Plaintiff refers to this entity as "VideoSoft, Inc." and "VS Corp." at various instances in its filings with this Court.

ComponentOne offers its products individually

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and in bundles known as “suites” or “studios.” *Id.* at 8. ComponentOne was the first firm in the industry to also distribute its products through subscriptions. *Id.* at 9. In 2003 and 2004, Microsoft bundled a ComponentOne product in a package of “Visual Studio” products it sent to software developers. *Id.* at 11.

ComponentOne sells its products through its website, www.componentone.com, and through resellers such as ComponentSource. *Id.* at 10; Defs.' Rule 56.1 Statements 21. The prices of ComponentOne's products range from \$500–\$1500, *id.* at 8, and the intended users of the products are persons who use Microsoft products to develop software. *Id.* at 12. ComponentOne's quarterly total sales averaged over \$2,200,000 from the first quarter of 2004 to the second quarter of 2007, Gelchinsky Decl., Ex. BB, and its products have received numerous industry awards. Pl.'s Rule 56.1 Counterstatements 10; Moskal Decl., Ex. 19.

*2 ComponentOne filed a trademark application with the United States Patent and Trademark Office (“PTO”) for “COMPONENTONE ^{FN3},” on July 24, 2000. Pl.'s Rule 56.1 Counterstatements 8. The mark was registered without opposition on January 7, 2003. *Id.* ComponentOne has also registered the following marks with the PTO: “COMPONENTONE SMARTDESIGNER”, “COMPONENTONE XMLHELP”, “COMPONENTONE HELPCENTRAL”, “COMPONENTONE NETHelp”, “COMPONENTONE STUDIO”, “COMPONENTONE NATURAL SEARCH”, “COMPONENTONE RESPONSE”, “COMPONENTONE RIBBON”, “COMPONENTONE FRONTLINE”, and “COMPONENTONE SILVERPOINT”. *Id.* at 8–9. From the time ComponentOne was formed in July 2000 until May 2004, it has released and marketed more than forty products under the “ComponentOne” mark. *Id.* at 10. The mark has been presented in various stylized logo forms. *Id.* at 16; Defs.' Rule 56.1 Statements 7.

FN3. We will refer to the mark in the manner “the market pervasively uses” it, Pl.'s Mem. in Opp'n Summ. J. 35, “ComponentOne,” for the remainder of the opinion. See *A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198, 206 n. 1 (3d Cir.2000).

ComponentOne employs a number of methods to promote and market its products, including advertising in industry-specific publications, ^{FN4} participating in Google's search engine marketing program and attending trade shows. ^{FN5} Pl.'s Rule 56.1 Counterstatements 13, Defs.' Rule 56.1 Statements 31. Since its inception, ComponentOne has spent approximately \$22,400,000 on these efforts. Pl.'s Rule 56.1 Counterstatements 10.

FN4. Publications include Visual Studio Magazine, MSDN Magazine, asp .netPRO Magazine and SD Times. Pl.'s Rule 56.1 Counterstatements 13.

FN5. Trade shows that ComponentOne has attended include VSLive, Microsoft TechEd, Microsoft PDC and ASP/DevConnections. Pl.'s Rule 56.1 Counterstatements 13.

B. ComponentArt

The firm now known as ComponentArt was founded by Miljan Braticevic in February 2000 under the name “Cyberakt Inc.” (“Cyberakt”). Defs.' Rule 56.1 Statements 1. Cyberakt operated as a one-man software consultancy in its nascent stages. *Id.* In 2001, Cyberakt began developing components. *Id.*

Miljan Braticevic hired defendant Steve Rolufs to serve as the chief executive officer of Cyberakt in May 2002. *Id.* at 2. Defendants contend that Miljan Braticevic and Rolufs began discussing changing Cyberakt's name immediately after Rolufs was hired. *Id.* In the process of looking for a new name for Cyberakt, defendants researched competitors and potential competitors and their products. Pl.'s

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Rule 56.1 Counterstatements 3. This research included viewing ComponentOne's website. *Id.* During the name search, Rolufs conducted a search of internet domain names and discovered that “componentart.com” was available. Defs.' Rule 56.1 Statements 3. Cyberakt registered the “componentart.com” domain name on December 29, 2002, and, at some point on or before January 21, 2003, Cyberakt decided to change its name to “ComponentArt.” ^{FN6} *Id.*; Rolufs Decl. ¶ 11; Pl's Resp. to Defs.' Rule 56.1 Statements 7. According to defendants, one of the primary reasons that “ComponentArt” was chosen as the new name for Cyberakt was that it “signified the marriage of technology and creativity” because “Art” suggests creativity and uniqueness and “Component” identifies the company's core product. ^{FN7} Defs.' Rule 56.1 Statements 4.

^{FN6}. The parties dispute the date this decision was made. Defendants claim that Miljan Braticevic, Rolufs and Dusan Braticevic decided to adopt ComponentArt as the new name on or around January 21, 2003. Defs.' Rule 56.1 Statements 3; Rolufs Decl. ¶ 11. ComponentOne, on the other hand, asserts that it reasonable to infer that the decision to change Cyberakt's name to ComponentArt occurred before Cyberakt registered “componentart.com” on December 29, 2002. Pl.'s Resp. to Defs.' Rule 56.1 Statements 7. Resolution of this issue is not necessary for the purpose of the disposition of this case.

^{FN7}. Plaintiff disputes defendants' explanation for choosing “ComponentArt” as the new name for Cyberakt. Instead, plaintiff appears to claim that the true reason that “ComponentArt” was chosen as the new name for Cyberakt was to trade off of the goodwill of ComponentOne. Pl.'s Resp. to Defs.' Rule 56.1 Counterstatements 7–8.

Cyberakt hired defendant Dusan Braticevic for the position of chief software architect in January

2003. Defs.' Rule 56.1 Statements 3. Over the course of 2003, Cyberakt worked towards developing a new brand identity, hoping to unveil its new name and website in 2004. *Id.* at 5. In order to accomplish this goal, Cyberakt hired an outside consultant to help it develop a new logo and corporate image. *Id.* During this process, Cyberakt had its outside counsel, Goodmans, conduct a “NUANS” search of Canadian corporate names. *Id.* The search revealed a number of firms with names that included the word “component,” but not ComponentOne or any of its marks. *Id.* Goodmans also searched the United States trademark register and ascertained that the mark “ComponentArt” had not yet been registered. *Id.* Cyberakt did not, however, utilize the services of a trademark search company during its inquiry into the availability of the “ComponentArt” mark or obtain an opinion letter from its outside Canadian counsel regarding the availability of the mark. Pl.'s Rule 56.1 Counterstatements 5. On February 18, 2004, Cyberakt changed its corporate name to “ComponentArt.” Defs.' Rule 56.1 Statements 4. ComponentArt publicly announced its name change and launched its new website at “www.componentart.com” on May 14, 2004. *Id.* at 6.

*3 Like ComponentOne, ComponentArt offers its products both individually and in suites. Gelchinsky Decl., Ex. B; Rolufs Decl. ¶¶ 34–35, 40–41, 45–47, 50–51, 55. ComponentArt also sells its products through its website and through resellers such as ComponentSource. Defs.' Rule 56.1 Counterstatements 24; <http://www.componentsource.com/products/componentart-webui/index.html> (last visited October 21, 2008). Currently, the prices of ComponentArt's products range from \$699 for an individual “charting” component to \$1,799 for the most expensive bundle of products, however, at times relevant to this dispute some individual components were available at prices as low as \$99. Defs.' Rule 56.1 Statements 24. The intended users of ComponentArt's products are computer programmers who develop software for the internet or Microsoft's Windows platform. *Id.* at 1–11; Defs.'

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Mem. in Supp. Summ. J. 28. ComponentArt and its products have received numerous industry awards, with sales exceeding \$6,700,000 CDN from January 2004 to January 2007. Defs.' Rule 56.1 Statements 5–10, 31.

ComponentArt represents the “ComponentArt” mark as a trademark and has licensed the mark to third parties even though it has not registered or attempted to register the mark with the PTO. Pl.'s Rule 56.1 Counterstatements 6. When ComponentArt presents the mark in logo form, it uses either dark grey or black lettering or white lettering on a black or grey background in Futura font with a capitalized “C” and “A” and a small red dot as the bridge of the letter “A.” Defs.' Rule 56.1 Statements 6. The logo is sometimes coupled with the tag lines “Helping You Build Something Amazing” or “Build Something Amazing.” *Id.*

ComponentArt utilizes promotion and marketing methods similar to ComponentOne, including advertising in the same trade magazines, enrolling in Google's search engine marketing program and attending many of the same trade shows. *Id.* at 31–32. ComponentArt advertising expenditures from February 2004 to January 2007 totaled \$1,300,000 CDN. *Id.* at 31.

C. Procedural History

This dispute began in earnest with the Court's decision to grant ComponentOne leave to file a second amended complaint on October 12, 2006. ComponentOne filed its second amended complaint on the same day. The second amended complaint contains ten claims, specifically (I) unfair competition in violation of state common law, (II) use of a false designation of origin in violation of the Lanham Act, 15 U.S.C. § 1125(a), (III) trademark dilution in violation of the Lanham Act, 15 U.S.C. § 1125(c), (IV) unfair competition in violation of Pennsylvania law, 73 Pa. S. § 201–1, *et seq.*, (V) “common law” trademark infringement in violation of Pennsylvania law, 54 Pa.C.S. § 1101, *et seq.*, (VI) a prayer for injunctive relief, (VII) trademark infringement in violation of the Lanham Act, 15

U.S.C. § 1114(1)(a), (VIII) unjust enrichment in violation of Pennsylvania common law, (IX) trademark dilution in violation of Pennsylvania law, 54 Pa.C.S. § 1124, and (X) civil conspiracy in violation of Pennsylvania common law. Am. Compl. 1–15. Defendants filed their answer to the amended complaint on January 3, 2007, in which they also asserted several affirmative defenses. Answer to Am. Compl. 1–8.

*4 On August 21, 2007, defendants filed a motion for partial summary judgment on Counts III and IX of the second amended complaint. The Court granted the defendants' motion in a Memorandum Opinion and Order dated December 7, 2007. Judgment was entered in favor of defendants on Count III because the Trademark Dilution Revision Act of 2006 operates “to deny protection to marks that are famous only in ‘niche’ markets.” *ComponentOne, L.L. C. v. ComponentArt, Inc.*, No. 02:05cv1122, 2007 WL 4302108 at *2 (W.D.Pa. Dec.6, 2007). With respect to Count IX, the Court granted summary judgment in defendants' favor because Pennsylvania trademark dilution law is construed “in accordance with federal law.” *Id.* at *3.

Defendants now move for summary judgment on the remaining claims. They contend that they are entitled to judgment in their favor on Counts I, II, V, VI, VII, VIII and X because ComponentOne cannot, as a matter of law, establish that their use of “ComponentArt” to identify their goods and services is likely to create confusion. Defs.' Mot. for Summ. J. 1. With respect to Count IV, defendants argue that ComponentOne does not have standing to assert a claim under 73 P.S. § 201–1, *et seq.*

II. Summary Judgment Standard

Summary judgment is appropriate if, after examining the pleadings, discovery and disclosure materials on file, and any affidavits, the Court determines that there is no genuine issue and the movant is entitled to judgment as a matter of law. Fed.R.Civ.P. 56©. Defendants, the moving parties, bear the initial burden of proving that no triable issue of material facts. *Celotex Corp. v. Catrett*, 477

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U.S. 317, 323, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986). Since ComponentOne, the non-movant, bears the burden of proof, *Freedom Card, Inc. v. JPMorgan Chase & Co.*, 432 F.3d 463, 470 n. 14 (3d Cir.2005), it must then “make a showing sufficient to establish the existence of an element essential to its case.” *Country Floors, Inc. v. Country Tiles*, 930 F.2d 1056, 1061 (3d Cir.1991). To do this, the non-movant must go “beyond the pleadings and through affidavits, or by the depositions, answers to interrogatories, and admissions on file, designate specific facts showing that there is a genuine issue for trial.” *Id.* (quoting *Celotex*, 477 U.S. at 324) (internal quotations marks and brackets omitted). In other words, the non-movant must “present affirmative proof that triable issues remain.” *ICON Solutions, Inc. v. IKON Office Solutions, Inc.*, No. 97-4178, 1998 WL 314672, at *9 (E.D.Pa. June 16, 1998). Summary judgment will be granted only if “under the governing law no reasonable trier of fact could find in the [non-movant's] favor.” *Id.*

At the summary judgment stage, the Court's function “is not ... to weigh the evidence and determine the truth of the matter but to determine whether there is a genuine issue for trial.” *Primepoint, L.L.C. v. Primepay, Inc.*, 545 F.Supp.2d 426, 431 (D.N.J.2008) (quoting *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 249, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986)); see also *E.T. Browne Drug Co. v. Cococare Prods., Inc.*, 538 F.3d 185, 196 (3d Cir.2008) (the district court's role at the summary judgment stage is to evaluate the record to determine whether the plaintiff's claims can proceed to trial). Accordingly, the Court views all evidence in the light most favorable to the non-movant, accepts the non-movant's allegations as true, and credits all reasonable inferences that can be drawn from the underlying facts in the non-movant's favor. See, e.g., *Country Floors*, 930 F.2d at 1061. Nevertheless, the non-movant must demonstrate that there is more than a mere “scintilla of evidence” supporting its contention that a genuine, material issue of fact exists for trial.

Id. at 1062. The non-movant cannot survive summary judgment solely on the basis of “largely unsupported conclusions.” *Freedom Card*, 432 F.3d at 481.

*5 In applying the summary judgment standard in this case, the Court is cognizant of the Court of Appeals for the Third Circuit's observation that “summary judgment [is] the exception” in trademark actions.” *Country Floors*, 930 F.2d at 1063. The Court will therefore strictly observe the principles governing summary judgment. See *id.* at 1062-63 (“[f]ailure to strictly observe the principles governing summary judgment becomes significant in a trademark ... action”).

III. Discussion

A. Trademark Infringement, Unfair Competition, False Designation of Origin

Defendants have moved for summary judgment, arguing that their use of the “ComponentArt” mark to identify their goods and services neither amounts to infringement of any of ComponentOne's trademarks under the Lanham Act, 15 U.S.C. § 1114(1),^{FN8} and Pennsylvania law, 54 Pa.C.S. § 1123(a),^{FN9} nor constitutes unfair competition under Pennsylvania common law, nor operates as a false designation of origin under the Lanham Act, 15 U.S.C. § 1125(a)(1) (A).^{FN10} Each of these claims requires ComponentOne to prove the same three elements, namely, (1) that its “ComponentOne” mark is valid and legally protectable, (2) that it owns the mark, and (3) defendants' use of its “ComponentArt” mark is likely to create confusion among consumers concerning its goods or services. *First Am. Mktg. Corp. v. Canella*, No. 03-cv-812, 2004 WL 250537, at *2 (E.D.Pa. Jan.26, 2004). Defendants concede that ComponentOne satisfied the first two elements. Defs.' Mem. in Supp. Summ. J. 24. The only issue before the Court with respect to ComponentOne's trademark infringement, unfair competition and false designation of origin claims, therefore, is whether defendants' use of the “ComponentArt” mark for its goods and services “causes a likelihood of confusion.”

Kos Pharms., Inc. v. Andrx Corp., 369 F.3d 700, 709 (3d Cir.2004) (quoting *A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc.*, 237 F.3d 198, 210 (3d Cir.2000)).

FN8. Section 1114(1) states:

Any person who shall, without the consent of the registrant—

(a) use in commerce 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; or

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action by the registrant for the remedies hereinafter provided.

FN9. Section 1123(a) states:

any person who shall:

(1) use, without the consent of the registrant, any reproduction, counterfeit, copy or colorable imitation of a mark registered under this chapter in connection with the sale, offering for sale or advertising of any goods or services in a manner likely to cause confusion or mistake or to deceive as to the source of origin of such goods or services; or

(2) reproduce, counterfeit, copy or colorably imitate any such mark and apply such reproduction, counterfeit, copy or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in connection with the sale or other distribution in this Commonwealth of such goods or services; shall be liable to a civil action by the registrant

FN10. Section 1125(a)(1)(A) provides:

Any person who, on or in connection with any goods or services, or any container for goods, 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 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 ... 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.

A “[l]ikelihood of confusion exists when consumers viewing the mark would probably assume that the product or service it represents is associated with the source of a different product or service ... identified by a similar mark.” *Scott Paper Co. v. Scott's Liquid Gold, Inc.*, 589 F.2d 1225, 1229 (3d Cir.1978); *A & H Sportswear*, 237 F.3d at 211. The Court of Appeals for the Third Circuit has developed a ten-factor test, commonly referred to as the “Lapp test,”^{FN11} for evaluating whether this standard is satisfied. See, e.g., *A & H Sportswear*, 237 F.3d at 213–15. Originally designed for disputes in which the parties were not direct competitors, see *Versa Prods. Co. v. Bifold*

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Co. (Mfg.), 50 F.3d 189, 202 (3d Cir.1995), the Lapp test is now employed “to determine the likelihood of confusion in cases of directly competing goods, at least when the marks are not identical.” *A & H Sportswear*, 237 F.3d at 214; *see also Checkpoint Sys., Inc. v. Check Point Software Techs., Inc.*, 269 F.3d 270, 281 n. 8 (3d Cir.2001) (Lapp test should be “applied in cases involving directly competing goods”); *Freedom Card*, 432 F.3d at 471 (“the Lapp factors should be used for both competing and non-competing goods”).

FN11. The “Lapp test” derives its name from the case in which it was first enunciated, *Interpace Corp v. Lapp, Inc.*, 721 F.3d 460 (3d Cir.1983). *See Freedom Card*, 432 F.3d at 471 n. 15.

*6 The Lapp test is comprised of ten factors that are to be evaluated in determining whether a likelihood of confusion exists:

- (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, 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 in the minds of

consumers because of the similarity of function;

(10) other factors suggesting that the consuming public might expect the prior owner to manufacture a product in the defendant's market, or that he is likely to expand into that market.

Freedom Card, 432 F.3d at 470–71 (quoting *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 463 (3d Cir.1983)). The Lapp test is a qualitative, non-exhaustive inquiry. *Id.*; *see also A & H Sportswear*, 237 F.3d at 215. Its factors are “tools, not hurdles.” *A & H Sportswear*, 237 F.3d at 214. “None of the[] factors is determinative ... and each factor must be weighed and balanced.” *Checkpoint Sys.*, 269 F.3d at 280; *see also Fisons Horticulture, Inc. v. Vigoro Indus.*, 30 F.3d 466, 476 n. 11 (3d Cir.1994) (“The weight given to each [Lapp] factor in the overall picture ... must be done on an individual fact-specific basis.”). Nevertheless, in cases between direct competitors, factor (1), the similarity of the marks, “takes on great prominence .” *A & H Sportswear*, 237 F.3d at 214. Factors (7), (9), and (10), on the other hand, are “not apposite” for determining whether a likelihood of confusion exists in actions between direct competitors. *Id.* at 212.

In applying the Lapp test to address whether a likelihood of confusion exists in this case, the Court is not required to evaluate the relevant factors in the sequence they were originally enumerated. *Checkpoint Sys.*, 269 F.3d at 281 n. 9. In order to ultimately demonstrate a likelihood of confusion, ComponentOne must show more than a mere possibility of confusion, but need not demonstrate actual confusion. *See Freedom Card*, 432 F.3d at 470 (“The relevant inquiry is not whether consumer confusion is a possibility, but whether confusion is likely.”); *see also Fisons Horticulture*, 30 F.3d at 472 (“Proof of actual confusion is not necessary; likelihood of confusion is all that need be shown.”) (quoting *Ford Motor Co. v. Summit Motor Prods.*, 930 F.2d 277, 292 (3d Cir.1991)). The determination of whether a likelihood of confusion exists is a question of fact. *See Country Floors*, 930 F.2d at 1063. In order to survive summary judgment, there-

fore, ComponentOne must show that a genuine issue of material fact remains as to whether a likelihood of confusion exists in this case pursuant to the Lapp test.

*7 In addition to “point of sale” confusion, the traditional form of confusion alleged in trademark infringement actions,^{FN12} ComponentOne alleges that defendants use of the “ComponentArt” mark has caused “initial interest confusion.” Pl.’s Mem. in Opp’n Summ. J. 21. Initial interest confusion is “confusion that creates initial consumer interest [in the alleged infringer’s product], even though no actual sale is finally completed as a result of the confusion.” *McNeil Nutritionals, LLC v. Heartland Sweeteners, LLC*, 511 F.3d 350, 357 (3d Cir.2007) (quoting 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 23:6 (4th ed.2007) (hereinafter “McCarthy on Trademarks”)). “Initial interest confusion is an independently sufficient theory that may be used to prove likelihood of confusion.” *Id.* at 358. Since the Lapp factors are used to evaluate whether a likelihood of confusion exists as to “source confusion” and “initial interest confusion,” *id.*, the Court will address both forms of alleged confusion, where appropriate, in its application of the test.

FN12. See 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 23:5 (4th ed. 2007) (“The most common and widely recognized type of confusion that creates infringement is purchaser confusion of source which occurs at the time of purchase: point of sale confusion.”)

1. Similarity of the Marks (Lapp Factor (1))

The similarity of the parties’ marks is “[t]he single most important factor in determining likelihood of confusion.” *A & H Sportswear*, 237 F.3d at 216; *Kos Pharms.*, 369 F.3d at 712–13; see also *Checkpoint Sys.*, 269 F.3d at 281 (“when products directly compete, mark similarity may be the most important of the ten factors in Lapp”) (quoting *Fisons Horticulture*, 30 F.3d at 476) (internal quota-

tion mark omitted). The Court determines the similarity of the marks by evaluating their “overall commercial impression.” See 4 McCarthy on Trademarks § 23:22. The overall commercial impression of the marks is analyzed by “mov[ing] into the mind of the roving consumer,” *A & H Sportswear*, 237 F.3d at 216; *Checkpoint Sys.*, 269 F.3d at 281, and “compar[ing] the appearance, sound and meaning of the marks.” *Checkpoint Sys.*, 269 F.3d at 281 (quoting *Harlem Wizards Entm’t Basketball, Inc. v. NBA Props.*, 952 F.Supp. 1084, 1096 (D.N.J.1997)). In making this determination, the Court must give more weight to “the more forceful and distinctive aspects of a mark.” *A & H Sportswear*, 237 F.3d at 216; see also *McNeil Nutritionals*, 511 F.3d at 359–60 (“forceful and distinctive design features should be weighed more heavily because they are more likely to impact the overall impression regardless of whether they happen to be similarities or differences”) (internal citation omitted). In order to find that the marks are confusingly similar, the allegedly infringing mark must be “substantially similar to the protectable mark.” *Id.* (quoting *Versa Prods.*, 50 F.3d at 202). Because the parties are direct competitors, however, “the degree of similarity required to prove a likelihood of confusion is less than in the case of dissimilar products.” *Kos Pharms.* 369 F.3d at 713 (quoting 4 McCarthy on Trademarks at § 23:20.50).

*8 The Court approaches its analysis of this factor knowing that “the determination as to the degree of similarity between two marks is highly fact sensitive and there is no decisive rule that is dispositive of any particular case.” *EMSL Analytical, Inc. v. TestAmerica Analytical Testing*, No. 05–5259, 2006 WL 892718, at *6 (D.N.J. Apr.4, 2006). Defendants argue that this first Lapp factor militates conclusively in their favor because the common “component” portion of the two marks is a generic or descriptive term entitled to minimal weight in the Court’s analysis. Defs.’ Mem. in Supp. Summ. J. 25–27. ComponentOne contends, conversely, that when the marks are viewed in their entirety, this Lapp factor weighs significantly in their favor.

A term within a trademark is generic when,

consumers think the term represents the generic name of the product or service or ... indicat[es] merely one source of that product or service. If the term refers to the product ... the term is generic. If, on the other hand, it refers to one source or producer of that product, the term is not generic.

E.T. Browne, 538 F.3d at 192 (quoting *Dranoff-Perlstein Assocs. v. Sklar*, 967 F.2d 852, 859 (3d Cir.1992)) (internal punctuation omitted). Thus, a generic term “functions as the common descriptive name of a product class.” *A & H Sportswear*, 237 F.3d at 222.

A genuine issue of material fact does not exist regarding the classification of the term “component” as the parties employ it in their marks. “Component” is the common term used to describe the reusable software designed to be integrated into larger software applications that the parties manufacture, sell, and provide support services for and is therefore generic. ComponentOne concedes as much when it states, “ ‘component’ ... is among the terms available to reference the products sold.” Pl.’s Mem. in Opp’n Summ. J. 5. [FN13](#)

[FN13](#). The Court notes that ComponentOne’s “senior technology evangelist” John Juback confirmed the generic nature of the term “component” when he testified that the term has a generally understood meaning within the parties’ industry as “a reusable piece of software.” Gelchinsky Decl, Ex. M. The conclusion that the term “component” is generic is further bolstered when the Court considers that Dr. Sun Wong and Gustavo Eydelsteyn, ComponentOne’s two “ultimate owners,” Pl.’s Mem. in Opp’n Summ. J. 4, are “founding members of the Component Vendor Consortium, an organization supporting competitors who sell components.” *Id.* at 5.

If a portion of a mark is generic, “its presence ... affect[s] the analysis of whether a competitor’s mark containing the same [generic term] is likely to create confusion.” *Dranoff-Perlstein Assocs.*, 967 F.2d at 861. When a court analyzes two marks that share a common generic portion under the first Lapp factor, “the emphasis of enquiry should be upon the confusing similarity of the non-generic portion, with the ultimate issue determined by the confusing similarity of the total impression of both marks.” 4 McCarthy on Trademarks at § 23:49; *see also Am. Cyanamid Corp. v. Connaught Labs., Inc.*, 800 F.2d 306, 308 (2d Cir.1986) (“Although ... a [generic] component will not necessarily render the entire mark invalid, its presence does affect the analysis of whether a competitor’s mark containing the same component is likely to create confusion.”). Thus, the Court will evaluate the similarity of the entire marks of the parties minimizing the effect of the common term “component.”

Defendants’ overstate the situation with respect to the similarity of the dominant portions of the parties’ marks when they declare in their brief, “[t]here is simply no similarity between the suffixes ‘one’ and ‘art.’” Defs.’ Mem. in Supp. Summ. J. 27. The terms “one” and “art” are, however, obviously substantially dissimilar. Although both terms comprise three letters, they do not have a confusingly similar visual appearance. The three letters in “One” are rounded, creating a spacious term, while “Art” is a more narrow term formed with predominantly linear letters. When spoken, the terms “one” and “art” do not sound similar. “One” begins with soft “w” sound and ends with the relatively soft “n” while a hard “r” sound dominates “art.” Turning to the terms’ meaning, “one” can mean a number of things, but primarily evokes notions of singularity and primacy. The term “art” also carries a myriad of meanings. For example, “art” can be conceived of as a vacuous term (i.e., “postmodern art”), the Old English “is,” or a shortened version of the name “Arthur.” The Court finds that none of the potential reasonable definitions of the term “one” seriously overlap with reasonable definitions of the

term “art.”

*9 Putting together its observations of the overall commercial impression of the non-generic portions of the respective marks, the Court finds that no genuine issue of material fact exists with respect to confusing similarity between “one” and “art.” ComponentOne’s managing director Gustavo Eydelsteyn admitted as much when he answered “no” in response to the question “Do you find the words ‘art’ and ‘one’ separately to be confusing or similar?” Gelchinsky Decl., Ex. EE.

The Court’s analysis of the overall commercial impression of the parties’ marks is not finished with its examination of the non-generic portions of the marks. “The proper legal test is not whether there is some confusing similarity between sub-parts of the marks; the overarching question is whether the marks, viewed in their entirety, are confusingly similar.” *Kos Pharms.* 369 F.3d at 713 (quoting *A & H Sportswear*, 237 F.3d at 216) (emphasis and internal quotation marks omitted). The parties have created a composite mark by placing the generic term “component” in front of the non-generic portion of their respective marks without using a space to separate the terms and employing the same convention of capitalizing the “c” in “component” and the first letter of the second non-generic term.

The common naming conventions tend to increase the similarity of the two marks, which tends to increase the potential for confusion. See *Primepoint*, 545 F.Supp.2d at 436 (finding that the fact that “both marks are a single ‘word’ consisting of two ‘words’ spoken together” lends itself to confusion when evaluating the marks “Primepoint” and “PrimePay”). The Court cannot, however, give serious weight to any confusing effect that is caused due to the parties’ use of the term “component” in the two marks. As the Court of Appeals for the Third Circuit has instructed, “that a particular feature is descriptive or generic ... is one commonly accepted rationale for giving less weight to a portion of a mark.” *Dranoff-Perlstein Assocs.*, 967 F.2d at 861 (quoting *In re Nat’l Data Corp.*, 753

F.2d 1056, 1058–59, 1060 (Fed.Cir.1985)). If the common portions of the parties’ marks were suggestive or arbitrary, a genuine issue of material fact would exist as to the confusing similarity of the marks. See *Country Floors*, 930 F.2d at 1063 (finding that the common use of the word “Country” in the marks of two competitor firms that manufactured ceramic tile was enough, by itself, to create a genuine issue of material fact for trial on the issue of likelihood of confusion). Here, however, the potential for confusion between the parties’ marks in the mind of consumers is manifestly decreased because of the generic nature of the term “component.” See *Am. Cyanamid*, 800 F.2d at 308 (a finding of trademark infringement cannot be based on the parties’ common use of a generic term).

In sum, the first Lapp factor tips in favor of defendants because of the rank differences between the operative terms “one” and “art” and because the Court is to give only minimal weight to the parties’ common use of the term “component.” The “single most important factor” in the Court’s likelihood of confusion analysis, *A & H Sportswear*, 237 F.3d at 216, weighs in favor of defendants and does not, by itself, create a genuine issue of material fact for trial. The lack of a genuine issue of material fact as to the first Lapp factor may alone be enough to grant summary judgment to defendants on ComponentOne’s trademark infringement, unfair competition and false designation of origin claims. Nevertheless, the Court will examine the remaining Lapp factors, to the extent they are relevant, in order to get the fullest picture of the likelihood of confusion between the parties’ marks.

2. Strength of the Marks (Lapp factor (2))

*10 The second factor that courts in the Third Circuit evaluate under the Lapp test is the strength of the mark of the party claiming infringement. See *Kos Pharms.*, 369 F.3d at 715. To measure the strength of ComponentOne’s mark, the Court evaluates “(1) the distinctiveness or conceptual strength of the mark; and (2) the commercial strength or

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marketplace recognition of the mark.” *A & H Sportswear*, 237 F.3d at 221 (quoting *A & H Sportswear Co. v. Victoria's Secret Stores, Inc.*, 57 F.Supp.2d 155, 164 (E.D.Pa.1999)); *Fisons Horticulture*, 30 F.3d at 479; *Checkpoint Sys.*, 269 F.3d at 282.

a. Conceptual Strength

The inherent distinctiveness of a mark is the first measure of its conceptual strength. *Id.* at 222. A mark's inherent distinctiveness is measured by placing it within the spectrum of inherent distinctiveness, a continuum of four segments that identify the general measure of inherent distinctiveness of a mark. *See We Media Inc. v. Gen. Elec. Co.*, 218 F.Supp.2d 463, 470 (S.D.N.Y.2002) (“The level of protection accorded [a] mark depends on its degree of distinctiveness as measured on the classic, Lanham Act continuum.”). The four segments, arranged from least to most inherently distinctive, are (1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary. *See, e.g., Dranoff-Perlstein Assocs.*, 967 F.2d at 855.

ComponentOne argues that its mark is “wonderfully suggestive.” Pl.'s Mem. in Opp'n Summ. J. 2. A suggestive mark requires “consumer imagination, thought, or perception to determine what the product is.” *A & H Sportswear*, 237 F.3d at 221–22 (quoting *A.J. Canfield Co. v. Honickman*, 808 F.2d 291, 297 (3d Cir.1986)). ComponentOne believes that its mark is suggestive because, “[a]mong other things, ‘ComponentOne’ suggests ‘one source for components’ resulting from the merger of two highly-respected predecessors.” Pl.'s Mem. in Opp'n Summ. J. 14. Defendants, on the other hand, assert that ComponentOne's mark falls into the descriptive segment of the spectrum. Defs.' Mem. in Supp. Summ. J. 46–48. A descriptive mark “describes the intended purpose, function, or use of the goods; of the size of the goods, of the class of the users goods, or of the end effect upon the user.” *Checkpoint Sys.*, 269 F.3d at 282 (quoting *Ford Motor Co.*, 930 F.2d at 292 n. 18).

In support of its contention that its mark is sug-

gestive, ComponentOne cites an affidavit of its president, Dr. Sun Wong, in which he states that the firm chose the mark “ComponentOne” to signify “one source for our products” after the merger of its predecessor firms VideoSoft and Apex. Moskal Decl., Ex. 15. ComponentOne argues that consumers must use imagination, thought or perception to see that a “ComponentOne” product is the fruit of the labor of the now united VideoSoft and Apex.

Dr. Wong's reasons for choosing the “ComponentOne” mark or the message he intended to communicate to consumers with that name, however, are largely irrelevant to the Court's analysis. In order to classify a mark within the spectrum of inherent distinctiveness “the Court does not look to the intent of the party choosing that mark. Instead, the impact of the mark on the minds of prospective consumers is controlling.” *Rockland Mortgage Corp. v. Shareholders Funding, Inc.*, 835 F.Supp. 182, 189 (D.Del.1993). The parties have not provided the Court with evidence of how consumers in their particular market interpret the meaning of the ComponentOne mark. Consequently, the Court is left with the task of attempting to step into the minds of consumers and determine the message.

*11 Stepping into the mind of a consumer, the Court concludes that “ComponentOne” communicates messages of primacy, preeminence, or perhaps haughtiness to consumers. In joining the terms “component” and “one” in its mark, ComponentOne has created a mark that communicates notions of primacy or preeminence because the mark suggests that ComponentOne is the premier manufacturer of components. The mark communicates ideas of haughtiness because it implies that ComponentOne completely occupies the parties' market to the exclusion of all competitors. Since ComponentOne's mark communicates to consumers that the firm is the premier component manufacturer, it is obviously self-laudatory. The Court of Appeals for the Third Circuit instructs that “[s]elf-laudatory [portions of a] mark ... are generally held to be

weak.” *A & H Sportswear*, 237 F.3d at 222 (internal citations omitted); *see also* 2 McCarthy on Trademarks at § 11:17 (“Marks that are merely ‘laudatory’ and descriptive of the alleged merit of a product are also regarded as being ‘descriptive.’”). As such, the Court finds that ComponentOne’s mark falls into the weak, descriptive segment of the spectrum of inherent distinctiveness.

b. Commercial Strength

A mark’s commercial strength is the second factor evaluated in determining its overall strength. *Id.* at 221. To determine the commercial strength of “ComponentOne,” the Court looks to “factual evidence of marketplace recognition,” *id.* (quoting *Fisons Horticulture*, 30 F.3d at 479), “in the industry in which infringement is alleged.” *Checkpoint Sys.*, 269 F.3d at 284. Evidence of funds expended on advertising and sales figures is relevant to this determination, but “does not automatically translate into consumer recognition.” *A & H Sportswear*, 237 F.3d at 224.

Demonstrating that its mark is commercially strong is important to ComponentOne because the mark is inherently weak, falling in the descriptive segment of the spectrum of inherent distinctiveness. “The Lanham Act protects descriptive terms if they have acquired secondary meaning.” *E.T. Browne*, 583 F.3d at 191; *Checkpoint Sys.*, 269 F.3d at 282–83. Secondary meaning exists if a 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 o[r] services.” *Checkpoint Sys.*, 269 F.3d at 283 n. 10. Descriptive marks that lack secondary meaning “are generally weak and not entitled to strong protection.” *Id.* If ComponentOne demonstrates that its mark has attained secondary meaning, that finding will compensate for the conceptual weakness of its mark in that it will also show that the mark has commercial strength under the second Lapp factor.

ComponentOne cites its advertising and sales figures as evidence that its mark has achieved secondary meaning in the parties’ market. Since its in-

ception, ComponentOne has spent almost \$22,400,000 on marketing, advertising, promotional expenses, and shows and conferences. Moskal Decl., Ex. 21. Moreover, its quarterly sales averaged over \$2,200,000 from the first quarter of 2004 until the second quarter of 2007. Moskal Decl., Ex. 22.

*12 The evidence of ComponentOne’s marketing expenditures and sales, while relevant for circumstantially establishing an association in the minds of consumers “between the mark and the provider of the services advertised under the mark,” *id.*, does not, in the Court’s view, demonstrate secondary meaning or commercial strength in and of itself. Although ComponentOne’s efforts have “undoubtedly resulted in increased public recognition,” *A & H Sportswear*, 237 F.3d at 224, the Court finds that the absence of any direct evidence of its mark’s alleged secondary meaning is telling. While the evidence of advertising and sales figures conclusively demonstrates that ComponentOne “hoped the term would acquire secondary meaning, nothing shows that it achieved this goal. Jurors would have to make a leap of faith to conclude that the term gained secondary meaning because the record fails to provide sufficient support.” *E.T. Browne*, 538 F.3d at 199; *see also Homeowners Group, Inc. v. Home Mktg. Specialists, Inc.*, 931 F.2d 1100, 1108 (6th Cir.1991) (advertising budgets have only “an attenuated link to actual market recognition”); *EMSL Analytical*, 2006 WL 892718, at *7 (without a showing that advertising and marketing expenditures “created actual consumer recognition of Plaintiff’s marks ... the dollar amount of Plaintiff’s advertising expenditures is not necessarily probative of the strength of its marks.”).

Due to the conspicuous lack of any direct evidence demonstrating consumer recognition of ComponentOne’s mark in the parties’ market, the Court finds that the mark does not enjoy the marketplace recognition required to find that it has secondary meaning, or commercial strength under the second Lapp factor. *See Primepoint*, 545 F.Supp.2d at 438–39 (“merely setting forth the amount of money

spent on advertising, while certainly relevant, does not suffice ... to demonstrate a strong mark” without direct evidence of consumer recognition in the relevant marketplace). Since ComponentOne's mark is conceptually weak and ComponentOne has not provided sufficient evidence demonstrating commercial strength, the second Lapp factor weighs in defendants' favor.

3. Price of Goods and Care and Attention of Consumers (Lapp factor (3))

The Court now examines the third Lapp factor, “the price of goods and other factors indicative of the care and attention expected of consumers when making a purchase.” *McNeil Nutritionals*, 511 F.3d at 363 (quoting *Lapp*, 721 F.2d at 463). The Third Circuit Court of Appeals has provided the Court with the following instructions on how to evaluate this factor:

The following non-exhaustive considerations should guide a court's determination of ordinary care for a particular product. Inexpensive goods require consumers to exercise less care in their selection than expensive ones. The more important the use of a product, the more care that must be exercised in its selection. In addition, the degree of caution used depends on the relevant buying class. That is, some buyer classes, for example, professional buyers will be held to a higher standard of care than others. Where the buyer class consists of both professional buyers and consumers, the standard of care to be exercised by the reasonably prudent purchaser will be equal to that of the least sophisticated consumer in the class.

*13 *Id.* at 363–64 (quoting *Versa Prods.*, 50 F.3d at 204–05).

The parties agree that they target the same group of consumers, a group of Microsoft and web-based software developers. Defs.' Resps. To Pl's Rule 56.1 Counterstatements ¶ 64. They disagree, however, over the proper characterization of the class of the buyers of the products. Defendants ar-

gue that the buyer class for the parties products is composed of sophisticated, careful, deliberate purchasers. Defs.' Mem. in Supp. Summ. J. 27–29. ComponentOne, on the other hand, characterizes the class of buyers and potential buyers of the parties' products as a mix of sophisticated and unsophisticated purchasers. Pl.'s Mem. in Opp'n to Summ. J. 20–21.

As evidence of the care buyers exercise in purchasing the parties' products, defendants point first to the products' price. The cheapest product either party sold during the time relevant to this action were individual components which ComponentArt sold for \$99. *See* Rolufs Decl. ¶ 63. The most expensive product manufactured and sold by either party, on the other hand, is a suite of components that ComponentArt sells for \$1,799. *Id.* at ¶ 65.

Defendants have also presented the Court with testimony it elicited from ComponentOne's industry witnesses on the level of care that purchasers exhibit. Richard F. Williamson, chief executive officer of FarPoint Technologies, a firm Williamson describes as a “competitor of ComponentOne,” Moskal Decl., Ex. 8, testified on purchasing habits of consumers in the parties' market. He stated that before purchasing a product, developers often download a free trial version of the product “and review it, make sure it fits their criteria.” Gelchinsky Decl., Ex. O. Williamson also testified that many purchasers in the market research firms and products online using resellers such as ComponentSource and Google searches. *Id.* (“Most of our referrals are from Google.”). When asked what factors “ultimately drive a decision to purchase a particular component over another,” Williamson responded, “Functionality usually.” *Id.* Defendants also proffer the testimony of Kenneth L. Spencer, president of a “consulting software company” named Framework-Masters, Moskal Decl., Ex. 11, that functionality drives purchasing decisions in the parties' market. *See* Gelchinsky Decl. Ex. P (“the real driving force [of a purchasing decision] is the feature set of the product. If the feature set of the product solves the

problem, then that's going to drive them to buy the product.”). Spencer also testified that a particular component manufacturer's support services are a “big factor” in the purchasing decision. *Id.*^{FN14}

FN14. To further drive home its contention that purchasers of the parties' products make careful, deliberate decisions, defendants also submit the testimony of Rolufs that the purchase of a component, and particularly a suite of components, is a “longer-term investment []” because “components create long-term code dependencies in customers' web applications.” Rolufs Decl. ¶ 59–60. In support of this contention, Rolufs cites statistics from ComponentArt's website showing that an average of thirty-seven days elapse between the date a potential purchaser first creates a user account and the date the first product is purchased. The Court does not need to credit this self-serving testimony in order to reach its ultimate conclusion on the third Lapp factor.

ComponentOne, on the other hand, characterizes the class of buyers and potential buyers of the parties' products as a mix of sophisticated and unsophisticated purchasers. Pl.'s Mem. in Opp'n Summ. J. 20–21. If ComponentOne were correct, the standard of care exercised by a reasonably prudent buyer for purposes of the third Lapp factor would be that of the least sophisticated buyer in the class. See *Checkpoint Sys.*, 269 F.3d at 285 (“If there is evidence that both average consumers and specialized commercial purchasers buy goods, there is a lower standard of care because of the lack of sophistication of some of the relevant purchasers.”). To support its contention, ComponentOne relies solely on an affidavit of Dr. Wong. In the affidavit, Dr. Wong states, “Not all of ComponentOne's purchasers are sophisticated, professional buyers; rather, some purchasers do not possess an in-depth knowledge of the products they acquire.” Moskal Decl, Ex. 15. Dr. Wong continues, “In my experi-

ence, the purchasing decisions are sometimes made quickly.” *Id.*

*14 Viewing the facts in the light most favorable to ComponentOne, the Court finds that ComponentOne has failed to demonstrate an issue remains as to the characteristics of the relevant purchaser class. The third Lapp factor favors defendants. The parties' products are more expensive than other products that the Court of Appeals for the Third Circuit has found have sophisticated buyers. In *A & H Sportswear*, the Court affirmed a district court's finding that purchasers of \$50 to \$70 women's swimwear were likely to be sophisticated. 237 F.3d at 225. In *McNeil Nutritionals*, the Court upheld a district court's conclusion that purchasers “exercise some heightened care and attention” when buying \$4 to \$5 boxes of artificial sweeteners. 511 F.3d at 365. Developers who purchase \$99 to \$1,799 software exercise at least a similar level of care as the purchasers in *A & H Software* and *McNeil Nutritionals*. The Court also finds that the testimony of Williamson and Spencer demonstrates that buyers of the parties' products are careful and conduct due diligence before making a purchase. Software developers who prototype a product they are considering purchasing are certainly more careful and attentive, in the aggregate, than purchasers of artificial sweeteners or women's swimwear.

The Court finds that Dr. Wong's affidavit to the contrary contains nothing more than bald, self-serving contentions. At the summary judgment stage, a party cannot stand on self-serving, largely unsupported conclusions to create a genuine issue of material fact for trial. See *Freedom Card*, 432 F.3d at 478, 481; see also *Metro Publ'g, Ltd. v. San Jose Mercury News, Inc.*, 861 F.Supp. 870, 876 n. 4 (N.D.Cal.1994) (“the things which may or may not be going on in [the founder of a firm alleging trademark infringement's] mind are of little concern to this Court”). Wong's conclusory assertions, based on nothing more than his opinion, that some purchasers are unsophisticated is not a showing sufficient to create a genuine issue of material fact as to

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the purchasing habits of the relevant class of buyers. The Court finds that the buyers of the parties' products are sophisticated and exercise a high degree of care when making a purchasing decision. Consequently, the third Lapp factor weighs heavily in favor of defendants.

4. Length of Time Mark Used Without Confusion and Evidence of Actual Confusion (Lapp factors (4) and (6))

The Court will now simultaneously evaluate two Lapp factors that “significantly overlap,” *Primepoint*, 545 F.Supp.2d at 441, the length of time “ComponentOne” has used its mark without confusion and evidence of actual confusion. On one hand, “[i]f a defendant's product has been sold for an appreciable period of time without evidence of actual confusion, one can infer that continued marketing will not lead to consumer confusion in the future. The longer the challenged product has been in use, the stronger this inference will be.” *Versa Prods.*, 50 F.3d at 205; *Checkpoint Sys.*, 269 F.3d at 291. On the other hand, “[e]vidence of actual confusion is not required to prove a likelihood of confusion.” *Checkpoint Sys.*, 269 F.3d at 291. Contending that actual confusion exists in the marketplace, ComponentOne submits evidence of alleged confusion events, both of the source and initial interest variety, and a survey it commissioned. Defendants argue the confusion evidence ComponentOne has presented is unreliable and *de minimis* and its survey is bereft of evidentiary value because of methodological flaws.

a. Actual Confusion Evidence

*15 The Court of Appeals for the Third Circuit has stated that “evidence of actual confusion may be highly probative of the likelihood of confusion” because of the difficulty in discovering instances where consumers or other third parties exhibit confusion. *Id.* Nevertheless, while “it takes very little evidence to establish the existence of ... actual confusion,” *McNeil Nutritionals*, 511 F.3d at 366 (quoting *AmBrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1544 (11th Cir.1986)), “a district court may weight

the sixth *Lapp* factor in favor of a defendant when it concludes that the evidence of actual confusion was isolated and idiosyncratic.” FN15 *Id.* (quoting *A & H Sportswear*, 237 F.3d at 227) (internal quotation mark omitted); see also *Scott Paper*, 589 F.2d at 1231 (extremely minimal evidence of actual confusion does not establish a “pattern of confusion in the marketplace”). With respect to actual confusion, the Court of Appeals for the Third Circuit has instructed, “[i]t is within the District Court's discretion to consider the facts, and weigh them.” FN16 *A & H Sportswear*, 237 F.3d at 227.

FN15. The Court of Appeals for the Third Circuit made a somewhat contradictory observation in *Kos Pharms.*, where it stated, “Without knowing how many, or what percent of, incidents go unreported, anecdotal evidence of confusion cannot usefully be compared to the universe of potential incidents of confusion.” 369 F.3d at 720. If this statement were literally true, a district court could never find that evidence of actual confusion was “isolated.” Since this language is in apparent conflict with that Court's later pronouncements in *Freedom Card* and *McNeil Nutritionals* that evidence of actual confusion can be considered *de minimis* in appropriate circumstances, see *Freedom Card*, 432 F.3d at 478–79 (affirming a district court's conclusion that the evidence of actual confusion was “*de minimis*” and “does not establish a genuine issue of fact”); *McNeil Nutritionals*, 511 F.3d at 366 (finding “neither precedent nor common sense supports” the proposition that “even one piece of evidence of actual confusion compels a weighing of the sixth *Lapp* factor in favor of a plaintiff”), this Court concludes the language in *Kos Pharms* . does not prevent a district court from finding that a small number of confusion events amount to a *de minimis* showing for purposes of the fourth and sixth Lapp factors.

FN16. Of course, at the summary judgment stage, the Court “weighs” the facts for the sole purpose of determining whether ComponentOne has presented a genuine issue of material fact for trial on the likelihood of confusion issue. See *E.T. Browne*, 538 F.3d at 196.

ComponentOne offers twenty-eight alleged confusion events as evidence that consumers in the parties' market are confused because of the similarities of the parties' marks. The evidence includes:

- An affidavit of Geoffrey Lusty, ComponentOne's former director of marketing, stating that anonymous individuals approached him at a VSLive! trade show held in San Francisco in the winter of 2006 exhibiting what Lusty interpreted as confusion between ComponentOne and ComponentArt. Each firm had a booth at the trade show. According to Lusty, one individual declined ComponentOne literature, telling Lusty, “I already received your stuff from your other booth.” After Lusty explained “we were not the same company as the company at the other booth,” the anonymous individual “explained that our names were very similar, so he was confused.” Moskal Decl., Ex. 32.
- Lusty's statement in the same affidavit that at the same trade show, another anonymous individual approached him at the ComponentOne booth stating that the individual was familiar with ComponentOne because of previous trade shows. According to Lusty, the individual then stated that he forgot ComponentOne's name, and, while searching for ComponentOne online, he came across ComponentArt's webpage and mistakenly thought it was ComponentOne. The individual then mistakenly purchased ComponentArt's products even though he “originally intended to purchase” ComponentOne's products. *Id.*
- Lusty's statement in the same affidavit that at the same trade show, another anonymous individual approached him at ComponentOne's booth

and inquired as to whether ComponentArt was re-selling ComponentOne's products. *Id.*

- Lusty's statement in the same affidavit that at the same trade show, another anonymous individual approached him at the ComponentOne booth, “glanced at our sign with a recognizable puzzled look, and asked ‘Is there another ComponentOne here? I think I just talked with you guys over there.’ “ The individual then pointed to the ComponentArt booth. *Id.*

***16** • Lusty's statement in the same affidavit that at the TechEd 2006 trade show in Boston an anonymous individual approached ComponentOne's booth appearing confused. After Lusty asked the individual if he needed help, the individual replied that “he was confused about who our company was in comparison to the other ComponentOne at the show.” Lusty “surmised that he was talking about ComponentArt's booth” at the same show. *Id.*

- An affidavit of Juback stating that at the Microsoft PDC trade show in Los Angeles in September 2005, Kent Watson, a programmer at Tyson Foods, Inc., made an inquiry about ComponentOne's products. After Juback informed Watson that he was inquiring into products that ComponentOne does not manufacture, Watson responded, “I'm confusing you with ComponentArt.” **FN17** Moskal Decl., Ex. 14.

FN17. Watson's recollection of this interaction has not been provided to the Court.

- Juback's statement in the same affidavit that, at the same show, Don Piluso, a Senior Manager at Hitachi Consulting, approached ComponentOne's booth and, after looking at the signs, stated, “Isn't there another ComponentOne here?” **FN18** *Id.*

FN18. Again, ComponentOne has not provided this Court with Piluso's testimony regarding this interaction.

- Juback's statement in the same affidavit that at a Microsoft Conference in San Jose in February 2008, “[a]n individual named Michael Powers approached [Juback], and asked “Aren't you the guys in Canada?” *Id.*

- Juback's statement in the same affidavit that, at the same conference, a Microsoft employee named Steve Goodyear approached Juback and inquired, “Are you in Toronto?” *Id.*

- An affidavit of Dr. Wong stating that at the PDC-05 trade show in Los Angeles an anonymous individual approached him and “asked ... if ComponentOne and ComponentArt were affiliated or the same company.” After Dr. Wong informed the individual that he was confused, the individual “responded that since he was not sure which company he wanted to talk with, he was going to talk to both.” Moskal Decl., Ex. 15.

- Dr. Wong's statement in the same affidavit that, at the same show, another anonymous individual approached him and “explained that he was confused between the two company names. He said he first saw the ComponentArt booth and then later saw the ComponentOne booth. He said he remembered the first company/booth he saw was ‘Component-something’ but seeing the ComponentOne name in front of him, he was no longer sure if the one he saw before was ‘One’ or something else. He was not sure if he saw two different names or the same name, as he had seen two different booths at different locations. So, he went to look for the first ‘Component’ company he saw and verified that there were two different names.” *Id.*

- Dr. Wong's statement in the same affidavit that, apparently at the same show, “[o]ther individuals ... approached me confused about the two company names, not quite sure if they were the same or affiliated in some way.” *Id.*

- Dr. Wong's statement in the same affidavit that at the VSLive trade show in San Francisco in the

winter of 2006 that is the subject of parts of Lusty's testimony, an anonymous individual told Dr. Wong that he was considering using products that the parties' manufacture. Although the anonymous individual “had heard about ComponentOne some time ago from friends,” he saw the listing of both ComponentOne and ComponentArt in the exhibitors list and was quite certain, although not 100% that his friends had said ComponentOne, but decided to visit and check out both booths/companies to make sure.” *Id.*

- *17 • Dr. Wong's statement in the same affidavit that, at the same show, an anonymous individual who, according to Dr. Wong, had previously used VideoSoft's products and desired to use ComponentOne's latest versions of those products, approached Dr. Wong and “said he was confused by ComponentOne and ComponentArt.” According to Dr. Wong, the individual “said he visited one of the company's booth and then saw the other so he went back to look to make sure there were two similar, but different company names.” *Id.*

- Dr. Wong's statement in the same affidavit that, at apparently the same show, another anonymous individual approached him and stated, after looking at the list of companies on the exhibitor list, that he was making a point to visit the booth of a company with a “similar ... name next to ComponentOne's” after originally planning to visit ComponentOne's booth. *Id.*

- Dr. Wong's statement in the same affidavit that, at apparently the same show, “other individuals had similarly approached me with confusion between the two company names, asking if affiliated [sic] in some way.” *Id.*

- An affidavit of Emily McMahon, a sales representative of ComponentOne, stating that on April 2, 2008, she received a telephone call from Dean Efpatriadis of Nutreco Canada, Inc., in which Efpatriadis stated that he wanted to return a product he purchased from ComponentOne the previous day. According to McMahon, when she

inquired as to why he wanted to return the product, Efpatriadis responded, “I was supposed to purchase ComponentArt's product for our developers ... It was my fault, but there was only a three letter difference.” Attached to the affidavit is an email that Efpatriadis purportedly sent to McMahon two days later stating, “As per our discussion, the reason for the return is that I inadvertently purchased the Component One [sic] Suite as opposed to the ComponentArt suite that the developers had prototyped with.” Moskal Decl., Ex. 12.

- A series of emails from a potential customer, attached to an affidavit of ComponentOne sales executive Jennifer Wilson, in which the customer, responding to a sales pitch from Wilson after the customer apparently downloaded a trial version of a ComponentOne product, inquired, “Do you have a URL that would lead me toward example code for Component Art [sic] grid?” Moskal Decl., Ex. 13.

- Another email attached to Wilson's affidavit in which a reseller inquired as to whether it could apply its discount to a license renewal of a ComponentArt product for a customer who had already received a price quote for the renewal from ComponentArt. The reseller copied ComponentOne's sales department onto the email. *Id.*

- An email to ComponentOne from a reseller asking for a price quote for a ComponentOne product and a ComponentArt product. A ComponentOne employee responded, telling the reseller, “ComponentArt is not one of our products.” Two days, later the same reseller entered into an electronic chat session with a ComponentOne customer service representative and posed the same question. Moskal Decl., Ex. 33.

***18** • A series of emails between a potential customer and ComponentArt's sales department in which the customer initially inquires about product license prices for a ComponentArt

product. A few days later and after receiving a price quote, the customer, whose command of English is poor, provides ComponentArt sales with a list of ComponentOne products and asks which ComponentOne product it should buy. After Milena Braticevic, ComponentArt's manager of sales and marketing, informs the potential customer that ComponentArt and ComponentOne are different companies, the customer again inquires into the cost of obtaining ComponentArt product licenses. Moskal Decl., Ex. 34.

- An email from a developer to ComponentArt's support department seeking advice on using ComponentOne's product. Moskal Decl., Ex. 35.

- An email from Milena Braticevic to a contact at an industry magazine in which Milena Braticevic requests that the magazine correct an error it made in listing the products that have been nominated for an award. In the listing of products nominated, the magazine had described ComponentArt's product as “ComponentOne Web.UI Navigation Controls for ASP.NET” when it should have been listed as “ComponentArt Web.UI Navigation Controls for ASP.NET.” Moskal Decl., Ex. 36.

- A series of emails between a firm seeking a partnership with ComponentArt and Miljan Braticevic in which the firm wrote, “Component One's [sic] Product Key” when it purportedly meant to write “ComponentArt's Product Key.” Moskal Decl., Ex. 37.

- A series of emails between the winner of a product raffle and various people involved in the raffle in which the winner asks for the “ComponentOne license” he won. The winner actually received a ComponentArt license. Moskal Decl., Ex. 38.

- A series of emails that commenced when McMahon contacted a potential customer following a trade show. Responding to McMahon's solicitation, the potential customer states, “We have

a component one [sic] subscription that we are interested in updating to the latest version. I have two packages from it, ComponentArt WebUI 2006.2 and ComponentArt WebChart 2006.2.” McMahon then informs the potential customer that the products he referred to are not ComponentOne products and asked for “more information why you thought ComponentArt[’s products] were part of a ComponentOne subscription?” The potential customer responded, “Component this, Component that, you know how it is.” McMahon Supplemental Aff., Ex. A.

- A website displaying various “grid” components that has a product listing where the heading describes a ComponentArt product and the body of the listing describes a ComponentOne product. Eydelsteyn Supplemental Aff., Ex. A.
- An email in which a purchasing agent of a ComponentArt customer mistakenly sent an order for a product license to ComponentOne. Wilson Supplemental Aff., Ex. A.

Preliminarily, defendants object that the Court cannot evaluate alleged actual confusion instances that contain inadmissible hearsay. Evidence proffered to defeat a motion for summary judgment must be capable of admission at trial. *Petruzzi’s IGA Supermarkets, Inc. v. Darling–Delaware Co.*, 998 F.2d 1224, 1234 n. 9 (3d Cir.1993). ComponentOne counters that all statements it has proffered that fit within this definition are admissible pursuant to the “state of mind” hearsay exception contained in [Fed.R.Evid. 803\(3\)](#).^{FN19}

^{FN19.} [Fed.R.Evid. 803\(3\)](#) provides that hearsay is admissible if it

is a statement of the declarant’s then existing state of mind, emotion, sensation or physical condition (such as intent, plan, motive, design, mental feeling, pain, and bodily health), but not including a statement of memory or belief to prove the fact remembered or believed

unless it relates to the execution, revocation, identification, or terms of declarant’s will.

^{*19} The Court agrees with defendants that certain evidence is inadmissible hearsay and cannot be considered at this stage of the dispute. The portion of Lusty’s affidavit concerning the anonymous individual he met at the VSLive! trade show who relayed a story about a mistaken purchase of ComponentArt’s products, the portion of McMahon’s first affidavit regarding her interaction with Efpatriadis other than when she recounts that Efpatriadis stated he, “wanted to return a product he purchased from ComponentOne the previous day,” and McMahon’s statement in her supplemental affidavit where she asked a customer why he confused ComponentOne and ComponentArt in an email and the customer responded, “Component this, Component that, you know how it is,” must be excluded. All of these statements are hearsay^{FN20} and are not eligible for any of the exceptions provided in the Federal Rules of Evidence. Most of the remaining confusion evidence is not hearsay because the statements contained in the affidavits and emails are not offered to prove the truth of the matter asserted, (i.e., Goodyear’s inquiry of Juback, “Are you in Toronto?”). See *Kos Pharms.*, 369 F.3d at 719 (statements exhibiting confusion “are not hearsay because they are not submitted for their truth ... it is their falsity that shows the speaker’s confusion”). The rest of the statements are hearsay, (i.e., Watson’s statement to Juback, “I’m confusing you with ComponentArt.”), but are admissible pursuant to [Rule 803\(3\)](#) because they are statements of the declarant’s then existing state of mind or plans. *Kos Pharms.*, 369 F.3d at 719.

^{FN20.} “ ‘Hearsay’ is a statement, other than one made by the declarant while testifying at the trial or hearing, offered in evidence to prove the truth of the matter asserted.” [Fed.R.Evid. 801\(c\)](#).

Having established that the Court may consider twenty-seven of the twenty-eight alleged actual

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confusion instances ComponentOne has submitted, omitting the portions of McMahon's affidavits mentioned above, the Court must now determine the effect of that evidence on the fourth and sixth Lapp factors. In doing so, the Court is aware that, "in general, actual confusion evidence collected by employees of a party in a trademark action must be viewed with skepticism because it tends to be biased or self-serving." *Citizens Fin.*, 383 F.3d at 122; *Checkpoint Sys.*, 269 F.3d at 298; *A & H Sportswear*, 237 F.3d at 227. In order for an alleged actual confusion event to be probative of a likelihood of confusion, there must be "a causal connection between the use of similar marks and instances of actual confusion. Evidence must be viewed in context." *Rockland Mortgage*, 835 F.Supp. at 197.

Viewing the aforementioned instances of alleged actual confusion in their proper context, the Court concludes that they do not function to weigh the sixth Lapp factor in ComponentOne's favor. The Court must view the alleged confusion events within the proper universe of the parties' interactions with third parties. See *Checkpoint Sys.*, 269 F.3d at 298–99 (juxtaposing number of actual confusion instances with "the large number of e-mails, customer inquiries, and other communications the[] [parties] receive on a daily basis"); see also *EMSL Analytical*, 2006 WL 892718, at *10 (same). From the time that Cyberakt changed its name to "ComponentArt" in May 2004 until August 2007, ComponentOne averaged over 11,000 customer inquiries per month.^{FN21} Gelchinsky Decl., Ex. Z, AA. This number includes trade show inquiries, evaluation support contacts, sales and information emails, and customer service and pre-sales calls. Gelchinsky Decl., Ex. Z. During the same period, ComponentArt received an average of over 1,250 customer inquiries per month.^{FN22} Rolufs Decl. ¶¶ 89–95. Assuming that each of the admissible alleged confusion instances ComponentOne has submitted represent events where an individual was actually confused because of the similarity of the parties' marks, twenty-seven confusion events in more than 490,000 interactions^{FN23} with third

parties, customers and otherwise, since Cyberakt changed its name to "ComponentArt" is a *de minimis* showing of confusion. See *Scott Paper*, 589 F.2d at 1231 (nineteen misdirected letters that the parties received during a period in which one party sold 50 million cans of its products is "extremely minimal evidence" and does not demonstrate "a pattern of confusion in the marketplace"); *Checkpoint Sys.*, 269 F.3d 298–99 (finding a showing of twenty instances of initial interest confusion *de minimis* when the number of instances are compared with "the size of the companies, and the large number of e-mails and customer inquiries, and other communications they receive on a daily basis"); *EMSL Analytical*, 2006 WL 892718, at *9–*10 ("Given that EMSL works on approximately 233,000 projects each year, let alone the number of customer inquiries that both parties receive annually, 15–20 instances of confusion does seem *de minimis*."). ComponentOne's actual confusion demonstration is certainly not strong enough to weigh the sixth Lapp factor in its favor.

FN21. This number could be higher because ComponentOne provided incomplete customer inquiry data. Gelchinsky Decl., Ex. Z.

FN22. According to Rolufs, this number "understates the true quantity of [ComponentArt's] trade show inquiries, because it does not include the hundreds of individuals who visited [ComponentArt's] booths at the trade shows but did not request information or any follow up." Rolufs Decl. ¶ 96.

FN23. The actual number of the parties' interactions with third parties is much higher than 490,000. While ComponentOne has submitted alleged actual confusion events that occurred as recently as May 28, 2008, Wilson Supplemental Aff., it has only provided the number of customer interactions that occurred on or before August 2007. Gelchinsky Decl., Ex. Z. Moreover,

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the data ComponentOne has supplied on customer interactions is incomplete. *Id.*

*20 The strength of the actual confusion events ComponentOne presents is further undermined when the Court considers the nature of some of the evidence. The probative value of a misdirected communication, like the emails ComponentOne has submitted, is decreased when the Court cannot tell whether the mistake resulted from the author's confusion of the parties' similar marks or from inadvertence. *See Checkpoint Sys.*, 269 F.3d at 298; *see also Duluth News-Tribune v. Mesabi Publ'g Co.*, 84 F.3d 1093, 1098 (8th Cir.1996) (misdirected communications that are not a result of the sender's confusion of the parties' marks are not evidence of actual confusion). Here, of the eleven emails ComponentOne proffers as evidence of confusion on the part of the sender, at least eight could easily be explainable as either inadvertently sent to the incorrect party or, in the instance where ComponentOne's sales address was copied onto an email seeking a quote for a ComponentArt product license, a deliberate attempt to create a price war between the firms. ComponentOne has not provided affidavits or testimony on the part of the authors of the misdirected communications that would provide the Court with useful context for evaluating whether the communications were the result of confusion between the parties marks. As such, the Court cannot find, at the summary judgment stage, that these vague communications, which may or may not be confusion even when viewed in a light most favorable to ComponentOne, create a genuine issue of material fact as to actual confusion. *See Metro Publ'g*, 861 F.Supp. at 878 (discounting evidence of third party confusion at the summary judgment stage when "there is no indication in most of these declarations as to why the third parties were confused"). ComponentOne, the party with the ultimate burden of proof at trial, had the ability to depose the authors of the misdirected communications and chose not to.^{FN24} The Court concludes that the glaring absence of explanations as to the reason for the misdirected communications undermines their

value as evidence of actual confusion. *See Duluth News-Tribune*, 84 F.3d at 1098 ("vague evidence of misdirected phone calls and mail is hearsay of a particularly unreliable nature given the lack of opportunity for cross-examination of the caller or sender regarding the reason for the 'confusion'").

FN24. Parties in trademark infringement actions within the Third Circuit have previously chosen to submit affidavits or testimony on behalf of the authors of misdirected communications. *See, e.g., Scott Paper*, 589 F.2d at 1231.

Moreover, of the twenty-seven admissible instances of actual confusion that allegedly occurred, most were presented in the affidavits of current and former ComponentOne employees Lusty, Juback, McMahon, Wilson, and Dr. Wong. The Court must approach these statements with a healthy amount of skepticism and cannot accord much evidentiary value to them. *See, e.g., EMSL Analytical*, 2006 WL 892718, at *10 (resting a finding that actual confusion evidence did not weigh in favor of the party alleging infringement partially on the fact that "all of the evidence of actual confusion was reported by ... and presented in affidavits and testimony by ... employees" of the party alleging infringement). Further, while admissible as evidence of actual confusion, the value of many of the statements is diminished because they are vague and involve anonymous declarants. ComponentOne's contention that the actual confusion evidence it has presented indicates a likelihood of confusion is even further weakened because of Dr. Wong's instruction to ComponentOne employees to pay attention to any customer confusion with ComponentArt prior to the San Francisco VSLive trade show on February 6, 2005. Gelchinsky Decl., Ex. J, KK. The evidentiary value of employee-reported alleged actual confusion events drops when "a party has been actively searching for instances of confusion and finds a few." *Id.* (citing *SeeSun Banks of Fla., Inc. v. Sun Fed. Sav. & Loan*, 651 F.2d 311, 319 (5th Cir.1981)).

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*21 Viewing all of the actual confusion evidence and considering the relevant law, the Court concludes that the evidence ComponentOne has presented amounts to only “isolated and idiosyncratic” instances of actual confusion that cannot create a genuine issue of material fact solely on the basis of its alleged actual confusion evidence with respect to the respect to the fourth and sixth Lapp factors.

b. Survey Evidence

Perhaps recognizing the *de minimis* nature of its direct evidence of actual confusion, ComponentOne has offered the opinion of Robert Klein, an expert ComponentOne hired “to design, execute and analyze a market research survey to determine the extent to which confusion occurs or is likely to occur in the marketplace.” Moskal Decl., Ex. 50. “In borderline cases where evidence of actual confusion is not available or is not overwhelming, the gap should be filled by a properly conducted survey of the relevant class of prospective customers of the goods or services at issue.” *Urban Outfitters v. BCBG Max Azria Group, Inc.*, 511 F.Supp.2d 482, 498 (E.D.Pa.2007) (quoting 4 McCarthy on Trademarks § 23:17). A survey can serve as circumstantial evidence of actual confusion, “but only to the extent that the survey replicates the real world setting in which instances of actual confusion would occur.” *Id.*; see also *We Media Inc.* 218 F.Supp.2d at 474 (“Germane survey evidence should make some effort to compare the impressions the marks have on potential customers under marketplace conditions”). ComponentOne asserts that Klein's survey demonstrates actual confusion in the parties' market.

Klein conducted a survey over the internet using a panel of respondents recruited by the firm Authentic Response. Moskal Decl., Ex. 50. According to Klein, Authentic Response targeted respondents “whose titles indicated involvement with the IT process.” FN25 *Id.* The targeted respondents were emailed an invitation to participate in the survey and offered a \$5 reward for completing it. *Id.* 454

individuals in the targeted group responded and completed the survey between August 28 and October 16, 2007. *Id.*

FN25. Recruited individuals had titles such as, “CIO, CTO, Developer, Director of IS/MIS/IT, IT Management, [and] Programmer/Developer.” Moskal Decl., Ex. 50.

The survey commenced with an “introductory screen” that assured the respondents, *inter alia*, that the survey would only take five minutes to complete and that they would not receive sales solicitations based on their answers. *Id.* Respondents were then presented with a series of screening questions. In order to qualify for the survey, a respondent had to affirm that they lived in the United States, developed software using Microsoft Visual Studio, were familiar with components and how they are used with Microsoft Visual Studio, and do not develop or work for a company that develops components for sale to users of Microsoft Visual Studio. *Id.* If the respondent answered “yes” to each question, they were presented with a second series of screening questions. Respondents were then required to answer “yes” to at least one of the following questions:

- *22 (1) “Have you ever used a component purchased from a company other than Microsoft?”;
- (2) “Have you considered using a component purchased from a company other than Microsoft in the past 2 years?”; and
- (3) “Would you consider using a component purchased from a company other than Microsoft in the next year?”

Id. If the respondent satisfactorily answered that question, a final screening question was then posed, “What would be your role in deciding to purchase a particular component for your use?” *Id.* Respondents who checked the box next to the response for either “Identify the need for a component,” “Identify alternative components to be con-

sidered,” “Recommend the component to be purchased,” or “Make the final purchase decision” qualified for the survey. *Id.*

Qualifying respondents were then shown the “introduction to stimulus screen,” which stated, “You will now see a description of a company that sells .NET components. When you are ready to view the description, click the button below. Once you have finished, close the window and click ‘Next’ to continue the survey.” *Id.* After clicking the “View Description” button at the bottom of the screen, respondents were randomly assigned to either the “main test,” “main control,” “supplemental test,” or “supplemental control” survey. *Id.* In the “main test” survey, respondents were then shown the “ComponentArt” name in a large block letters followed by a description of the company taken from its website as the survey’s stimulus. *Id.* In the “main control” survey, the stimulus was the same in all respects to the “main test” stimulus except that “Cyberakt” replaced the word “ComponentArt” wherever it appeared. *Id.* In the “supplemental main” survey, the stimulus was the “ComponentOne” name in large block letters followed by a description of ComponentOne that appeared on the sponsors webpage for the Fall 2007 “Mobile Connections” trade show. *Id.* In the “supplemental control” survey, respondents were shown the same Cyberakt stimulus as in the “main control” survey. *Id.* Respondents were allowed to view the stimulus for as long as they wished, but once they clicked the “Next” button they could not return to the stimulus. *Id.*

After viewing the stimulus, respondents were given a series of three multiple-choice questions to answer that concerned their component purchasing habits. *Id.* Klein reported that he designed this series of questions to distract the respondents from the survey’s main purpose—measuring confusion between the parties’ marks. *Id.*

Following the “distraction” questions, the respondents were asked, “If you see the name of the company whose description you viewed earlier [in

the stimulus], check the radio button next to it. CHOOSE ONE ONLY”. *Id.* Respondents of the “main test” and “supplemental test” surveys were then given the choice of clicking the radio box next to the names “Dundas Software,” “Infragistics,” “Xceed,” “Syncfusion,” “ComponentArt,” “telerik,” “ComponentOne,” “None of the Above,” or “Don’t know/No opinion” for their answer. *Id.* In the “main control” and “supplemental control” surveys, “Cyberakt” replaced “ComponentArt” in the list of choices. *Id.* Klein explained his list of possible answers was chosen because it comprised “companies that sold components including ComponentOne and ComponentArt (or Cyberakt).” *Id.* The list of potential answers was randomized for each participant “to avoid any order effects.” *Id.*

*23 The next question presented the respondents with the same randomized list of potential answers except the answer that the respondent chose in the preceding question, if any, and asked, “Which, if any, of the following companies is associated or affiliated with the company whose description you viewed earlier [in the stimulus]?” *Id.* If the respondent chose one or more of the given responses to that question, he was asked a follow up question for each chosen answer asking why the respondent believed that the firm “is associated or affiliated with the company whose description you viewed earlier?” *Id.* The respondent was able to type an answer to that question. *Id.*

Respondents were then presented with a randomized list of URLs belonging to the companies listed in the preceding two questions and asked, “Which, if any of the following URLs would direct you to a web page for the company whose description was seen earlier?” *Id.* Next, the respondents were given a list of those companies’ products and queried, “Which, if any, of the following products is put out by the company whose description you viewed earlier?” *Id.* Finally, the respondents were asked to enter the year in which they were born and indicate their sex. *Id.*

Klein counted a respondent as “confused” if

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they gave an incorrect answer to the questions asking (1) which companies' description did you see earlier in the stimulus, (2) which company, if any, are associated or affiliated with that company, (3) which of the URLs refers to that company, or (4) which product is produced by that company. *Id.* Tabulating the results and controlling for confusion measured in the “control” surveys that used the “Cyberakt” description as the stimulus, Klein found that the net confusion of the main survey was 22.0% and 13.3% for the supplemental survey. *Id.* Based on those calculations, Klein stated, “In my opinion and with a reasonable degree of professional certainty, the results of the survey show that there is significant likelihood of confusion between ‘ComponentArt’ and ‘ComponentOne.’” *Id.*

Defendants attack the survey on a number of grounds, contending that it is entitled to little to no weight as evidence of actual confusion. They assert that Klein's survey failed to replicate marketplace conditions, employed an improper stimulus, induced respondents to confuse the parties' marks, used an improper control, was conducted in an improper format for measuring confusion between the parties' marks, and that Klein tabulated the results in a manner that artificially inflated the amount of “confusion” responses. Moskal Decl., Ex. 50.

I. ComponentOne's Motion to Strike Defendants' References to Survey Evidence

ComponentOne has responded to defendants' attacks of Klein's survey by filing a “Motion to Strike Defendants' References to Survey Evidence,” asking the Court to strike all of defendants' references to Klein's survey in its memorandum in support of summary judgment and Rule 56.1 statement of undisputed facts because they are “improper, premature and not in compliance with the Order of this Court, Federal and/or Local Rules.” Pl.'s Mot. To Strike Defs.' References to Survey Evidence ¶ 5. ComponentOne contends that if defendants wanted the Court to disregard the survey at the summary judgment stage, they “should have filed for leave to file a motion in limine to exclude the survey after

obtaining the motion in limine certificate as required by L.R.16.1.4(D).” *Id.* at ¶ 6.

*24 Contrary to ComponentOne's contention, if survey evidence is lacking in probative value or fundamentally flawed a court may find, at the summary judgment stage, that it cannot function to create a genuine issue of material fact for trial. *See E.T. Browne*, 538 F.3d at 195–196; *see also Universal City Studios, Inc. v. Nintendo Co.*, 746 F.2d 112, 118 (2d Cir.1984). While the Court recognizes that it cannot “engage in inappropriate weighing of the evidence,” *id. E.T. Browne*, 538 F.3d at 196, it can determine whether Klein's survey creates a genuine issue of material fact pursuant to the fourth and sixth Lapp factors. Accordingly, the Court will deny ComponentOne's Motion to Strike Defendants' References to Survey Evidence.

Turning to the evidentiary value of the survey, the Court of Appeals for the Third Circuit has commented, “[t]he probative value of a consumer survey is a highly fact-specific determination and a court may place such weight on survey evidence as it deems appropriate.” *Johnson & Johnson–Merck Consumer Pharms. Co. v. Rhone–Poulenc Rorer Pharms., Inc.*, 19 F.3d 125, 134 (3d Cir.1994) (quoting *Weight Watchers Int'l, Inc. v. Stouffer Corp.*, 744 F.Supp. 1259, 1272 (S.D.N.Y.1990)). The Court finds that Klein's survey suffers from fundamental methodological flaws that prevent it from creating a genuine issue of material fact as to actual confusion. Although defendants' argument that many grounds exist on which the Court could find Klein's survey fundamentally unsound is strong, the Court will focus on Klein's choice of stimuli.

A survey is only useful as evidence of actual confusion if it replicates the conditions in which instances of actual confusion, whether of the “source” or “initial interest” variety, would occur. *See 6 McCarthy on Trademarks* § 32:163 (“the closer the survey methods mirror the situation in which the ordinary person would encounter the trademark, the greater evidentiary weight of the survey results”).

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ComponentOne's industry witness Williamson, CEO of a self-described "competitor of ComponentOne," sheds light on the purchasing process in the parties' market. Williamson testified that developers generally research a product before making a purchase. Gelchinsky Decl., Ex. O. In order to conduct this research, developers typically look at the producer's website, check a reseller such as ComponentSource or search for products through Google or other web search sites. Gelchinsky Decl., Ex. O. The survey's stimuli did not replicate the parties marks as they would be encountered in any of these situations in which a potential purchaser would encounter the parties' products or services. Instead of using screen shots of the parties' websites, common Google searches potential purchasers would use, or ComponentSource or other resellers' product listings, Klein presented the parties' marks on a plain background in large block letters followed by descriptions of the companies Klein gathered from ComponentArt's website and a listing of sponsors (not vendors) for a trade show.

*25 ComponentOne fails to present evidence demonstrating that potential purchasers or other third parties encounter the parties' marks in the manner presented in the stimuli of Klein's survey. Instead, in an apparent attempt to create an issue of material fact, it offers an affidavit of Klein that contains the bare assertion, "the [survey respondent's] exposure of the ComponentOne mark and the ComponentArt mark were exactly as they would be seen in listing of vendors of this software that I observed." Moskal Decl., Ex. 31. Neither Klein nor ComponentOne states where Klein observed listings of the ComponentOne and ComponentArt marks presented in this matter. Klein did not, however, make his observation on parties' websites, in Google search results or on the websites of resellers. ComponentOne defends Klein's choice of stimuli by merely asserting, "[t]he capitalized two letters is how the market pervasively uses the names, in emails, in typing, etc., in a straight-forward common-sense manner." Pl.'s Mem. in Opp'n Summ. J. 35. Perhaps ComponentOne is correct

that the market uses the marks in that manner, but it has failed to demonstrate, or even argue, that participants in the market *encounter* the marks as they were presented in the survey's stimuli. Had Klein shown screen shots of the parties' websites, or reseller listings, or Google search results, the capitalization convention would have remained as "the market pervasively uses" it, and the survey respondents would have encountered the marks as they exist in the marketplace.

The Court finds that the stimuli Klein employed are completely divergent from the conditions that potential purchasers encounter in the parties' marketplace. Klein's survey "essentially measured the respondents' word associations devoid of context." *We Media*, 218 F.Supp.2d at 474. Since the survey failed to replicate market conditions, the Court affords it extremely minimal weight as circumstantial evidence of actual confusion. The survey, therefore, cannot serve as a meaningful measure of either source or initial interest confusion under the fourth or sixth prong of the Lapp calculus.

c. Conclusion

With respect to the fourth and sixth Lapp factors, the Court concludes that ComponentOne has failed to demonstrate, through direct or circumstantial evidence, that more than *de minimis* confusion between the parties' marks has occurred in third parties since defendants' adopted "ComponentArt" as the name of their firm in May 2004. Consequently, the Court finds that ComponentOne has not generated a genuine issue of material fact as to actual confusion and that the fourth and sixth Lapp factors weigh in favor of defendants.

5. Intent of the Defendants in Adopting the Mark (Lapp factor (5))

The Court will now examine the intent of defendants in adopting the "ComponentArt" mark. Intent "is relevant to the extent that it bears on the likelihood of confusion." *A & H Sportswear*, 237 F.3d at 225. The Court of Appeals for the Third Circuit has opined that if ComponentOne can demonstrate that, in adopting the "ComponentArt"

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mark, defendants intended to create confusion among consumers in the parties' market between its products and ComponentOne's, a likelihood of confusion may be indicated. *See id.* at 225–26.

*26 ComponentOne points to several pieces of circumstantial evidence it views as demonstrating defendants' intent to confuse consumers. At the time they chose “ComponentArt” to replace “Cyberakt” as the name of their firm, Rolufs, Dusan Braticevic and Miljan Braticevic were aware of ComponentOne and intended to compete with it. Moskal Decl., Ex. 1, 2, 3. In choosing “ComponentArt,” ComponentOne argues that defendants picked a mark so similar to “ComponentOne” that “to assert no intent is incredulous.” Pl.'s Mem. in Opp'n Summ. J. 23.

ComponentOne also assails Rolufs, Dusan Braticevic and Miljan Braticevic's alleged failure to conduct due diligence with respect to potential trademark infringement in the name selection process, especially because they knew they “were not legally permitted to choose a name ... confusingly similar to another company's name.” Moskal Decl., Ex. 1, 2, 3. As evidence of their purported due diligence dereliction, ComponentOne observes that defendants (1) did not perform any trademark searches using third parties to determine the availability of the “ComponentArt” mark, *id.*; (2) did not instruct their legal counsel to engage a trademark search company to assure name availability before selecting the mark, *id.*; (3) did not obtain an opinion letter from their legal counsel on name availability, *id.*; and, (4) only performed “a limited domain name search for domain name availability.” *Id.*; Pl.'s Mem. in Opp'n to Summ. J. 26–27.

As further circumstantial evidence of an intent to confuse consumers, ComponentOne points to defendants' decision to not attempt to register their mark in the United States, even after defendants conducted a name availability search for the “ComponentArt” mark with the PTO. *Id.* ComponentOne suggests that the “reasonable inference” to be derived from defendants' decision is that any at-

tempt at registering the mark with the PTO would have been denied. *Id.* ComponentOne also attaches significance to the fact that ComponentArt has represented the “ComponentArt” mark as a trademark and licensed it to third parties. *Id.* Finally, ComponentOne points to an affidavit of Dr. Wong in which he states that ComponentArt names its products in a manner similar to ComponentOne, and that ComponentArt, on at least one instance, changed the name of its product so that it used the identical naming convention as ComponentOne. Moskal Decl., Ex. 15 (ComponentArt originally named a product “ComponentArt ASP.NET Menu, but then changed to ComponentArt Menu for ASP.NET, the identical naming convention as ComponentOne's.”). ComponentOne argues that the reasonable inference to draw from the aforementioned evidence is that defendants intended to infringe upon its mark in selecting the “ComponentArt” mark. Pl.'s Mem. in Opp'n Summ. J. 26–27. Accordingly, ComponentOne contends that it has demonstrated that a triable issue of fact remains with respect to defendants' alleged bad faith in selecting the “ComponentArt” mark. *Id.* at 24.

*27 The Court has conducted an independent review of the record and has found additional evidence of defendants' intent in choosing the “ComponentArt” mark. In a March 29, 2005 email, before ComponentOne filed its original complaint in this action, Rolufs asked Milena Braticevic whether she could contact ASP.NET Pro magazine and inquire whether the magazine would change the manner that ComponentArt's products were listed in nominations for its “Readers' Choice Awards.” Moskal Decl., Ex. 39. Describing how he would like to have the description of the products amended in the award nominations, Rolufs wrote, “we'd like our listing similar to ComponentOne's listing, with the company name in the product name.” *Id.*

Defendants characterize their actions in choosing the “ComponentArt” mark as characteristic of “a young company acting deliberately and carefully to develop and perfect a new brand identity de-

signed to distinguish it from *all* its competitors.” Defs.’ Mem. in Supp. Summ. J. 48. They contend that the “ComponentArt” mark was selected “as the result of sound business planning, and not for the purpose of trading upon Plaintiff’s goodwill or otherwise harming Plaintiff.” *Id.* To support their argument, defendants list the steps they allegedly took in their name-selection process, arguing that it shows that they made a careful, deliberate, good faith decision in choosing “ComponentArt” as the new name for Cyberakt.^{FN26}

FN26. According to defendants, the process of renaming Cyberakt lasted for two years, from May 2002 until May 2004. Gelchinsky Decl., Ex. C. During that time, Miljan Braticevic and Rolufs compiled a list of potential new names for Cyberakt. Rolufs Decl. ¶ 4. Miljan Braticevic, Rolufs, Dusan Braticevic and Cyberakt Senior Developer Jovan Milosevic debated the relative merits of each potential name, *id.* at ¶ 9, and “examined the marketplace and ensured that no other component vendor used a name or mark that conveyed the same or similar message.” *Id.* at ¶ 13. By December 29, 2002, “ComponentArt” was the “front-runner” among the potential name choices, so Cyberakt registered the “componentart.com” domain name. *Id.* at ¶ 7. After further debate over the names, the decision to adopt “ComponentArt” as the new name for Cyberakt was made on or about January 21, 2003. *Id.* at ¶ 11. After selecting “ComponentArt,” Cyberakt engaged an outside consultant to develop a logo and brand image. *Id.* at ¶¶ 23, 24, 101. To provide direction to the re-branding process, the consultant was provided with “samples of websites and logos incorporating design features [defendants] liked.” *Id.* at ¶ 102. ComponentOne’s logo and website “were not specifically included in that package” and not considered by the consultant in the re-

branding process. *Id.* at ¶ 103. While the re-branding process occurred, defendants also hired Goodmans to restructure the corporation. *Id.* at ¶ 26. Goodmans conducted a “NUANS” search of Canadian company names and trademarks, which revealed a number of firms with the term “component” in their names and trademarks. *Id.* ComponentOne’s name and trademark, however, were not uncovered in the search. *Id.*

The Court does not need to find that defendants have demonstrated that no genuine issue of material fact exists with respect to their intent in selecting “ComponentArt” as the new name for Cyberakt in order to determine the proper effect of the fifth Lapp factor in the likelihood of confusion analysis. Viewing the facts in the light most favorable to ComponentOne, as is required at this stage of the dispute, the Court agrees with ComponentOne that a reasonable juror could find that defendants acted recklessly or carelessly with respect to potential trademark infringement in selecting the “ComponentArt” mark. For the purpose of this opinion, moreover, the Court will even credit ComponentOne’s submission, which is arguably contrary to established Third Circuit law,^{FN27} that it is reasonable to infer from the defendants’ purported careless or recklessness in selecting the “ComponentArt” mark that they acted in bad faith and with intent to wilfully infringe the “ComponentOne” mark.^{FN28}

FN27. The Court of Appeals for the Third Circuit has commented, “carelessness is not the same as deliberate indifference with respect to another’s right in a mark or a calculated attempt to benefit from another’s goodwill.” *SecuraComm Consulting Inc. v. Securacom Inc.*, 166 F.3d 182, 189 (3d Cir.1999). Further, that Court has explicitly stated that it *has not* adopted “carelessness” as a standard for determining whether a party acted with the intent to

confuse when choosing a particular mark. See *Freedom Card*, 432 F.3d at 479–80. That Court has, on other occasions, made suggestions to the contrary in cases, unlike the case at bar, that involve highly distinctive marks. See *Kos Pharms.*, 369 F.3d at 721 (finding “[t]he adequacy and are with which a defendant investigates and evaluates its proposed mark, and its knowledge of similar marks or allegations of potential confusion” are highly relevant to the inquiry into whether the defendant intended to “promote confusion and appropriate the prior user's good will” in choosing its mark, in a case involving a “made-up and meaningless mark”) (quoting *Fisons Horticulture*, 30 F.3d at 479) (internal parentheses omitted); see also *Urban Outfitters*, 511 F.Supp.2d at 493, 501 (finding “evidence of a defendant's carelessness in evaluating the potential confusion caused by its mark with that of a senior user is highly relevant and will tend to favor a finding of likelihood of confusion” in a case involving an arbitrary mark) (internal quotation marks omitted).

FN28. The Court notes, however, that ComponentOne has not presented any evidence directly demonstrating that defendants acted with an intent to wilfully infringe the “ComponentOne” mark when they chose “ComponentArt” as the new name for Cyberakt. See *Oreck Corp. v. U.S. Floor Sys., Inc.*, 803 F.2d 166, 173 (5th Cir.1986) (finding that a firm did not act in bad faith when the party alleging trademark infringement did not present any direct evidence on the issue).

However, the fifth Lapp factor is not particularly helpful in determining whether a likelihood of confusion exists in this particular dispute. See, e.g., *Freedom Card*, 432 F.3d at 471 (in some cases not every Lapp factor is relevant). Considering that the

parties each employ a mark containing the generic term “component,” that the “ComponentOne” mark is weak, and that the parties operate in a market where the sophisticated consumers make careful, deliberate purchases, the Court finds that even if defendants acted with the most nefarious motives in choosing “ComponentArt” as the new mark for Cyberakt, intending to divert ComponentOne's customers, palm off its goods as ComponentOne's and take a free ride on ComponentOne's goodwill, a genuine issue of material fact as to likelihood of confusion would still not be indicated. An intent to willfully infringe cannot create confusion when confusion does not otherwise exist. See *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-LeCoultre Watches, Inc.*, 221 F.2d 464, 466–67 (2d Cir.1955) (“Of course, where there is no likelihood of confusion ... an alleged infringer's intent becomes irrelevant, since an intent to do a wrong cannot transmute a lawful into an unlawful act.”); see also 4 *McCarthy on Trademarks* § 23:110 (same). As the Court will explore *infra* when it balances the Lapp factors, defendants' actions have not created a likelihood of confusion. Consequently, circumstantial evidence that they had the intent to cause confusion, the subject of the fifth Lapp factor, and the direct evidence in the record of defendants' intent to copy ComponentOne's product naming conventions is unhelpful to the Court's task of determining whether a likelihood of confusion exists in this particular case. FN29

FN29. With respect to ComponentOne's showing that questions exist as to whether ComponentArt intended to copy ComponentOne's product naming conventions, the Court notes that a demonstration that defendants' intended to copy ComponentOne's naming conventions does not automatically militate the fifth Lapp factor in ComponentOne's favor. The Court of Appeals for the Third Circuit has commented on the proper interpretation of a defendant's intent to copy in a trademark infringement dispute,

a defendant's mere intent to copy, without more, is not sufficiently probative of the defendant's success in causing confusion to weigh such a finding in the plaintiff's favor; rather, defendant's intent will indicate a likelihood of confusion only if an intent to confuse consumers is demonstrated via purposeful manipulation of the junior mark to resemble the senior's.

A & H Sportswear, 237 F.3d at 225–26; see also 4 *McCarthy on Trademarks* § 23:110 (“it must be kept in mind that the only kind of intent that is relevant to the likelihood of confusion is the intent to confuse”). Since a showing that defendants intended to wilfully infringe the “ComponentOne” mark would not create a genuine issue of material fact as to a likelihood of confusion in the circumstances presented in this case, a showing of an intent to copy is similarly insignificant.

6. The Remaining Lapp Factors (Lapp factors (7), (8), (9), (10))

*28 As stated above, the Court of Appeals for the Third Circuit has stated that the seventh, ninth, and tenth Lapp factors, whether the goods are marketed through the same channels of trade and advertised through the same media, the relationship of the goods in the minds of consumers, and other facts suggesting that the consuming public might expect the prior owner to manufacture both products, respectively, are “not apposite” in cases that involve directly competing goods. *A & H Sportswear*, 237 F.3d at 212; see also *Freedom Card*, 432 F.3d at 482 (affirming a district court's decision to not analyze Lapp factors (7), (9), and (10) because they “are not apposite for directly competing goods”). Accordingly, the Court will not analyze those Lapp factors. See *Kos Pharms.*, 369 F.3d at 711 (“if a district court finds certain of the Lapp factors are inapplicable or unhelpful in a par-

ticular case, that court should explain its choice not to employ those factors”) (quoting *A & H Sportswear*, 237 F.3d at 214 n. 8) (internal quotation marks omitted).

Lapp factor (8), the extent to which the targets of the parties' sales efforts are the same, is similarly inapposite in this case. If a party is a direct competitor of another party the target of each parties' sales efforts are the same, *ipso facto*. As such, the Court fails in seeing why Lapp factor (8) would aid in determining the likelihood of confusion in this case. To the extent that this factor is relevant for determining a likelihood of confusion, it has already been compensated for in the lower standard for finding similarity between the marks that the Court applied in the discussion of the first Lapp factor. Inasmuch as Lapp factor (8) does come into play in the Lapp analysis in this case, the defendants apparently concede that it weighs in ComponentOne's favor for the purposes of summary judgment because they fail to address that factor in their brief. Defs.' Mem. in Supp. Summ. J. 24.

7. The Totality of the Lapp Factors

ComponentOne asks this Court to deny summary judgment to defendants on the basis of an examination of the parties' marks, a few misdirected emails, some self-serving affidavits and testimony of its employees and a fundamentally flawed survey. Missing from ComponentOne's case is any evidence, other than a few self-serving comments of Dr. Wong, regarding consumers in the parties' industry, the group the Lanham Act strives to protect. In the end, the omission of evidence on consumers and their behavior is fatal to ComponentOne's action. See 4 *McCarthy on Trademarks* § 23:124 (“Not to be forgotten in all the discussion of inferences and presumptions is that the focus of the law of trademark and unfair competition is to prevent deception of customers.”).

Due to the generic nature of the term “component” in the parties' marks, the Court concludes that ComponentOne has not created a genuine issue of material fact on the critical first Lapp

Not Reported in F.Supp.2d, 2008 WL 4790661 (W.D.Pa.)
 (Cite as: 2008 WL 4790661 (W.D.Pa.))

factor, similarity of the parties' marks. Without legitimate evidence on consumer behavior in the parties' market, the Court must find that the second and third Lapp factors weigh heavily in the defendants' favor. Because ComponentOne's actual confusion evidence is flimsy and *de minimis* and Klein's survey is fundamentally flawed, no genuine issue remains with respect to the fourth and sixth Lapp factors, they also weigh in the defendants' favor.

*29 The remainder of the Lapp factors are unhelpful for determining whether ComponentOne has made a showing creating a genuine issue on the ultimate, material factual question in this case: the existence of a likelihood of confusion between the parties' marks. Without confusingly similar marks, or a demonstration of the commercial strength of ComponentOne's mark, or evidence that consumers of the parties' products are unsophisticated or actual confusion exists in the marketplace, an intent to wilfully infringe ComponentOne's mark on the part of defendants, which the Court notes can only be found on the basis of stretched inferences, and the fact that the parties' sales targets are identical are immaterial. The Court concludes, therefore, examining the totality of the Lapp factors in this case, that ComponentOne has not made a sufficient showing to create a genuine issue of material fact as to a likelihood of confusion between the parties' marks. The Court will therefore grant summary judgment in defendants favor on ComponentOne's trademark infringement, unfair competition and false designation of origin claims. ^{FN30}

^{FN30}. ComponentOne's allegation that defendants have infringed on its trademark because their use of the "ComponentArt" mark creates initial interest confusion also fails. The Court of Appeals for the Third Circuit has stated that district courts are to use the Lapp factors to determine whether initial interest confusion exists. *McNeil Nutritionals*, 511 F.3d at 358. Since the totality of the Lapp factors here shows no likelihood of confusion, ComponentOne's

claim fails under both the "source confusion" and "initial interest confusion" theories.

The Court notes that the Court of Appeals for the Third Circuit has commented that when consumers in the relevant market are sophisticated, "some initial confusion will not likely facilitate free riding on the goodwill of another mark, or otherwise harm the user claiming infringement." *Checkpoint Sys.*, 269 F.3d at 296–297. Consumers in the parties' market are extremely diligent in making purchases, often prototyping and considering the quality of support services of a product they are considering purchasing. In such a market, initial interest confusion is highly unlikely. The Court also notes that the evidence ComponentOne has presented of initial interest confusion is self-serving and the number of incidents is *de minimis*. *Id.* at 298–99 (a "handful of e-mails and other anecdotal evidence of mistaken consumer inquiries" is "de minimis" evidence of initial interest confusion). Consequently, ComponentOne's claim that defendants' have misappropriated its goodwill through initial interest confusion must fail.

B. Pennsylvania Unfair Trade Practices and Consumer Protection Law

In claim IV of its amended complaint, ComponentOne alleges that defendants violated Pennsylvania's Unfair Trade Practices and Consumer Protection Law, 73 P.S. § 201–1, *et seq.* Defendants contend that ComponentOne does not have standing to sue under that act. *See* Defs.' Mem. in Supp. Summ. J. 22 n. 10. ComponentOne addresses neither defendants' argument nor its fourth claim in its brief in opposition to summary judgment. Consequently, the Court will enter summary judgment in favor of defendants on claim IV of ComponentOne's amended complaint. ^{FN31}

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[FN31](#). The Court would reach the same result even if ComponentOne would have presented an argument on claim IV. The Pennsylvania Unfair Trade Practices and Consumer Protection Law “unambiguously permits persons who have purchased or leased goods or services to sue.” *Katz v. Aetna Cas. & Sur. Co.*, 972 F.2d 53, 55 (3d Cir.1992). Since ComponentOne does not contend that it has ever purchased or leased ComponentArt's goods or services, it does not have standing to bring a claim under the statute.

(W.D.Pa.)

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C. Civil Conspiracy and Prayer for Injunctive Relief

The Court will also grant summary judgment to defendants on ComponentOne's prayer for injunctive relief (Count VI) and its civil conspiracy claim (Count X). Each claim required a finding of liability under Count I, II, IV, V, VII, or VIII in order to be successful.

IV. Conclusion

For the reasons hereinabove discussed, the Court will grant summary judgment on the remaining counts of ComponentOne's amended complaint in favor of the defendants. The Court will accordingly deny ComponentOne's motion to strike defendants' references to survey evidence.

An appropriate Order follows.

ORDER OF COURT

AND NOW, this 27th day of October, 2008, in accordance with the foregoing Opinion, it is **ORDERED, ADJUDGED AND DECREED** that the MOTION FOR SUMMARY JUDGMENT FILED BY DEFENDANTS (Document No. 182) is **GRANTED** in its entirety, and PLAINTIFF'S MOTION TO STRIKE DEFENDANTS' REFERENCES TO SURVEY EVIDENCE is **DENIED**.

W.D.Pa.,2008.

Componentone, L.L.C. v. Componentart, Inc.

Not Reported in F.Supp.2d, 2008 WL 4790661

Not Reported in F.Supp.2d, 2010 WL 1334714 (N.D.Ill.), 82 Fed. R. Evid. Serv. 221
(Cite as: 2010 WL 1334714 (N.D.Ill.))

H

United States District Court,
N.D. Illinois,
Eastern Division.
GEORGIA-PACIFIC CONSUMER PRODUCTS
LP, Plaintiff,
v.
KIMBERLY-CLARK CORPORATION, Kim-
berly-Clark Global Sales, Inc., and Kimberly-Clark
Worldwide, Inc., Defendants.

No. 09 C 2263.
March 31, 2010.

West KeySummaryFederal Civil Procedure 170A
🔗2545

170A Federal Civil Procedure

170AXVII Judgment

170AXVII(C) Summary Judgment

170AXVII(C)3 Proceedings

170Ak2542 Evidence

170Ak2545 k. Admissibility. Most

Cited Cases

Testimony in intellectual property attorney's expert report, which analyzed whether trademark holder's bath tissue design was functional and therefore not valid trademark was not relevant and thus could not be considered in deciding competitor's motion for summary judgment in holder's trademark infringement action. Report contained numerous legal conclusions. Once attorney's impermissible legal conclusions were excluded, little remained in expert report that would have been of value to the jury beyond a review of evidence for which fact witnesses could easily provide an adequate foundation. Lanham Act, § 1, 15 U.S.C.A. § 1051; Fed.Rules Evid.Rules 702, 704, 28 U.S.C.A.

Richard Charles Henn, Jr., William Howard Brewster, Kilpatrick Stockton LLP, Atlanta, GA, Gary Y. Leung, John A. Leja, McGuirewoods LLP, Chicago, IL, for Plaintiff.

Howard S. Michael, Jeffery A. Handelman, Brinks, Hofer, Gilson & Lione, Chicago, IL, Vicki Margolis, Kimberly-Clark Corporation, Neenah, WI, Christopher Paul Galanek, Raymond Joseph Burby, IV, Bryan Cave Powell Goldstein, Atlanta, GA, for Defendants.

MEMORANDUM OPINION AND ORDER
VIRGINIA M. KENDALL, District Judge.

*1 Plaintiff Georgia-Pacific Consumer Products, LP (“Georgia-Pacific”) filed suit against Defendants Kimberly-Clark Corporation, Kimberly-Clark Global Sales, Inc., and Kimberly-Clark Worldwide, Inc. (collectively “Kimberly-Clark”) alleging unfair competition and trademark infringement under the Lanham Act, 15 U. S. C. § 1051 *et seq.*, and under various state statutes. The suit alleges that Kimberly-Clark has introduced bath tissue products with designs that infringe Georgia-Pacific's protected rights in its “Quilted Diamond Design.” Georgia-Pacific has moved to strike the proposed testimony of two of Georgia-Pacific's experts, Ivan Ross (“Ross”) and David C. Hilliard (“Hilliard”). For the reasons set forth below, Georgia-Pacific's Motion to Strike the Survey and Expert Report of Ivan Ross is denied, and Georgia-Pacific's Motion to Strike the Expert Report of David C. Hilliard is granted.

STANDARD OF REVIEW

Whether scientific expert testimony is admissible is determined by reference to [Federal Rule of Evidence 702](#) and the standards set forth in *Daubert v. Merrell Dow Pharmaceuticals, Inc.*, 509 U.S. 579, 113 S.Ct. 2786, 125 L.Ed.2d 469 (1993). See *Ervin v. Johnson & Johnson, Inc.*, 492 F.3d 901, 904 (7th Cir.2007). Kimberly-Clark, as the proponent of Little's testimony, bears the burden of proof with respect to whether the admissibility requirements are met. See *Lewis v. CITGO Petroleum Corp.*, 561 F.3d 698, 704 (7th Cir.2009).

[Rule 702](#) assigns the trial judge “the task of en-

surings that an expert's testimony both rests on a reliable foundation and is relevant to the task at hand." *Daubert*, 492 F.3d at 597. The focus of this decision "must be solely on principles and methodology, not on the conclusions that they generate." *Daubert*, 492 F.3d at 595. The Seventh Circuit has developed a three-step analysis for determining the admissibility of expert testimony under Rule 702. See *Ervin*, 492 F.3d at 904. First, "the witness must be qualified 'as an expert by knowledge, skill experience, training, or education.'" *Id.* (quoting Fed.R.Evid. 702). Second, "the expert's reasoning or methodologies underlying the testimony must be scientifically reliable." *Id.* Third, the expert's testimony must be relevant, that is, it must "assist the trier of fact to understand the evidence or to determine a fact in issue." *Id.*

DISCUSSION

I. Georgia-Pacific's Motion to Strike the Survey and Expert Report of Ivan Ross

Ivan Ross is a consumer psychologist who was a professor of marketing at the University of Minnesota for nearly thirty years. He was retained by Kimberly-Clark to conduct a survey related to the likelihood of consumer confusion between Georgia-Pacific and Kimberly-Clark's products. Ross's expert report is based solely on the survey described below. The admissibility of the survey is therefore dispositive of the admissibility of Ross's proposed testimony.

Georgia-Pacific does not challenge Ross's qualifications to offer testimony as a consumer psychology expert, or his qualifications in the field of survey design generally. Instead, Georgia-Pacific argues that the methodology used in the creation, administration, and evaluation of the survey used here was so flawed as to render it inadmissible under *Daubert* and its progeny.

*2 Survey evidence offered in support of, or in opposition to, summary judgment "must comply with the principles of professional survey research; if it does not, it is not even admissible" *Evory v. RJM Acquisitions Funding L.L. C.*, 505 F.3d 769,

776 (7th Cir.2007). Surveys testing consumer confusion should mimic market conditions, including the context in which purchases are made. See *Coherent, Inc. v. Coherent Techs.*, 935 F.2d 1122, 1126 (10th Cir.1991) (rejecting survey that did not appropriately mirror market conditions); *Simon Prop. Group L.P. v. MySimon, Inc.*, 104 F.Supp.2d 1033, 1038 (S.D.Ind.2000) ("[A] survey to test likelihood of confusion must attempt to replicate the thought processes of consumers encountering the disputed mark or marks as they would in the marketplace.").

Here, a survey designed by Ross was conducted by a private survey firm as a double-blind study in which participants were intercepted from among shoppers in eight United States shopping malls. (See R. 74, Ex. A, Expert Report of Ivan Ross, at 5, 6.) (hereinafter "Ross Rep.") The relevant universe of individuals to whom the survey was administered was defined as recent users of Northern toilet tissue (Georgia-Pacific's brand) who were 18 years or older and met a variety of screening criteria. (See Ross Rep. at 6.) "In order to qualify for participation in the study the respondent had to indicate that Northern or Quilted Northern was the brand or among the brands of toilet tissue he/she had used in the past three months." (Ross Rep. at 7.) Participants were then taken to an interview room where they were shown toilet tissue samples and asked a series of questions. (See Ross Rep. at 8-11.) Some respondents were shown one of two different brands of toilet tissue manufactured by Kimberly-Clark, while others were shown a product manufactured by Charmin and "not alleged to be confusing as to source" (Ross Rep. at 5.) After coding and analyzing the survey responses, Ross ultimately concluded that there was no demonstrated confusion between the two Kimberly-Clark tissue brands and the Georgia-Pacific brand "that cannot be accounted for by extraneous factors." (Ross Rep. at 14.) Georgia-Pacific argues that the survey is so unreliable as to be inadmissible because it failed to identify a proper and relevant universe, because it was not properly validated, and

because it was not coded on a “blind” basis.

A. Identification of the “Universe”

The probative value of a survey depends in large part upon the “universe” of respondents, and the reliability of the survey is diminished if the universe of desired respondents is erroneous or undefined. *See Spraying Sys. Co. v. Delavan, Inc.*, 975 F.2d 387, 394 n. 5 (7th Cir.1992) (noting that a survey designed to demonstrate secondary meaning had failed to target all relevant purchasers); *see also Scott Fetzer Co. v. House of Vacuums Inc.*, 381 F.3d 477, 487–88 (5th Cir.2004) (a valid survey must interview individuals who “adequately represent the opinions which are relevant to the litigation”). The legal inquiry as to whether an allegedly infringing product has caused consumer confusion “centers on the confusion of consumers in the market for the particular products at issue,” *Dorr–Oliver, Inc. v. Fluid–Quip, Inc.*, 94 F.3d 376, 382 (7th Cir.1996). However, “in addition to point-of-sale confusion about the source of products and services ... the Lanham Act's protections also extend to post-sale confusion of potential customers.” *CAE, Inc. v. Clean Air Eng'g, Inc.*, 267 F.3d 660, 683 (7th Cir.2001).

*3 Here, Ross defined the relevant universe as “recent past (3 months) users of Northern toilet tissue who were 18 years or older, who had not participated in a study about paper products in the past three months, who did not live in a household with or have a member of their immediate family who worked for an advertising agency or marketing research department or company, a company that makes paper products such as toilet tissue, or a store in the mall where the research was being conducted and who, if they wore vision aides for reading, had them at the time they were approached.” (Ross Rep. at 6.) Although Ross does not define this universe as comprising “potential customers” but instead merely of “users,” *see Dorr–Oliver*, 94 F.3d at 382, because toilet paper is such a widely consumed product and the survey participants were familiar with the products at issue, they might be

viewed as potential customers so as to make the survey probative in the post-sale confusion context. *See CAE*, 267 F.3d at 683 (“Post-sale confusion refers to a situation in which, for example, a potential customer sees a product bearing the label ‘CAE Rental Equipment’ and, consistent with the customer's familiarity with CAE, Inc., mistakenly attributes the products to CAE, Inc.”); *compare Dorr–Oliver*, 94 F.3d at 382–83 (finding that where the market for the product at issue was limited to “12 customers in the corn wet milling industry,” evidence showing that the general public might be confused did not reflect the views of these 12 “potential customers” in the post-sale confusion context). Moreover, any flaw in Ross's definition of the relevant universe of survey-takers does not render his report inadmissible, but merely go to the survey's probative value and the weight that the jury should accord to that survey. *See Piper Aircraft Corp. v. WagAero, Inc.*, 741 F.2d 925, 930–31 (7th Cir.1984) (where defendant objected to the universe used for a survey, the court held that problems with the universe making the survey “less probative on the issue of confusion” go “to the weight to be given the survey results, not the admissibility of the survey”); *see also Southland SOD Farms v. Stover Seed Co.*, 108 F.3d 1134, 1143 (9th Cir.1997) (“Technical unreliability goes to the weight accorded to a survey, not its admissibility.”) (quoting *E & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1292 (9th Cir.1992)); *Spraying Systems Co.*, 975 F.2d at 893 n. 5 (noting that where “the surveys targeted as respondents farmers rather than actual purchasers of the spraying equipment,” “the selection of farmers only as the relevant universe limit[ed] the surveys' probative value”).

B. Selection of the Sample Population

Once a universe is identified, a reliable survey must select a sample population that accurately represents the universe. An underinclusive sample population seriously diminishes the reliability of the survey. *See, e.g., Jaret Intern., Inc. v. Promotion in Motion, Inc.*, 826 F.Supp. 69, 74 (E.D.N.Y.1993) (finding a consumer confusion sur-

vey unreliable because of, among other flaws, “its unrepresentative sample and its untrustworthy methodology.”).

*4 Ross's survey report notes that the sample of respondents “is representative of target demographics, 13% younger male [age 18–39], 7% older male [age 40+], 39% younger female [age 18–39], and 41% older female [age 40+].” (Ross Rep. at 12.) He does not explain, however, how a sample that is 70% female is representative of an identified universe consisting of toilet paper users, or why this gender-skewed sample is “representative” of an undefined “target demographic.” This factor therefore casts doubt on the reliability of the sample population to whom the survey was administered, even if the universe of toilet-paper users were deemed the correct one, but does not render the survey inadmissible. See *Piper Aircraft*, 741 F.2d at 930–31.

C. Post-Survey Validation

After the interviewing phase of the survey, follow-up telephone calls were made to all respondents who had provided contact information. (See Ross Rep. at 11.) Fifty-three percent of the survey respondents were successfully reached and their participation validated by an indication that they had participated in the survey and were qualified as respondents. (See *id.*) Six percent of respondents were reached but indicated that they had not participated or were not qualified to participate. (See *id.*) Forty-one percent of respondents, or 188 out of a total of 456, could not be reached.

Georgia-Pacific challenges Ross's decision to treat the 41% of respondents who were unreachable as validated interviews, which he explained was “customary.” (See *id.*) Validation is conducted after the completion of a consumer survey in order to identify problems with the work of hired interviewers, and requires that a different person call “the respondent at the number recorded on the questionnaire to make sure that the respondent exists and that the interview was in fact conducted.” *Paco Sport, Ltd. v. Paco Rabanne Parfums*, 86 F.Supp.2d 305, 323 (S.D.N.Y.2000). Ross provides no support

for his assertion that it is customary to treat unreachable respondents as having submitted valid survey response, and such treatment appears to contradict the purpose of the validation process. The Court finds the failure to validate the participation of more than 40% of survey respondents a factor that weakens the overall reliability of the survey's conclusions. Again, however, “[t]echnical unreliability goes to the weight accorded to a survey, not its admissibility.” See *Southland*, 108 F.3d at 1143.

D. Data Evaluation

Steps must be taken to ensure that data are classified and recorded consistently and accurately. The data collected from the survey were tabulated independently by Ross and an individual at the survey-administration firm. (See Ross Rep. at 12.) The responses of each individual respondent were viewed “as a whole” in order to determine “whether any part of [a respondent's answers] indicated confusion ... for trademark relevant reasons.” (*Id.*) Georgia-Pacific claims that this process was fundamentally flawed because Ross was aware of both the sponsor and the purpose of the study at the time that he conducted his subjective evaluation of the survey results.

*5 It is true that survey responses, to be reliable, must “be recorded and interpreted in an unbiased manner.” *Simon Prop. Group*, 104 F.Supp.2d at 1038. Georgia-Pacific's complaint about Ross's evaluation of the survey data, however, does not contest the manner in which survey responses were recorded by the survey administrators themselves. Instead, Georgia-Pacific challenges Ross's interpretation of the data, that is, his classification of whether the responses indicated a trade-secret relevant reason for consumer confusion. Georgia-Pacific has not presented any authority supporting the proposition that an expert in the field of consumer psychology may not evaluate properly recorded data in a less than purely objective way, applying the lens of his own experience and expertise. Moreover, any concerns that Ross's knowledge of the purpose of the survey improperly

tainted his evaluation of the data are mitigated by the fact that the survey-firm administrator also classified and tabulated the responses, and Georgia-Pacific could use those independent evaluations of the data for cross-examination purposes.

E. Factors Supporting the Admissibility of the Survey

1. Clear, Precise, and Unambiguous Questions

A reliable survey should avoid the use of confusing or ambiguous questions. *See, e.g., Nat'l Football League Props., Inc. v. ProStyle, Inc.*, 57 F.Supp.2d 665, 668 (E.D.Wis.1999) (survey consisting of only one vague question, with no controls or comparison questions, excluded from evidence). Georgia-Pacific does not challenge the questions used here as impermissibly vague or ambiguous, and the Court's review of the content of the survey shows the questions to be clear. Thus, the survey administered by Ross appears to have complied with this professional standard.

2. Use of Filter Questions

Some respondents to a survey will not have an opinion on a question asked, which can result in a respondent guessing as to the "right" answer. Reliable surveys address this issue through the use of filter questions and "don't know" or "no opinion" answer alternatives. *See, e.g., LG Elecs. USA, Inc. v. Whirlpool Corp.*, 661 F.Supp.2d 940, 954 (N.D.Ill.2009) (finding that a survey's inclusion of a "don't know" option as an answer to an otherwise close-ended question was sufficient to mitigate concerns about its reliability). Here, interviewers told respondents not to guess if they did not have an answer, but simply to give a "don't know" or "don't have an answer" response. (*See* Ross Rep. at 9.) The survey thus complies with this standard, and no reliability doubts arise because of it.

3. Use of a Double-Blind Study

In order to ensure their objectivity, reliable surveys are conducted using double-blind research methodology whenever possible. *See Novartis Con-*

sumer Health, Inc. v. Johnson & Johnson-Merck Cons.Pharms. Co., 290 F.3d 578, 590-91 (3rd Cir.2002) (upholding the district court's reliance on a survey "during which both the respondents and the interviewers [were] unaware of the purpose of the survey or its sponsor.") Ross's report reflects that an independent firm administered the survey and recorded the raw data, and Georgia-Pacific does not argue that survey administrators were aware of either the survey's purpose or its sponsor. Therefore, this factor appears to support the reliability of the study.

F. Conclusion

*6 On balance, the Court finds that the overall methodology used to conduct the survey is adequate to support its admissibility under *Daubert* and *Federal Rule of Evidence 702*. Here, as is so often the case, "shortcomings in the survey results go to the proper weight of the survey and should be evaluated by the trier of fact." *AHP Subsidiary Holding Co. v. Stuart Hale Co.*, 1 F.3d 611, 618 (7th Cir.1993). Because the survey is admissible and Ross's expert report does nothing more than explain and analyze the survey, his report is also admissible. Georgia-Pacific's Motion to Strike the Survey and Expert Report of Ivan Ross is therefore denied.

II. Georgia-Pacific's Motion to Strike the Expert Report of David C. Hilliard

David Hilliard ("Hilliard") is a Chicago intellectual property attorney who has prepared an expert report analyzing whether Georgia-Pacific's "Quilted Diamond Design" is functional and therefore not a valid trademark. Georgia-Pacific moves to strike the report on the grounds that it is "nothing more than a legal brief setting forth legal arguments in the guise of an expert report." (R. 69, Ex. 1, Pl. Br. in Supp. of Mtn. to Strike, at 2.) Georgia-Pacific does not contest Hilliard's qualifications to testify as an expert in the field of intellectual property law or the methodology by which he reached the conclusions contained in his report, so the Court will focus its analysis on the issue of

whether his testimony is relevant to the trier of fact. See *United States v. Moore*, 521 F.3d 681, 685 (7th Cir.2008) (“A judge is not obliged to look into the questions posed by Rule 702 when neither side either requests or assists.”).

While experts may offer testimony that “embraces an ultimate issue to be decided by the trier of fact,” Fed.R.Evid. 704, expert testimony that is “largely on purely legal matters and made up of solely legal conclusions” is inadmissible. *Good Shepard Manor Found., Inc. v. City of Momence*, 323 F.3d 557, 564 (7th Cir.2003). Expert witnesses may not testify as to the meaning of applicable legal standards. See *Bammerlin v. Navistar Intern. Transp. Corp.*, 30 F.3d 898, 901 (7th Cir.1994) (improperly admitted legal testimony “left the jury adrift and permitted it to return a verdict on a basis that may have been legally and factually flawed”).

The fact that Hilliard's testimony references various statutes and uses certain terms that also have legal import is not a reason, by itself, to bar his opinions as constituting impermissible legal conclusions. See, e.g., *Nationwide Transp. Fin. v. Cass Info. Sys.*, 523 F.3d 1051, 1059 (9th Cir.2008) (experts may properly “refer to terminology from applicable law in expressing their opinions”). However, it is clear that the report does contain numerous legal conclusions. For example, Hilliard writes that the “Quilted Diamond Design is invalid as a trademark—and hence unprotectable and unenforceable under trademark law—pursuant to the doctrine of trademark functionality.” (R. 69, Ex. 2–1, Expert Report of David C. Hilliard, at 4.) (hereinafter “Hilliard Rep.”) He further writes that “the Quilted Diamond Design serves a central utilitarian purpose within the terms of” certain relevant patents, “and is therefore invalid as a trademark under the doctrine of functionality.” (Hilliard Rep. at 14.)

*7 Kimberly–Clark's response in support of Hilliard's report assumed that the report would be presented only to the Court, as the finder of fact, in the course of a preliminary injunction hearing.

Georgia–Pacific has now withdrawn its Motion for a Preliminary Injunction, (see R. 121), and the case has proceeded to briefing on Kimberly–Clark's Motion for Summary Judgment. Thus, the admissibility of Hilliard's report must be considered with reference to the jury to whom it may eventually be presented. When the jury is the finder of fact, “[e]xpert testimony as to legal conclusions that will determine the outcome of the case is inadmissible.” *Good Shepard Manor Found.*, 323 F.3d at 564.

Kimberly–Clark argues that the quoted statements above and one other comment regarding the functionality doctrine are the only opinions about which Georgia–Pacific complains, and that the report as a whole should therefore not be excluded. However, Georgia–Pacific's Motion makes it clear that the three quoted statements are only examples of the inadmissible legal conclusions that Hilliard makes, and are not intended to be the sole focus of their challenge. Georgia–Pacific does not specifically quote the concluding paragraph of Hilliard's report, for example, which states that “Georgia–Pacific's trademark registrations for the Quilted Diamond Design are invalid and subject to cancellation[,]” but this is as much a legal conclusion as the other opinions referenced above. (Hilliard Rep. at 27.) Once Hilliard's impermissible legal conclusions are excluded, little remains in his expert report that would be of value to the jury beyond a review of evidence for which fact witnesses could easily provide an adequate foundation. The remainder of his report is thus excluded as not an appropriate subject of expert witness testimony under *Federal Rule of Evidence 702*.

Georgia–Pacific's Motion to Strike the Expert Report of David C. Hilliard is therefore granted.

CONCLUSION AND ORDER

Ivan Ross's survey regarding potential consumer confusion is admissible in spite of certain methodological flaws, which properly go to its weight rather than its admissibility. As Ross's expert report does nothing more than explain and analyze the survey, his report is also admissible.

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However, David Hilliard's report consists primarily of impermissible legal conclusions that once excluded leave little of value to the jury in his report, and his report is therefore barred.

Georgia-Pacific's Motion to Strike the Survey and Expert Report of Ivan Ross is denied. Georgia-Pacific's Motion to Strike the Expert Report of David C. Hilliard is granted.

N.D.Ill.,2010.

Georgia-Pacific Consumer Products LP v. Kimberly-Clark Corp.

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Only the Westlaw citation is currently available.

United States District Court, N.D. Illinois.
LEARNING CURVE TOYS, L.P., Plaintiff,

v.

PLAYWOOD TOYS, INC., Defendant.

No. 94 C 6884.

March 31, 2000.

MEMORANDUM OPINION AND ORDER

PALLMEYER, J.

*1 This matter is before the court on Counterplaintiff PlayWood Toys, Inc.'s ("PlayWood") motion for reconsideration of this court's July 20, 1999 order granting partial summary judgment in favor of Counterdefendant, Learning Curve Toys L.P., Roy Wilson, Harry Abraham and John Lee (collectively, "Learning Curve"). For the reasons that follow, the motion is denied.

BACKGROUND

The facts of this case are well documented in previous orders and this court will not repeat them here. *Learning Curve Toys, L.L.C. v. PlayWood Toys, Inc.*, No. 94 C 6884, 1998 WL 46894 (N.D.Ill. Jan. 30, 1998) (hereinafter "1998 Order"); *Learning Curve Toys, L.P. v. PlayWood Toys, Inc.*, No. 94 C 6884, 1999 WL 529572 (N.D.Ill. July 20, 1999) (hereinafter "1999 Order"). Nevertheless, a brief synopsis of the procedural history is appropriate.

In December 1994, Learning Curve brought this action seeking a declaratory judgment that its production and sale of a toy wooden train track did not violate any proprietary rights of PlayWood. PlayWood filed an eight-count counterclaim against Learning Curve alleging that Learning Curve is liable for breach of implied-in-fact contract (Count I), unjust enrichment (Count II), "idea misappropriation" (Count III), violations of the Illinois Consumer Fraud and Deceptive Practices Act

("CFDPA") (Count IV), violations of the Illinois Trade Secrets Act (Count V), violations of Sections 44(b) and 43(a) of the Lanham Act (Counts VI and VII, respectively), and violations Uniform Deceptive Trade Practices Act (Count VIII). Learning Curve sought summary judgment on all eight counterclaims. In the 1998 Order, Judge Grady, to whom this case was previously assigned, granted the motion with respect to Count I, but denied summary judgment on the remaining counts. The case was then reassigned to this court, and Learning Curve ^{FN1} moved for summary judgment on the remaining claims. In the 1999 Order, this court granted summary judgment for Learning Curve on seven of the eight remaining counts, leaving PlayWood with only one claim remaining: the Illinois Trade Secrets Act claim alleged in Count V. PlayWood now moves for reconsideration of the summary judgment grant with respect to counts IV, VI, VII, and VIII. ^{FN2}

^{FN1}. Although the summary judgment motion was brought only by the individual Counterdefendants, in its 1999 order the court concluded that because the "problems identified have equal force for Learning Curve," the challenged claims were dismissed in their entirety. *Learning Curve Toys*, 1999 WL 529572, at *5. The court also acknowledged that "[if] there are in fact arguments that mandate differentiating between the Counterdefendants' [sic] on these counts, PlayWood may make such arguments in a motion for reconsideration." *Id.* at *8. Although PlayWood challenges the court's substantive conclusions, it has not suggested that the court erred in concluding that arguments in favor of the individual Counterdefendants are not equally applicable to Learning Curve.

^{FN2}. In its motion for reconsideration, PlayWood did not move for reconsideration of summary judgment on Counts II

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(unjust enrichment) and III (“idea misappropriation”). (Motion for Reconsideration of July 19, 1999 Order or, in the Alternative, to Certify (“Motion for Reconsideration”), at 1 n. 1.)

DISCUSSION

Standard of Review

Motions for reconsideration generally serve a very narrow function and must be supported by a showing of extraordinary circumstances justifying relief from judgment. *Commodity Trend Serv., Inc. v. Commodity Futures Trading Comm'n*, 149 F.3d 679, 684 (7th Cir.1998); see also *Bally Export Corp. v. Balicar, Ltd.*, 804 F.2d 398, 400 (7th Cir.1986). The rulings of a district court are not to be viewed “as mere first drafts, subject to revision and reconsideration at a litigant’s pleasure.” *Quaker Alloy Casting Co. v. Gulfco Indus., Inc.*, 123 F.R.D. 282, 288 (N.D.Ill.1988). Rather, motions for reconsideration are designed to correct manifest errors of law or fact or to present newly discovered evidence. *Publishers Resource, Inc. v. Walker-Davis Publications, Inc.*, 762 F.2d 557, 561 (7th Cir.1985). Accordingly, a motion for reconsideration is an “improper vehicle to introduce evidence previously available or to tender new legal theories.” *Bally*, 804 F.2d at 404; *Bachman v. Bear, Stearns & Co., Inc.*, 57 F.Supp.2d 556, 564 (N.D.Ill.1999) (“[A] party may not use a motion for reconsideration to introduce new theories or rehash old arguments.”). With these principles in mind, the court turns to PlayWood’s arguments for reconsideration.

Illinois Consumer Fraud and Deceptive Practices Act-Count IV

*2 PlayWood urges the court to reconsider its grant of summary judgment on Count IV, contending that the court misstated the law.^{FN3} In the 1999 Order, this court found summary judgment in favor of Learning Curve appropriate because PlayWood did not satisfy its “obligation to show injury to consumers.” *Learning Curve*, 1999 WL 529572, at *5 (citing *American Broadcasting Co. v. Maljack Productions, Inc.*, 34 F.Supp.2d 665, 680-81

(N.D.Ill.1998) (“the CFDDPA expressly requires ‘proof of public injury’ or ‘an effect on consumers generally’ ”)). PlayWood argues, at least implicitly, that this court’s reliance on *American Broadcast* was in error because, PlayWood urges, the CFDDPA “does not require a demonstration of ‘harm’ when trade practices are directed at the market.” (Motion for Reconsideration, at 9.) Thus, according to PlayWood, it did not need to show public injury but merely needed to show that the misrepresentations or deceptive statements were made in the marketplace and to actual or prospective customers. See, e.g., *Petri v. Gatlin*, 997 F.Supp. 956 (N.D.Ill.1997); *Pain Prevention Lab, Inc. v. Electronic Waveform Labs, Inc.*, 657 F.Supp. 1486, 1493 (N.D.Ill.1987); *Siegel v. Levy Organization Dev. Co., Inc.*, 153 Ill.2d 534, 607 N.E.2d 194 (1992).

FN3. PlayWood further asserts that this court’s very consideration of Counts IV-VIII violated the doctrine of the law of the case because Judge Grady had already concluded that summary judgment was inappropriate on these counterclaims. This court has already rejected this argument in its 1999 Order, noting that Judge Grady had for reasons of judicial economy not actually reached the merits of those counterclaims. 1999 WL 529572, at *4. PlayWood offers no new arguments to establish that this conclusion was clearly erroneous.

PlayWood’s argument fails to recognize, however, that under existing case law, PlayWood is not free to pursue a claim using “effect on consumers generally” as described in *American Broadcasting*. To the contrary, as discussed in the 1999 Order, the “statute does not ‘authorize a suit by a non-consumer where there is no injury to consumers.’” 1999 WL 529572, at *5 (quoting *Amon v. Harrison*, No. 91 C 980, 1994 WL 532025, at *3 (N.D.Ill. Sept. 29, 1994)). As stated explicitly in the opinion, the test for standing when both parties to a suit are non-consumer commercial entities is whether the alleged conduct “involves trade prac-

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tices directed to the market generally or otherwise implicates consumer protection concerns.” *Id.* at *4 (citing *Atbey Prods. Corp. v. Harris Bank Roselle*, 89 F.3d 430, 437 (7th Cir.1996); *Lefebvre Intergraphics, Inc. v. Sanden Mach. Ltd.*, 946 F.Supp. 1358, 1368 (N.D.Ill.1996)). PlayWood does not argue that this statement of the law was incorrect. Significantly, all the cases cited by PlayWood in support of its argument that it need not establish harm to consumers involve claims initiated by consumers, not businesses like PlayWood. Nor does PlayWood contest this court’s finding that Learning Curve’s alleged deception did not harm or otherwise implicate consumer protection concerns. Therefore, reconsideration is denied on this count. ^{FN4}

FN4. In its reply, Learning Curve asserts that although not addressed in the 1999 Order, PlayWood’s counterclaim under Count IV fails for lack of standing. PlayWood vigorously disputes this assertion. This court declines to address this argument because it is inappropriate for either party to bring in new legal theories on a motion for reconsideration.

Lanham Act Section 43(a) Claims-Count VII

Based upon its analysis of PlayWood’s Section 43(a) Lanham Act claim (Count VII), this court summarily dismissed Counts VI (Lanham Act § 44(b)) and VIII (Uniform Deceptive Trade Practices Act). PlayWood argues that the court applied the wrong legal standard when analyzing its Lanham Act claims and that all counts must be reinstated. PlayWood further argues that the court misconstrued Play Wood’s basis of liability for its § 43(a) claim. In short, Play Wood argues that it was not bringing a “false designation of origin” claim under § 43(a) and that § 43(a) is not limited to such false designation of origins claims.

*3 PlayWood cites nothing in the 1999 Order to suggest that this court did not understand the nature of a Lanham Act claim. The Act predicates liability upon either (1) false representations concerning the origin, association or endorsement of

goods or services through the wrongful use of another’s distinctive mark, name, trade dress or other device (otherwise known as “false association” or “false endorsement”) or (2) false representations in advertising concerning the qualities of goods or services (“false advertising”). See *L.S. Heath & Son, Inc. v. AT & T Info. Sys., Inc.*, 9 F.3d 561, 575 (7th Cir.1993) (quoting *Waits v. Frito-Lay, Inc.*, 978 F.2d 1093, 1108 (9th Cir.1992)). Given the ambiguities in PlayWood’s pleadings, this court interpreted the nature of PlayWood’s claims as best it could. In its counterclaim, PlayWood alleges that “PlayWood is likely to be damaged by Defendants’ false advertising.” (Motion For Reconsideration, at 5, citing Counterclaim ¶ 73.) But in its response to Learning Curve’s motion for summary judgment, PlayWood twice characterized its claim as a “false designation of origin claim.” (PlayWood’s Response, at 8.) Specifically, PlayWood argued that summary judgment should be denied because Learning Curve “falsely market[s] the wooden toy track to the public by misrepresenting Learning Curve as its originator,” thereby creating a likelihood of confusion. (*Id.*)

In its latest motion, PlayWood insists that it was not making a “false designation of origin” claim (Motion for Reconsideration, at 5), but does not explicitly state that it is bringing a false advertising claim. The court assumes, however, that this was PlayWood’s intent, because PlayWood now cites § 43(a)(1)(B), the portion of the Act addressing false advertising. PlayWood still does not explicitly state how it intends to establish that Learning Curve’s alleged misappropriation of the design idea of the toy and its subsequent attempt to trademark the product is a misrepresentation about the *quality* of the product. In any case, to the extent PlayWood is now asserting a claim for false advertising, that claim fails for other reasons. “In order to have standing to allege a false advertising claim ... the plaintiff must assert a discernible competitive injury.” *L.S. Heath & Son*, 9 F.3d at 575. Neither in its motion for reconsideration, nor in its defense to the summary judgment motion, did PlayWood establish such a competitive injury.

In its reply brief, PlayWood finally zeros in on a precise legal theory: a variation of the false advertising prong of § 43(a) is presented in cases finding a violation in the false representation that a product is created, designed, or authorized by plaintiff. With the benefit of hindsight, this argument is arguably implicit in PlayWood's earlier briefs. A motion for reconsideration, however, is an inappropriate vehicle to cure ambiguities or to sharpen legal arguments. Further, to the extent this court may have erred in not explicitly addressing this argument, this failure did not result in a manifest error of law. The 1999 Order found that PlayWood could not bring a false designation of origin claim because PlayWood held neither a trademark nor was commonly identified with features of the toy at issue. These same factors militate against any claim that Learning Curve engaged in false advertising by including a "patent pending" notice on its toy.

*4 Of the many cases cited by PlayWood in its reply, all but one fail to even address PlayWood's precise legal theory. One case does not even address the issue of the scope of a false advertising claim but deals with an evidentiary appeal on the misappropriation of a trade secret. See *Pioneer Hi-Bred Int'l v. Holden Found. Seeds, Inc.*, 35 F.3d 1226 (8th Cir.1994). It is true that in *Blank v. Pollack*, 916 F.Supp. 165 (N.D.N.Y.1996), a district court in New York found that a plaintiff stated a claim for false advertising on the theory of misappropriation of trademark. Notably, however, in that case the plaintiff actually held a trademark for the item in dispute, and the defendant had falsely advertised that it held a patent on that item. As discussed in the 1999 Order, PlayWood holds no patent for the toy and Learning Curve advertises that a patent is "pending"-which is a true statement. In short, PlayWood's new legal argument does not support a conclusion that the court's 1999 Order was in error.

Lanham Act Section 44(b) and the Uniform Deceptive Trade Practices Act Claims-Counts VI and VIII.

PlayWood's next argument is that regardless of the type of claim it brought under the Lanham Act, it was inappropriate for the court to apply its reasoning from Count VII to Counts VI and VIII. As discussed above, in the 1999 Order, this court found that PlayWood failed to establish that any alleged claims to development of the toy made by Learning Curve were likely to cause "actual" confusion among consumers. 1999 WL 529572, at *6. PlayWood argues that the court made an error of law in applying this reasoning to the Deceptive Trade Practices Act ("DTPA") because actual confusion is not required under the statute. In support, it cites the plain language of the statute, which provides that "a plaintiff need not prove competition between the parties or actual confusion or misunderstanding." 815 ILCS 510/2.

PlayWood's argument here suffers from the same shortcoming as its challenge to the Lanham Act discussed above: PlayWood fails to recognize that the law distinguishes between consumer and non-consumer plaintiffs. Case law interpreting the DTPA has never construed the statute's amended language as eliminating the requirement of a connection to consumers.^{FN5} See, e.g., *Athey Products*, 89 F.3d at 436-7; *Industrial Specialty Chems., Inc. v. Cummins Engine Co., Inc.*, 902 F.Supp. 805 (N.D.Ill.1995); see also generally Edward X. Clinton, Jr., *Business Standing Under the Illinois Consumer Fraud Act: An Attempt to Resolve the Confusion*, 17 N. ILL. U.L.REV. 71 (1996). In the 1999 Order, this court found in essence that because any dispute between PlayWood and Learning Curve as to the origins of the toy was undetectable to consumers, such a consumer nexus did not exist. PlayWood offers nothing to refute that this was a proper understanding of the consumer nexus requirement.

FN5. The reasoning behind this requirement is in part due to concern that without such a requirement, contract law would be subsumed by causes of action brought under the DTPA. Without a consumer nexus

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requirement, any broken promise between business entities could potentially be characterized as coming with the scope of the DTPA. See *Scarsdale Builders, Inc. v. Ryland Group, Inc.*, 911 F.Supp. 337, 338 (N.D.Ill.1996).

Nor does PlayWood offer anything to suggest that if its claim were more properly characterized as a false advertising claim, the consumer nexus would have been met. This court's review of the case law establishes that PlayWood would not have standing to bring such a false advertising claim, because PlayWood and Learning Curve are not competitors and Learning Curve's allegedly "false advertising" did not disparage in PlayWood the consumer market. See, e.g., *Empire Home Servs., Inc. v. Carpet Amer., Inc.*, 274 Ill.App.3d 666, 669, 653 N.E.2d 852, 854 (1st Dist.1995) (allegations that competitor acquired telephone number similar to the plaintiff for purposes of deceiving customers stated cause of action under the Illinois Consumer Fraud Act); *B. Sanfield, Inc. v. Finlay Fine Jewelry Corp.*, 76 F.Supp.2d 868, 1248 (N.D.Ill.1999) (cause of action under Illinois Consumer Fraud Act existed where competitor advertised that jewelry items were on sale for 50% less than their "regular" price when competitor never sold sell jewelry at that "regular" price).

*5 Finally, PlayWood argues that the court also erred in applying the reasoning to its claim for unfair competition under § 44(b) because as a foreign corporation governed by the Treaty of Paris, it need not hold a patent to pursue a § 44(b) claim. In this court's view, PlayWood's § 44(b) argument mischaracterizes the 1999 Order. In that order, this court held that PlayWood could not establish a claim under § 43(a) of the Lanham Act because PlayWood could not establish actual confusion among consumers in part because it did not have an identifiable trademark. Because § 44(b) of the Lanham Act, read in conjunction with the Paris Union Convention, provides the same protections as § 43(a), this court dismissed the § 44(b) claim. 1999

WL 529572, at *7, citing *Scotch Whisky Ass'n v. Majestic Distilling Co., Inc.*, 958 F.2d 594, 597 (4th Cir.1992). The lack of a trademark was merely a factor in the court's conclusion that there was no dispute of fact on the likelihood of confusion issue. Nothing in the 1999 Order suggests that this court dismissed PlayWood's § 44(b) claim failed solely because PlayWood does not have a trademark.

Request for Certification

In the alternative to its motion for reconsideration, PlayWood requests that this court certify the issue for interlocutory appeal pursuant to 28 U.S.C. § 1292(b). Certification is appropriate where there is a controlling question of law as to which there is substantial ground for difference of opinion and where an immediate appeal may materially advance the termination of the litigation. 28 U.S.C. § 1291(b). PlayWood's motion must therefore be denied. The question which PlayWood asks this court to certify for appeal, "whether the court erred in granting summary judgment on Counts IV, VI, VII and VIII" does not identify a controverted issue of law. Further, PlayWood makes no assertions as to how an immediate appeal on these counts, or others for which it is not now seeking reconsideration, would materially advance the termination of the litigation. This case has been docketed since 1994 and an immediate appeal on an undefined issue would only serve to prolong already protracted litigation. PlayWood's request for certification is therefore denied.

CONCLUSION

For the foregoing reasons, the court denies PlayWood's motion for reconsideration and for certification (Doc. 149-1).

N.D.Ill.,2000.

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Only the Westlaw citation is currently available.

United States District Court, S.D. New York.
VOLKSWAGEN ASTIENGESELLSCHAFT, Audi
Asktiengesellschaft and Volkswagen of America,
Inc., Plaintiffs,

v.

UPTOWN MOTORS, Defendant.

No. 91 Civ. 3447(DLC).
May 11, 1995.

Nixon Hargrave Devans & Doyle, New York City,
(Richard D. Rochford, Jr., James D. Kole, Of counsel),
for Plaintiffs.

Feldman, Delio, Verner & Wachtel, P.C., New
York City (Jaime Vincent Delio, Of counsel), Joel
K. Dranove, New York City, for Defendant.

COTE, District Judge.

*1 THE COURT: Plaintiffs Volkswagen, Volkswagen of America, Incorporated and Audi, collectively VW and Audi, are makers and importers of automobiles.

VW and Audi filed this action on May 21, 1991 alleging that the defendant Uptown Motors, who I will refer to as Uptown, used the VW and Audi logos in its yellow pages advertisement in a way that constituted, among other things, trademark infringement under the Lanham Act and the common law, and a violation of New York anti-dilution statute. VW and Audi seek both injunctive and compensatory relief.

The parties brought cross-motions for summary judgment, both of which Judge Cedarbaum denied on June 12, 1992. The case was reassigned to this court on September 29, 1994 and trial was held on May 8 through May 11, 1995.

The direct testimony of all witnesses was

presented by affidavit with witnesses appearing only for cross-examination and redirect testimony.

Debra Kingsbury, Geoffrey Fong, Cameron Eiseman, George Pizzo, Ilyd Geare, Charles French, Michael Nelson and David Perazzo appeared for VW and Audi.

Uptown waived its right to cross-examine both Geare and French, who did not then appear at trial, except through their affidavits.

Lester Christianson and Murray Hysen appeared for Uptown.

The burden of proof on plaintiffs' claims of trademark infringement under the Lanham Act and dilution under the [New York General Business Law, Section 368-d](#), is on VW and Audi.

Uptown has asserted one defense, that of fair use under [15 United States Code, Section 1115\(b\)\(4\)](#), and the burden is on Uptown to prove this defense.

Turning first to the Lanham Act.

This is VW and Audi's first cause of action. It is for trademark infringement under the Lanham Act and common law. The elements for equitable relief under the Lanham Act are distinctiveness and likelihood of confusion.

In determining how much protection to afford a mark, a court must consider whether the mark is sufficiently distinctive. As a threshold matter, "registered trademarks are presumed to be distinctive and should be afforded the utmost protection." [Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Company, 799 F. 2d 867, 873](#), Second Circuit, 1986. It is undisputed that both the VW logo and the Audi logo are registered trademarks.

In order to prevail in their trademark infringement claims, VW and Audi must also demonstrate

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that Uptown's use of the logo created a likelihood of confusion.

Because the logos at issue in this action are registered, they are entitled to a liberal application of the law when determining the likelihood of confusion. VW and Audi must show that, "an appreciable number of ordinarily prudent purchasers are likely to be misled or, indeed, simply confused as to the source of the goods in question." *W.W.W. Pharmaceutical Co. v. Gillette Co.*, 984 F. 2d 567 at 570 to 71, Second Circuit, 1993.

In making this determination, courts turn to the multi-factor test set forth in *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F. 2d 492 at 495, Second Circuit, cert. denied, 368 U.S. 820(1961).

*2 These factors include the strength of plaintiffs' mark, the degree of similarity between plaintiffs' mark and infringing marks, the proximity of the products and the likelihood that the plaintiff will bridge the gap, actual confusion, defendant's good faith in adopting the infringing mark, quality of the defendant's product and the sophistication of the consumers of the products or services at issue.

This list of factors is not exhaustive and a court may take other variables into account. The proper approach is to weigh each factor in the context of the others to determine if, on balance, a likelihood of confusion exists.

I will discuss a few of the factors in more detail.

First actual confusion.

It is important to note here that although actual confusion is a factor in determining the likelihood of confusion, a plaintiff is not required to prove actual confusion in order to prevail on a claim for equitable relief under the Lanham Act. In order to obtain damages, however, VW and Audi must prove actual confusion.

The confusion asserted here is that some VW

and Audi owners will read Uptown's ads and mistakenly believe Uptown is an authorized service center for Volkswagen and Audi automobiles.

Typically, actual confusion is proven either through anecdotal evidence or surveys. Here VW and Audi primarily presented evidence of actual confusion through the survey conducted by Dr. Fong. Uptown argued that the survey was so flawed as to be inadmissible and certainly should not be given any weight.

The probative value of any given survey is a fact specific question that is uniquely contextual. *Johnson & Johnson v. Smithkline Beecham Corp.*, 960 F. 2d 294 at 300, Second Circuit 1992.

The survey must be fairly prepared and its results directed to the relevant issues. *Universal City Studios v. Nintendo Co.*, 746 F. 2d 112 at 118, Second Circuit 1984.

When courts have analyzed traditional trademark surveys, those not conducted through an experiment which controls the variables to which respondents may be reacting, they have considered the following factors, among others, when reviewing the fairness and relevance of a survey:

First, the relevant audience to be surveyed should be potential customers of the junior user, here Uptown.

Second, the survey should attempt to mirror the real market conditions in which respondents would encounter the trademark as closely as possible. However, too rigid an adherence to this concern would lead to a rejection of all surveys, as they are by definition imperfect replicas of real world buying patterns.

Third, a survey should avoid the use of leading questions which suggest an answer to the respondent. Open-ended questions are generally regarded as more objective.

Keeping all of these considerations in mind, it

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is also important to remember that there is no such thing as a perfect survey and that any survey is, at best, an approximation.

Most surveys conducted in the context of trademark litigation do not represent the kind of experiment conducted by Dr. Fong in this action, presumably because this is often difficult to do. The Second Circuit has, however, noted the importance of using controls where possible. See *Johnson & Johnson*, 960 F. 2d at 300.

*3 The need for controls is sometimes addressed as a need to screen responses for background noise, in other words, to eliminate those respondents who are confused by something other than the presence of the trademark at issue.

Another factor which needs discussion is the issue of Uptown's good faith. This factor considers whether Uptown adopted its mark with the intention of capitalizing on plaintiffs' reputation and good will and any confusion between his and VW's and Audi's products or services. *W.W.W. Pharmaceutical*, 984 F. 2d at 575.

The evidence is substantially undisputed regarding many of the elements of trademark infringement, however, not all of them. For instance, it is undisputed that the VW and Audi logos are registered trademarks and, therefore, presumed to be distinctive.

Turning to the Polaroid factors, I find that the marks are, indeed, strong. There have been years of substantial investment in advertising and promoting the marks. There have been years of sales, indeed, millions of sales in connection with VW. And all of the marks at issue here are fanciful marks which by their very nature make them strong marks.

Defendant contends that these marks are not strong in the area of servicing and repair of automobiles. However, the evidence admitted at trial, which is entirely undisputed, reflects significant expenditures in the promotion and management of the

servicing business and the repair business and belies the defendant's claim.

Turning to the degree of similarity between the marks.

The degree of similarity is absolute, since the defendant here has copied the marks wholesale.

Turning to the proximity of the products in the marketplace, again, this has not been effectively disputed. The plaintiffs and the defendant are all in the business of servicing VW and Audi cars. The areas, then, of principal contention during the course of this trial are over the following factors:

The quality of the defendant's services, to a lesser degree but to some extent, perhaps, the sophistication of the consumers of the services at issue here, the existence of actual confusion and the defendant's good faith.

Turning first to the quality of the defendant's services.

First, the high quality of the VW and Audi services, again, remains undisputed in this case. There have been substantial investments by VW and Audi to make sure that the quality of their services has remained high. And in this connection I find particularly impressive the testimony of David Perazzo, which indicates that Volkswagen monitors service quality through a customer satisfaction telephone follow-up system. Whenever dealerships service an Audi or Volkswagen covered under Volkswagen's service plans, including routine maintenance, the customer is contacted within a week by an agency called Sky Allend Research, which conducts a service satisfaction survey. Sky Allend then provides Mr. Perazzo with daily service alerts if any customer is dissatisfied with the service he or she received. He reviews those daily alerts each day and then contacts the dealership to make sure that the customer complaint is promptly addressed.

*4 The facts with respect to the defendant show the following:

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He has been in the business of car repair and service for decades. He specializes in the service and repair of what he calls twelve different high-tech foreign cars. He did body work for a period of time which ended some five years ago for Porsche Audi of Manhattan. Whenever he does repairs to VW or Audi automobiles, he uses genuine VW and Audi parts.

However, Mr. Christianson, the president, CEO and manager of Uptown Motors, did not, either at his deposition or at trial, know the names of the four or six mechanics he employs to do the repair and servicing work. He did not know their employment background or their prior training. He has no formal training program, but merely puts each employee on probation for a week or two when they are first hired to see if they are capable of performing the work. He does not send them to any formal course to teach them specifically how to repair or service VW or Audi cars.

His testimony raises a serious question as to the quality of the repair and service provided at Uptown, and certainly indicates that it is not of the same level as that provided by VW and Audi.

On the other hand, we are not dealing with brain surgery here and there is no real evidence as to the amount or disparity among the quality of service and repair work done at Uptown as opposed to VW and Audi.

The more important point, I think, is that the plaintiffs have no control over the quality of the work done at Uptown. Even if today the quality of the work were excellent or outstanding, there is no guarantee that it would be so tomorrow.

Turning, then, to the sophistication of the consumers. During his trial testimony, the defendant did not contend that the customers, even though they are largely professionals living in Manhattan, according to his belief, are sophisticated with respect to the issues presented here. Therefore, there is no real contention by either side that the con-

sumers who use the services of Uptown are sophisticated in a way that would be required to read the Uptown ads knowledgeably.

Turning, then, to actual confusion.

To prove actual confusion, the plaintiffs rely almost exclusively on an experiment done by Professor Fong. Using a control group, Dr. Fong, who has an impressive background in experimental design and research methodology, measured what he termed the logo effect, that is, the effect of the VW and Audi logo in defendant's ads, on the consumers' belief that the advertiser was an authorized service center compared to the effect that the use of the VW or Audi name in the same ad had on that belief.

Because the study was done with a control group and using standard scientific methodologies, many of the criticisms which the defendant made of the survey were entirely inapposite.

For example, since the same question was used with the group that was shown an ad with a logo and the control group that saw the same ad except for the replacement of the logo with the name, any distorting effect from the question was cancelled out.

*5 This was brought home forcefully by a follow-up experiment that Professor Fong conducted at his university, the University of Waterloo. In the follow-up study, Dr. Fong duplicated the experiment he had used in the original study in New York and added two more groups who were shown the same ads, one with the logo and one with the name, but were asked a different question, one that posed the alternatives for the respondents, in effect, is the dealer authorized or independent, in your judgment.

While the absolute numbers of the respondents who believed the logo ad to be from an authorized dealer fell perceptibly in the group asked the question with the alternatives posed, the logo effect remained almost identical. The numbers are as fol-

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lows:

In the group that was shown the logo ad and the name ad with the same question which defendant contends was leading, as was used in New York, 45.6 percent of the respondents looking at the ad in the logo condition felt that the ad was that of an authorized dealer while 28.4 percent of the respondents looking at the name condition believed the ad to be of an authorized dealer, the difference between those two being 17.2 percent, thus, a logo effect of 17.2 percent.

When shown, however, a survey that used a question that contained the alternative phrasing, 20.8 percent of those shown the logo ad or the ad with the logo felt that the ad was from an authorized dealer and only five percent looking at the ad with the name condition felt that the ad was from an authorized dealer. The differential here is 15.8 percent. Therefore, the logo effect remained almost identical in the two studies.

I find that in any event the question asked in the original survey was reasonable and not overly leading, particularly in the context of the entire study and its many controls.

Another example that will serve to demonstrate how the defendant has misunderstood the nature of the survey conducted here is his attack on the survey for its having being conducted on the premises of the three New York City Volkswagen dealers.

The defendant's expert admits that he doesn't know how much of an effect or in what direction this had an impact. To eliminate the question of whether the environment impacted differently on the logo or name respondents, defendant's expert recommended that the experiment be replicated in every detail at a neutral location.

Close to this was actually done by Dr. Fong in a follow-up survey. While the original survey had a logo effect of 17.3 percent, the follow-up survey, given to undergraduates of students at Waterloo,

had a logo effect of 17.2 effect. Both of these results were statistically significant.

It is interesting to compare this with the pilot study which had a logo effect of 18.8 percent which, because it was done with not a large enough group of respondents was not statistically significant, is still interesting for it being in the same degree of magnitude as the logo effect found in the other two surveys. This is a strong indication that the logo effect is not restricted to New York City Volkswagen owners.

*6 The proposal that defendant's expert made for the design of a study which would be conducted at a neutral site is itself powerful evidence that Dr. Fong made the only logical and sensible choice of location for his survey.

The defendant's expert recommended the following in survey design to correct the imperfections he found in Dr. Fong's survey:

First, it is important to note that defendant's expert approved of the use of the logo and name conditions in the overall design of Dr. Fong's survey. He also approved the use of the number of respondents as an accepted number for the kind of survey that was done to yield statistically significant results.

The defendant's expert proposes, however, that an effort be made to get the names and telephone numbers of VW and Audi owners on the east side of Manhattan. He is not clear how these names and telephone numbers would be obtained and he made no effort to do so.

Next he would screen from this group by calling individuals and asking them enough questions to camouflage the fact that they were being screened during the telephone call.

Among the series of questions that they would be asked is whether or not they owned a VW or Audi, whether or not they read the yellow pages at all and whether or not they were the person in the

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family who made the decision as to where servicing of the automobile would be done. Inquiry would also be made as to whether or not they were an Uptown customer.

Defendant's expert did not opine on whether or not this would put his sample in danger of being biased. Nonetheless, he proposes that after a sufficient number of questions are asked over the telephone that would identify the proper sample for the survey, that he would then entice them to a neutral location to participate in a face-to-face survey by paying them \$20 to \$25 for their time and effort.

Then at that neutral location he would use the same experiment Dr. Fong ran, except he would use the question with the alternative phrasing and use trained interviewers only. And following that he would do a validation study calling the respondents another time some days later.

Now, while no study is perfect and, of course, the defendant's expert readily admits that, it is difficult to conceive of how defendant's proposed study could work. One must consider the real world and the practicalities of surveys when designing the study.

It is inconceivable to this court that defendant's expert would get participation from a large enough random sample to constitute a valid survey.

There are two insurmountable barriers, in my judgment, after you obtain the names and phone numbers, assuming that you could do so:

One would be the willingness of east side VW and Audi owners who make repair decisions and read the yellow pages to participate in a telephone screening interview. As defendant admits, these are busy professionals for whom their time is, indeed, precious.

Assuming, however, you could get them to participate in the entire telephone screening process and identify enough participants through that process, you then have the second insurmountable

hurdle of convincing them to travel to a neutral site, even with the incentive of \$20 to \$25.

*7 I find defendant's proposal unworkable in the extreme and it has no hope of providing any meaningful survey, and perhaps this explains why the defendant chose not to conduct a survey.

I realize that the burden remains on the plaintiff in connection with the proof of likelihood of confusion and actual confusion. Nonetheless, the failure to provide any meaningful critique of the plaintiffs' survey or any alternative survey results is nonetheless significant.

Defendant also contends that the plaintiffs' survey was faulty because it was conducted among those who had already made a purchase decision instead of among potential customers. This criticism is made because the survey was conducted at repair sites and of customers who were getting their cars repaired at the three VW and Audi locations.

Now, this criticism may be valid if a purchase decision is one that is made rarely. But here, when it comes to servicing and repairing a car, it is a decision that is made repeatedly. There was particular advantage, in fact, in asking consumers who are seeking repair service at the moment to answer the questions on the survey since their minds are very focused on the issue. They are, so to speak, in a buying frame of mind.

Moreover, for all the consumers whose cars are still under warranty, there is a strong financial incentive to get the repair and service work done with the dealer until the end of the warranty. Therefore, this is the only place at which you are going to find this potential group of Uptown customers, people who will, at the end of the warranty period, consider going somewhere else.

By the way, it is interesting to note that in connection with Dr. Fong's survey results -- I am referring to the survey conducted in New York -- the logo effect was as strong among those whose cars

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were still under warranty as among those whose warranties had expired.

The fundamental question for judging a survey is, I believe, that posed by [Rule 401 of the Federal Rules of Evidence](#), which teaches us to look to whether the survey Dr. Fong conducted tends to make the existence of a fact, here the likelihood of confusion from the use of the plaintiffs' logos, more or less probable. And as the advisory committee notes to [Rule 401](#) indicate, whether the relationship exists depends upon principles evolved by experience or science, applied logically to the situation at hand.

Dr. Fong's experiment is an elegant way of measuring the effect of the defendant's use of the VW and Audi logos in its ads as opposed to the use of the names. In effect, it answers the question, what extra benefit did the defendant receive from his decision to use the visually effective logos as opposed to using VW and Audi names in advertising his services.

Dr. Fong's experiment imported into the art of surveying the rigors of scientific methodology, and as the Second Circuit noted in *Johnson*, use of controls is to be encouraged.

Of course, to be relevant and probative the experiment has to be fairly conducted and relate directly to the issues at hand. It was and it does.

***8** I find the survey to have been directed to the relevant issues and to have measured the relevant universe, that is, potential customers of Uptown Motors, owners of VWs and Audis in the New York City area.

I find the survey to have been fairly designed. Dr. Fong used classic scientific methods to measure the effect of the use of the logo against the use of the name in defendant's ad. He gathered data on certainty and measured five different levels of certainty. The confidence level was the same between the two conditions, the name and logo conditions,

and, therefore, the difference in confidence levels cannot explain the logo effect.

He invited respondents to give open-ended responses which allowed for review of their understanding and the rationality of their reasoning process in answering the survey, and that further allowed for measure of the significance of the logo effect, and it is striking from their responses.

Analyzing the open-ended responses to the survey, almost two-thirds, or 65.6 percent of the respondents who responded "yes" to the logo condition questionnaire, believed Central Motors was authorized because of the presence of the logo.

Fourteen percent of those who responded "yes" to the name condition believed that Central Motors was not authorized when shown the name condition because of the absence of the logo.

Furthermore, Dr. Fong asked questions to evaluate whether there were other possible explanations for the logo effect, for instance, the age of the respondent or whether or not the car was under warranty. With respect to each of these additional variables, there was no difference in the logo effect.

I also find that the survey was fairly conducted. The logo and name condition surveys were randomly assigned. There is no statistical significance in the difference in the responses between those interviewed by the trained personnel and the few interviewed or relatively few interviewed by the relatively untrained personnel.

Moreover, Dr. Fong designed this survey so that the respondents filled out the questionnaires themselves, which reduced the likelihood that they were reacting to cues, even unintentional cues, from the interviewers.

Much of the law cited by the defendant is inapposite. It tries to judge fairness and persuasiveness by looking at nonexperimental surveys, surveys done without any controls.

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Dr. Fong was attacked by the defendants because he received his assignment from his sister-in-law, an attorney for Volkswagen, and because this is his first trademark survey.

I observed him during his testimony, I have studied his report, and I have read his affidavit, which composed his direct testimony. I'm convinced that his personal relationship did not bias his efforts. He has conducted himself with intellectual rigor and integrity. He has been careful, analytical and obviously takes pride in the quality of his work. He is open to valid criticism and he strives to create the best kind of study and the best kind of research he is capable of creating.

*9 It is unusual to have the discipline of academic research methods in the world of trademark surveys, but that is not a reason for complaint.

I find, therefore, that the plaintiffs have established likelihood of confusion and actual confusion.

Let me turn to defendant's good faith or his intent.

In some ways this is the most difficult issue to address, because it is hard to understand exactly what was motivating the defendant here.

The defendant knew that the logo was a trademark. He knew as long ago as 20 years that Volkswagen vigorously enforced its trademark rights against car dealers because he heard personally from one who stopped using the logo because of Volkswagen's efforts. He knew years ago that Volkswagen had prevailed in 47 cases of infringement by unauthorized service centers. He knew he was not authorized to use the logo. He knew that the use of the logo was a privilege of licensees and that he was not a licensee. He never sought permission to use the logo.

In 1989 he received a letter from Volkswagen demanding that he cease and desist using the logo. He may or may not have eventually responded in writing to that letter almost a year later.

Over the course of two years, though, that followed from the first letter in 1989 he received four separate letters from Volkswagen and its attorneys before this lawsuit was filed and all that while he continued to infringe.

He puts in a good faith reliance on advice of counsel defense. It is based on the following set of facts that he alleges:

He alleges that he inquired of an attorney customer whether that attorney customer was familiar with trademark law and when that trademark or when that attorney customer returned next to Uptown Motors, the attorney told Mr. Christianson, the president of Uptown, that it was "perfectly legal" for him to use the ad with cascading imagery of logos. That attorney is now dead and, therefore, was not able to be questioned by plaintiffs about these alleged events.

However, I find that this conversation, even if it occurred, was too casual to constitute a legitimate reliance on counsel defense. Therefore, there is no question but that the defendant made knowing, intentional and willful use of the plaintiffs' trademarks and that the action he took in doing so was not taken in good faith.

Mr. Christianson has explained his decision, in effect, as a way to advertise his services in a most effective way. But of course it is effective; that reflects the power of trademarks and that's why they are protected.

His actions have damaged Volkswagen and Audi, it has damaged their licensees, who made substantial investments in their businesses, and it has damaged the public, who has been misled by his use of these trademarks.

I listened carefully to Mr. Christianson. I believe that he takes pride in his business, a business that he built with 40 years or more of hard work. He has established a niche. He is servicing the elite, those in Manhattan who have high performance for-

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eign cars. It's a demanding and busy clientele and I'm sure he takes personal pride in his success.

***10** But if someone stole his name, Uptown Motors, or the logo that he used for a while a top hat, cane and dress gloves, to set up a competing business, I think he would be rightly outraged. Yet he saw no problem in capitalizing unfairly on the good will that Volkswagen's and its licensees had worked for years to create.

Weighing all these factors and all the relevant evidence in the case, I find that the plaintiffs have presented strong and convincing evidence of likelihood of confusion and the existence of actual confusion.

Uptown has asserted an affirmative defense on which it bears the burden of proof.

Uptown argues that its use of the logos is sanctioned by what it loosely termed a fair use defense under [15 United States Code, Section 1115\(b\)\(4\)](#), which provides a defense to an otherwise incontestable trademark where the use of the name, term or device charged to be an infringement is a use otherwise than as a mark, of a term or device which is descriptive of and used fairly and in good faith only to describe the goods or services of such party.

This exception does not apply here, however. First, it is quite clear that this exception applies only to descriptive marks.

Second, it is not applicable where a likelihood of confusion has been found. See [Dallas Cowboys Cheerleaders v. Pussycat Cinema](#), 604 F. 2d 200 at 206, note 9, Second Circuit 1979, which indicates "because the primary purpose of the trademark laws is to protect the public from confusion ... it would be somehow anomalous to hold that the confusing use of another's trademark is fair use."

Here the VW and Audi logos are fanciful marks and not merely descriptive, and the survey has established a likelihood of confusion. However, even if the court were to see beyond these serious

threshold issues, Uptown would have no fair use defense, because Uptown has not used the logos only to describe the cars it services but, rather, has used them as an attention-getting use of the visually appealing trademarks. This is in contrast to the use of the words Volkswagen and Audi, which could be merely descriptive of the cars that Uptown services.

Accordingly, I find that the defense fails and would fail even if the burden in rebutting it were on the plaintiffs and, therefore, that Uptown has infringed VW's and Audi's trademarks.

VW and Audi also assert a cause of action under New York's anti-dilution law, which protects against dilution of a trademark even when there is no likelihood that a consumer will be confused as to the source of goods, by providing expressly for injunctive relief in such a situation.

In order to prevail on their claim under [Section 368-d](#), VW and Audi must prove:

First, that their trademarks were either of truly distinctive quality or have acquired secondary meaning and, second, that there is a likelihood of dilution.

A third consideration, the predatory intent of the defendant, may not be precisely an element of the violation but is of significance. *Deere & Co. v. MTD Products, Inc.*, 41 F.3d at 42, Second Circuit 1994.

***11** As I have already found, the VW and Audi logos are distinctive trademarks that are capable of dilution and have acquired secondary meaning in the marketplace. Generally, dilution can be found under [Section 368-d](#) where the use would drain off any of the potency of the mark. Likelihood of dilution can be found in three circumstances; the traditional blurring or tarnishment or an impermissible alteration under the Second Circuit's recent ruling in *Deere*.

In this action, VW and Audi allege both blurring or, alternatively, that the overlapping logos

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constitute an impermissible alteration under Deere.

The traditional six factors for blurring are similarity of the marks, similarity of the services covered by the marks, sophistication of consumers, predatory intent, renown of the senior mark and renown of the junior mark. Deere, 41 F.3d 43 note 8.

As in our consideration of the trademark infringement claim, the marks used by Uptown are identical to the VW and Audi marks.

Second, the services provided by VW, Audi and Uptown are similar if not identical.

Third, Mr. Christianson admitted that his customers have no particular sophistication with the trademarks at issue such that they are more than usually able to distinguish their meaning.

Consideration of the last two factors is combined, as there is no junior mark: Uptown has copied the marks of VW and Audi, which enjoy strong renown.

The last factor, then, is predatory intent.

Predatory intent in this context means that the junior user adopted its mark hoping to benefit commercially from association with the senior mark. *Mead Data*, 875 F. 2d at 1037.

Here, Uptown made intentional use of the VW and Audi logos knowing that he did not have authorization to do so in order to sell his services. By capitalizing on the good will of VW and Audi logos, Uptown can, therefore, be said to have acted with predatory intent.

Accordingly, I also find that Uptown is entitled to injunctive relief under [Section 368-d of the New York General Business Law](#).

Because of my rulings on both the trademark infringement claim and the dilution claim, it is not necessary to reach the additional claims asserted by

VW and Audi.

Uptown Motors is hereby enjoined from using any of the registered marks of Volkswagen or Audi in any manner whatsoever. Uptown Motors may use the words Volkswagen and Audi in its advertisements only to convey the information that it services these types of automobiles.

With respect to the issue of damages and attorneys fees, I would like the parties to simultaneously submit briefs with respect to those two issues.

S.D.N.Y.,1995.

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END OF DOCUMENT

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(Cite as: **1995 WL 1684082 (N.D.Ill.)**)



Only the Westlaw citation is currently available.

United States District Court, N.D. Illinois, Eastern
Division.
WESTERN PUBLISHING COMPANY, INC.,
Plaintiff,
v.
PUBLICATIONS INTERNATIONAL, LTD., De-
fendant.

No. 94 C 6803.
May 2, 1995.

Ray G. Rezner, Wendi Sloane Weitman, James A. Burnham, John J. Sikora, Jr., Barack, Ferrazzano, Kirschbaum & Perlman, Chicago, IL, for Western Publishing Company, Inc., plaintiff.

Gregory Nathan Freerksen, Wayne B. Giampietro, Daniel Gerard Musca, Michael John Merrick, Witwer, Poltrock & Giampietro, Chicago, IL, for Publications International, Ltd., defendant.

REPORT AND RECOMMENDATION

PALLMEYER, Magistrate J.

*1 Plaintiff Western Publishing Company, Inc. (“Western”) is the publisher of the popular “Little Golden Books” series of children’s storybooks. Western asserts that its Little Golden Books have a “distinctive look and feel” and charges that Defendant Publications International, Ltd. (“P.I.”) has infringed Western’s trade dress by producing a competing line of storybooks, the “Little Rainbow Books” series. Western has brought a complaint alleging trademark and trade dress infringement in violation of the Lanham Act, 15 U.S.C. § 1125(a) (Counts I and II); violation of the Illinois Uniform Deceptive Practices Act, 815 ILCS § 510 *et seq.* (Count III); and common law unfair competition (Count IV). Before the court is Western’s motion for a preliminary injunction under Counts I, II, and IV. Western seeks an order barring P.I. from producing any new titles or printing any additional copies

of books in its Little Rainbow Books series, and requiring P.I. to recall all Little Rainbow Books already in the hands of retailers. For the reasons that follow, this court recommends that Western’s motion be granted.

FINDINGS OF FACT

The following findings are made based on evidence presented at an eight-day evidentiary hearing: ^{FN1}

^{FN1}. Because these findings have been prepared without the benefit of a transcript, citations to the record are limited.

Western Publishing and Little Golden Books

1. Plaintiff Western is a nationally-known publisher headquartered in Racine, Wisconsin. Western has published its “Little Golden Book” series of illustrated children’s storybooks since the early 1940’s. For decades, those books have had a distinctive appearance, described more completely below. (*See* ¶ 4, *infra*.) In the last five years, Western has spent more than \$8 million in sales promotion costs and \$600,000.00 in advertising allocated to the Little Golden Books. (Plaintiff’s Exs. 69, 70.) Since their introduction in 1942, Western has sold more than one and one-half billion Little Golden Books; Western’s 1994 sales to its four biggest mass-market retailers alone exceeded \$5.7 million. (Plaintiff’s Exs. 71, 72.)

2. Western characterizes the Little Golden Books as the company’s “family jewels.” (Plaintiff’s Ex. 12.) According to its art director, Robin Warner, Western exercises strict control over the content, art work, and editing of stories chosen for the LGB line, and imposes high quality control standards for the physical manufacture of the books. Western offered substantial evidence that Little Golden Books are well-known by consumers; that individual Little Golden Book titles are fondly remembered by adult readers, many of whom have corresponded with Western; and that Little Golden

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Books are so popular among collectors that private collectors' guides, price lists, and even a newsletter (*The Poky Gazette*) are in circulation. (Plaintiff's Exs. 18, 20–24.) On the 50th anniversary of the first publication of Little Golden Books, Western cultivated and received substantial press attention, was recognized in the Congressional Record, and received written congratulations from then-First Lady Barbara Bush and from then-President-elect Bill Clinton. (Plaintiff's Exs. 14–17.) Little Golden Books are the subject of a permanent exhibit at the Smithsonian. (Plaintiff's Exs. 14, 19.)

*2 3. Western has federally registered trademarks in the names “A LITTLE GOLDEN BOOK” (Reg. No. 899,690) and “LITTLE GOLDEN BOOKS” (Reg. No. 931,794). In addition, Western has registered trademarks in “a book containing on its spine a repetitive design comprised of fanciful animal and floral figures” (Reg. No. 1,312,277) and in the gold foil spine strip (Reg. No. 1,250,300). (Plaintiff's Ex. 10.)

4. Little Golden Books have a distinctive appearance. The company identifies the following characteristics as part of its trade dress in Little Golden Books:

- A distinctive gold foil spine with fanciful floral and animal designs;
- A rigid rough-cut cardboard cover and backing in which the edges of the cover are not wrapped in paper;
- Uniform dimensions (or “trim”) of approximately 6–11/16" x 8" by 3/10";
- Pages of text that are flush with the cardboard cover and backing;
- The Western trademark name “a Little Golden Book” appearing in the upper left corner of the cover;
- A pastel colored back cover with miniaturized characters from other stories in the “Little Golden

Book” series;

- A message to parents on the back cover;
- A pattern on the inside front and back covers that ties to the distinctive spine;
- A box in the middle inside front cover containing the words “This Little Golden Book belongs to” with space for a child's name;
- A binding process with a front and back hinge that creates a crease and allows the book to lie open, referred to as a “Swedish binding.”

(Western Publishing Company, Inc.'s Memorandum In Support Of Its Motion For A Preliminary Injunction (hereinafter, “Plaintiff's Pre-Hearing Memorandum”) at 1–2; Plaintiff's Corrected Proposed Findings of Fact and Conclusions of Law (hereinafter, “Plaintiff's Findings and Conclusions”) at 2–3). Western demonstrated that its Little Golden Books have had these characteristics for at least ten years, and that since their first introduction in 1942, Little Golden Books have featured (a) a spine of different color from the rest of the book cover; (b) the same standard dimensions, or “trim”; (c) a rigid, rough-cut cardboard cover and backing, surrounding pages cut flush with the covers; (d) the Swedish binding; (e) the use of the word “Little” to describe the book's size; and (f) placement of the words “This Little Golden Book Belongs To” inside a box with space for a child's name on the inside front cover.^{FN2} Certain of these characteristics—the binding style and the rough-cut cardboard cover and pages cut flush with the cover—give the Little Golden Book a dated or somewhat old-fashioned appearance.

^{FN2}. The fact that Western has used the name “Little Golden Books” in connection with some other products does not undermine Plaintiff's trade dress claim. Western has, for example, published a hard-cover “cased-in” book with a larger trim size with the name “Little Golden Book Special

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Edition” (Defendant's Exhibit 5); a hard cover cased-in book marked as a “Golden Book Classic” (Defendant's Exhibit 20); and several books having certain elements of the Little Golden Book trade dress but in a different trim size, including “a First Little Golden Book,” “a Little Little Golden Book” and a “Big Golden Book.”

5. Western regards the trade dress features of the traditional “Little Golden Book” as sacrosanct, a fact demonstrated by an incident in the mid-1980's, when the company briefly produced a soft cover storybook without a gold spine under the name “Little Golden Book.” (Defendant's Exhibit 4 is an apparent example of this printing.) The circumstances of this publication are not clear; Robin Warner, who had at that time only recently been hired, testified that when senior managers learned about this book, they expressed pronounced displeasure and instructed that the publication of the product be stopped immediately.

*3 6. It is undisputed that the trademarked gold foil strip along the spine is well-recognized. Western offered evidence that some other features of the appearance of Little Golden Books have gained recognition, as well. In a July 24, 1992 article, a writer for the *Florida Times-Union* noted, “After fifty years, Little Golden Books retain their distinctive appearance: *Almost square, with a sturdy, thick cardboard cover, a bright foil spine and colorful illustrations on the cover and every page.*” (Plaintiff's Ex. 15, No. 000046) (emphasis supplied). The *Orange County Register* issue of August 15, 1992 observed, “[C]hances are if you had your own book [as a child], it was a Little Golden Book, complete with the “This Little Golden Book belongs to ... plate on the inside page.” (*Id.* No. 000053, p. 2.) Similarly, a writer reminiscing about Little Golden Books in the July 19, 1992 issue of the *Dayton Daily News* recalled, “In the front of each book was a place to write our names. ‘This Little Golden Books belongs to...’ At the back of each was a question and a list: ‘How many of these

Little Golden Books have you read?’” (*Id.* No. 000046, p. 2.)

Publications International and Little Rainbow Books

7. Defendant P.I. is a publisher in Lincolnwood, Illinois. Cookbooks or children's “electronic” books (books manufactured with apparatus that enables them to make sounds) produce approximately 90% of P.I.'s revenues. Since 1990, however, P.I. has also produced traditional children's storybooks under a number of different trademarks. P.I.'s books have appeared in both soft-cover and traditional “cased-in” hardcover formats, and in trim sizes of 5 1/2 " x 6", 8" x 8", and 4 1/2 " x 5 1/2 ".

8. Beginning in 1994, P.I. began publishing a series of children's storybooks bearing the logo “little rainbow books” (hereinafter “Little Rainbow Books”). It is undisputed that P.I.'s artistic and production staff were familiar with the look and feel of the Little Golden Books at the time the Little Rainbow Books were developed. As introduced, the Little Rainbow Books shared each of the following characteristics with Little Golden Books:

- A colored spine distinct in color from the remainder of the cover;
- A “hard” (cardboard) cover and rough-cut cardboard edge;
- Essentially identical dimensions or “trim”;
- Pages of text that are flush with the cover;
- Use of the phrase “little rainbow books,” a name similar to Western's “Little Golden Books”;
- Placement of its logo in the upper left hand corner of the front cover;
- A pastel colored back cover with assorted miniaturized characters from other books in the series;
- A written message to parents on the back cover;

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- Use of a pattern on the inside front and back covers that corresponds with the pattern on the spine;
- On the inside front cover, a box containing the words, “This Little Rainbow Book Belongs to:” with a space for a child’s name;
- *4 • A creased binding that permits the books to open more easily.

(Plaintiff’s Pre-hearing Memorandum at 2–3; Plaintiff’s Proposed Findings and Conclusions at 10.) P.I.’s president, John Stanik, acknowledged that he is aware of no other children’s storybook on the market that looks more like the Little Golden Books than does P.I.’s Little Rainbow Book. (Stanik Dep. at 170.)

9. As Defendant emphasizes, however, there are also significant differences between the appearance of the competing books. Little Golden Books bear a distinctive gold metallic strip, covered with drawn figures, which is taped around the spine. The rainbow pattern that appears on the spine of Little Rainbow Books is printed on the books’ covers and consists only of color stripes, without drawn characters. Western Publishing’s “Swedish” binding process for Little Golden Books consists of joining the pages and front and back covers of the book with two staples, and then covering the staples and spine with the trademarked gold foil strip. P.I.’s cover utilizes an adhesive process without staples, in which one sheet of paper is laminated around the entire cover, front, back and spine. Whereas the Little Golden Books have a creased “hinge” on both front and back covers, Little Rainbow Books are hinged only on the front cover. The dimensions of the Little Rainbow Book are slightly different, being 1/8 " shorter and 1/16" thicker than the Little Golden Book. The latter difference is due to the heavier cardboard stock used for the cover of the Little Rainbow Books. Little Rainbow Books have 22 pages; Little Golden Books have 24 pages. The Little Rainbow Books cover is laminated and looks and feels glossier than does the Little Golden

Books cover. In addition to these differences, P.I. has changed certain features of the Little Rainbow Books since their initial appearance. Thus, in the newer series of Little Rainbow Books, the “little rainbow books” logo appears in lower-case block letters inside a box, in the upper right corner of the cover, in contrast to the upper-and lower-case script typeface in the upper left corner, where the Little Golden Books logo appears. The newer series of Little Rainbow Books no longer have an inside cover rainbow print, nor do they have a printed space for the child’s name. Finally, the back covers of the newer Little Rainbow Books series have no message to parents nor depiction of characters from other books within the series.

10. Little Rainbow Books were introduced to the market in the fall of 1994. All 600,000 of the first series of Little Rainbow Books (50,000 copies of each of 12 fairy tales titles) have been sold. Up to the time of hearing, there was no evidence of actual marketplace confusion of any of these books with Little Golden Books.

Relevant Market and Marketing Practices

11. Western sells Little Golden Books to mass market retailers (such as K-mart, Wal-Mart, Target and Venture), supermarkets and drugstores, and bookstores. Mass retailers are the predominant channel of distribution. Little Golden Books are ordinarily sold at retail prices ranging from \$1.00 to \$1.49, but can be purchased for as little as \$.69. Little Rainbow Books are sold at K-mart; P.I.’s suggested retail price for the books is \$1.39, but K-mart’s current retail price for the books is \$.89.

*5 12. Mass market retailers periodically determine how much retail shelf space will be devoted to particular products. This periodic reallocation of shelf space is referred to as the “plan-o-gram reset.” (Plaintiff’s Ex. 68, 69.) Little Golden Books are typically included in retailers’ shelf space plans, and successful efforts to market the Little Rainbow Books would result in their inclusion as well. (Stanik Dep. at 68–69.) Western contends that loss of plan-o-gram space comprom-

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ises sales, and that once lost, plan-o-gram space is difficult to regain.

13. Both Western and P.I. provide display apparatus to retailers, tailored for the particular size and shape of the companies' products. Western provides "spinners" and shelves, while P.I. utilizes a brightly-colored corrugated cardboard display rack which comes already stocked with books. Book publishers cannot, however, control the use of the shelving apparatus or prevent retailers from displaying other products in the apparatus.

14. The parties agree that, for purposes of this case, the relevant market is the market for picture storybooks for children aged two to six or seven years, the books having a retail price between \$.79 and \$2.25. A host of children's storybooks is available on the market. The parties introduced a large number of storybooks in evidence. As a physical inspection of the exhibits demonstrates, storybooks are published in different formats: (a) soft cover books; (b) traditional hard-cover "cased-in" books—that is, books that are covered with paper that is wrapped over the outside edges to create a smooth feel, having pages smaller in dimension than the book covers; (c) "board books," typically for younger children, in which both the cover and the pages of text are made of rigid cardboard cut to the same dimensions; and (d) books such as the "Little Golden Books," which have a cardboard cover, the edges of which are not wrapped in paper, and which cover has the same dimensions as the book's pages. Picture storybooks range in size or "trim" from dimensions smaller than 8" x 8" to larger than 8 1/2 " x 11 1/2 ".

15. In addition to the parties in this case, witnesses identified a number of competitors, including Modern Publishing, Random House, Landoll, and Scholastic. Western demonstrated that there are many storybooks that compete with Little Golden Books but have none of the characteristics that Western believes are part of its trade dress. Other competitors utilize some but not all of the individual elements of the trade dress claimed by West-

ern—for example, a message to parents on the back cover (*See, e.g.,* Plaintiff's Ex. 1–L, *Best Loved Nursery Rhymes* and Plaintiff's Ex. 1–M, *Beautiful Zoo Animals to Come and See!*); a pastel-colored back cover with illustrations of other characters from the book series (*See, e.g.,* Plaintiff's Ex. 1–P, *Beauty and the Beast*); pages cut flush with the book's cover (*See, e.g.,* Plaintiff's Ex. 1–O, *The Berenstain Bears' New Neighbors*); and words such as "This is my book. My name is" with space for the child's name appearing on the inside front cover (*See, e.g.,* Plaintiff's Ex. 1–T, *James in a Mess and Other Thomas the Tank Engine Stories*). Western contends that few of those books that have such characteristics are priced at \$2.25 or less. (Plaintiff's Findings and Conclusions at 5.) With one exception, discussed below, there are no children's storybooks currently on the market that have the rough-cut cardboard cover and flush pages characteristic of the Little Golden Book, other than P.I.'s Little Rainbow Books.^{FN3}

FN3. The "Elf Books," published by Rand McNally, also had rough-cut cardboard edges and pages flush with the edge of the cover; but there was no evidence that any such books have been produced or placed on the market since the late 1950's.

*6 16. Western vigilantly monitors the market in children's storybooks and has objected vigorously (and apparently successfully) to what it perceives as infringement of its trademarks or trade dress. (Plaintiff's Exs. 11–13.)

17. One other currently-available storybook features a rough-cut cardboard cover, pages cut flush with the cover, the Swedish binding, and a metallic (albeit silver rather than gold) spine with a fanciful design, similar in appearance to the Little Golden Books. These books, produced by GoodTimes Publishing and known as the "GoodTimes Storybook Classic" books, are not sold individually, but are packaged in a sleeve or in a box with a cassette tape and corresponding toy. (*See* Plaintiff's Ex. 91.) Western was not aware of the GoodTimes

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Storybook Classic book until after the commencement of this litigation. Upon learning of the book, Western immediately took action to enforce its trade dress rights, directing a “cease and desist” letter to GoodTimes Publishing, demanding recall of the allegedly infringing products, and threatening litigation. (Plaintiff’s Ex. 10.)

P.I.’s Efforts to Produce Little Rainbow Books

18. P.I. first began work on the Little Rainbow Book series in response to a request from representatives of K-mart Stores. Susan St. Onge, P.I.’s art director, recalls that at a meeting in the summer of 1993, K-mart representatives asked P.I. to produce a book in “a similar format to Little Golden Books.” (Transcript of St. Onge testimony at 5.) P.I. witnesses acknowledged that Little Golden Books, including a series of Disney titles, were present in the room during meetings in which P.I. staff developed the format for the Little Rainbow Books. (Id. at 7.)

19. Louis Weber, P.I.’s Chief Executive Officer, and James Zimmerman, P.I.’s head of manufacturing, testified that Little Rainbow books were manufactured without regard to the format of the Little Golden Books, and that P.I.’s goal was to produce a hardback book at a very low cost to P.I. Based on manufacturing instructions P.I. provided to Rand McNally, its printer for the Little Rainbow Books project, however, Brian Wright of Rand McNally (who had earlier in his own career sold printing services on behalf of Western) understood that P.I. wanted an “LGB look-alike.” (Transcript of Wright testimony at 41–42.) Rand McNally internal documents, introduced in evidence by Western, reflect Rand McNally’s shorthand description of the format for the Little Rainbow Books project as “Little Golden Book clones” or “Little Golden Book (LGB) look-alikes” or “clones to the ‘Little Golden Book’ books produced by Western Publishing.” (Plaintiff’s Exs. 35, 36, 44, 45, 58.)

20. Plaintiff’s exhibits reflect that Rand McNally’s efforts to produce a book satisfactory to the client (P.I.) included obtaining a Western

product—the Golden Sight and Sound Book (similar in appearance to a Little Golden Book except that an electronic “touch pad” is attached to the cover to permit the child to make sounds). A September 1993 internal Rand McNally memorandum instructs, “Publications International has expressed interest in making about 2 million inexpensive books like or similar to a 6 5/8 x 7 7/8 flush cut, sample enclosed. *Ignore the electronic piece.*” (Plaintiff’s Ex. 37, emphasis in original.) On December 15, 1993, Mary Bodi of Rand McNally (also a former Western employee) provided Brian Wright with samples of a book for inspection by Jim Zimmerman of P.I. Ms. Bodi’s memorandum observes, “These books do not have a flat board in the backbone like the LGBs do. We need you to find out how important having the board in the backbone is.” (Plaintiff’s Ex. 44.) Undated handwritten notes on a Rand McNally publishing specification sheet direct, “BIND—Flush cut board cover clone to Golden Book—can print tape or apply tape.” (Plaintiff’s Ex. 59.) In a January 4, 1994 memorandum, Ms. Bodi informed Brian Wright that “There is a meeting scheduled with engineering on Thursday morning to discuss ways to more closely match the Western product.” (Plaintiff’s Ex. 55.) In a cover memo to Jim Zimmerman at the time that Rand McNally provided P.I. with the prototype for the Little Rainbow Book series, Brian Wright set forth the size of the books as “6 5/8 x 7 7/8 (exact LGB size) full bleed.” Wright explained that he had received instructions concerning the Little Rainbow Book project from his predecessor at Rand McNally, Mr. List, and that he knew a low manufacturer’s price was most important to P.I. (Transcript of Wright testimony at 61.)

*7 21. Brian Wright’s testimony, and the written specifications for the Little Rainbow Books, reveal that Little Rainbow Books are manufactured on a “casemaker,” the printing equipment ordinarily used to produce traditional “cased-in” hardcover books. The evidence shows further that when first manufactured, Little Rainbow Book covers were in fact wrapped on the top and bottom during the man-

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ufacturing process and then intentionally trimmed to produce the unwrapped, rough-cut appearance on all four sides. (Plaintiff's Exs. 41, 60; Transcript of Wright testimony at 29–31, 71–72.) During the course of the hearing on Plaintiff's motion for preliminary injunction, Rand McNally estimated that the increased cost of producing a fully-wrapped "cased-in" book otherwise similar to the Little Rainbow Books' current format would be no more than one penny per book, an increase that P.I. claims would reduce its profit margin by 20–25%. Western is skeptical of the validity of the new Rand McNally bid, which was obtained for purposes of this litigation. Western offered evidence that the actual increased cost of producing a cased-in book would be no more than two-tenths of a cent. Western further notes that Louis Weber acknowledged that a "cased-in" book would have greater "perceived value" and might therefore command a higher retail price.

22. As of the time of the hearing, P.I. had produced four series of Little Rainbow Books. The first series, known as "Enchanted Fairy Tales," had all been previously published in softcover format with smaller trim, at a retail price of \$.69. (Plaintiff's Group Exs. 26, 64.) After some communications with Disney, P.I. agreed not to publish more books within the Fairy Tale series because in Disney's view, P.I.'s license to use Disney characters for other products precludes P.I. from producing storybooks of fairy tales that have been animated by Disney. In each of the three more recent series, P.I. has made changes in its format, eliminating or changing some of the characteristics Western has challenged here. Nevertheless, all Little Rainbow books continue to share these features with Little Golden Books: the colored spine distinct in color from the remainder of the cover; the rough-cut cardboard cover and pages cut flush with the cover; uniform dimensions of approximately 6 5/8 " x 7 7/8 "; use of the word "little" in the trademark name to describe the book size; and a creased binding. P.I.'s goal is to produce a "series look" for each of its children's book series, so that the purchaser

can recognize the source of the book "at a glance." In the case of the Little Rainbow Books, P.I. intends for each series to be recognized by consumers as coming from the same source as the original Little Rainbow Book series. (Transcript of St. Onge testimony at 15–16.)

Survey Results

23. Plaintiff offered survey evidence in support of its claim that there is a likelihood of confusion of its product with that of P.I. Western's expert witness, Dr. Carl E. Block, has a Ph.D. from the University of Iowa in Marketing and Economics, taught marketing at the University of Missouri and, since 1984, has been president of Marketeam Associates, a market research firm in Missouri. Dr. Block's firm performed a study for Western in order to determine whether there is a likelihood of confusion between Little Rainbow Books and Little Golden Books. In the Marketeam study, 250 persons were interviewed at each of two shopping malls, one in St. Louis and one in Pittsburgh. The only persons interviewed were mothers of children between the ages of two and seven years, who have household incomes of at least \$15,000 and have purchased children's book within the last three months, a group that Western believes comprises the largest segment (40–50%) of its market. The interviewer handed each respondent a Little Golden Book and a Little Rainbow Book one at a time, without permitting a side-by-side comparison between the products. Each of the books used for the study depicted a fairy tale, but not the same story. For example, the Rainbow Books version of *Beauty and the Beast* was paired with the Golden Books version of *Cinderella*. After the respondent had examined each book, the interviewer asked, "Do you believe that the two books that you just looked at are ..." and presented the respondent with three possible responses on a printed form:

*8 Put out by the same company

Put out by related companies

Put out by unrelated companies

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Although only these three potential responses were presented, Dr. Block testified that a “Don't know” response was also accepted by interviewers. Respondents who said they believed the books were put out by the same or related companies were asked, “Why do you think that?” Interviewers recorded the answers to that follow-up question verbatim.

24. Dr. Block reported that approximately 40% of those interviewed stated that they believed Little Golden Books and Little Rainbow Books were put out by the same or related companies. More than 58% of the respondents believed the books were produced by unrelated companies. Fewer than 2% gave a “don't know” response. For those persons who believed the books were produced by the same or related companies, Dr. Block reviewed the responses to the follow-up question, “Why do you think that?” and eliminated those responses that, in Dr. Block's view, were unrelated to Western's claimed trade dress. After eliminating those responses that he believed were unrelated to Western's claimed trade dress, Dr. Block concluded that 19.6% of those responding did express confusion based upon trade dress and that these results “unequivocally show a likelihood of confusion between Little Rainbow Books and Little Golden Books.” (Plaintiff's Ex. 28.)

25. In this court's judgment, Dr. Block did not adequately explain his rationale for choosing certain responses as reflective of trade dress and eliminating others. For example, 57 respondents answered the “Why do you say that?” question in ways that Dr. Block summarized under the heading, “Artwork/Graphics Are Similar.” Of those 57, Dr. Block chose only seven responses as influenced by trade dress. Dr. Block did not explain, however, why he chose the seven responses. Dr. Block concluded that “They are similar. The pictures and pages look similar,” was a response based on similarities between the two books' trade dress, but that “The styles and pictures and binding are similar,” was not. Likewise, Dr. Block chose “Because of the

way they are illustrated. They look a lot alike,” as an indication of confusion arising from trade dress; but he eliminated “The pictures looked the same in both books.” Dr. Block included “The pictures and the words look about the same,” but he excluded “Same kind of wording and pictures.” (Plaintiff's Ex. 87.) Dr. Block's conclusions are rendered much less persuasive by these apparent inconsistencies in his choices of responses as indicative of relevant confusion.

26. Even more troublesome, Dr. Block's coding system appeared to recognize, as indications of relevant confusion, responses that clearly did not relate to protectible aspects of trade dress. For example, Dr. Block included this response as reflective of trade dress: “Similar, fairy tale stories, very colorful pictures and the print was similar. The vocabulary was about the same level.” (*Id.*) Yet Western has made and can make no claim here to exclusive use of fairy tales, colorful pictures, similar print, or a particular vocabulary level. Under the rationale for selecting this response, Dr. Block would presumably find virtually all fairy tale storybooks potentially infringing.

*9 27. Dr. Block included, as an indication of relevant confusion, every response that mentioned that the books “look similar,” without providing a specific reason. Yet without a specific reason given, it is really impossible to conclude that the person responding to the interview was in fact reacting to the books' protected trade dress. Nor is there any way to determine whether an individual who explains simply, “They look similar,” would make the same observation about any storybook, regardless of its specific trade dress. Thus, the most significant criticism of Dr. Block's research is his failure to use a control—that is, to ask respondents to compare Little Golden Books with another storybook that is concededly non-infringing. Dr. Block testified that he did not believe the lack of a control sample compromised the results of his study. With respect to the product at issue here, however—storybooks, so many of which can be

characterized as “similar” for reasons having nothing to do with protected trade dress—this court concludes that the failure to use a control all but eliminates the probative value of the survey evidence. The court concludes that the results of Dr. Block's survey are entitled to very little weight.

28. Although Dr. Block's results are accorded little weight, the court does note that certain of the responses to the “Why do you say that?” question do appear to relate directly to aspects of trade dress for which Western seeks protection. Thus, 14 persons referred specifically to the similarity in the covers, and 7 referred to the fact that the books were the same or similar in size. Most significantly, 10 respondents specifically said that both books were “Golden Books.” Although slim, these responses appear to reflect actual confusion of the products, a factor the courts find very relevant in determining whether the likelihood of confusion test can be met.

29. Defendant's expert, Michael Rappeport, criticized the Marketeam study on several grounds. He believed Dr. Block's study improperly eliminated at least half of the potential purchasers of children's storybook by limiting respondents to mothers having an annual income of at least \$15,000. He criticized the study's failure to specifically present “I don't know” as a potential response to the question whether the two books were produced by the same or related companies, and the fact that two of the three potential answers—put out by the same company and put out by related companies—favored the result Western desired. Dr. Rappeport was most critical of the Marketeam study's failure to use another storybook, produced by neither party, as a “control.” As Dr. Rappeport explained, comparing a sample Little Golden Book with a control would permit the researcher to determine what percentage of respondents were reacting to protectible elements of trade dress and what percentage report confusion for reasons other than trade dress, such as the bright colors that appear on the covers of most children's storybooks. Dr. Rappeport did con-

cede that the Marketeam's use of the “why do you think that?” question enabled the researchers to determine, to some degree, whether respondents were confused for reasons related or not related to Western's claimed trade dress. Further, Dr. Rappeport believed that Dr. Block had not eliminated all factors not related to trade dress; nevertheless, when he re-coded the responses to the “why” question himself according to Dr. Block's classifications, Dr. Rappeport found “relevant confusion” was expressed by 16% of the respondents.

*10 30. Although Dr. Rappeport emphasized that he did not perform his own research on the question of likelihood of confusion, he did conduct what he called a “replication” study using a control rather than a Little Rainbow Book. Disappointingly, however, the storybook Dr. Rappeport chose as his “control” was one of the GoodTimes Storybook Classics—the one storybook on the market arguably *more* similar in trade dress to the Little Golden Book than P.I.'s product! (See Findings ¶ 10 above.) Dr. Rappeport's choice of the GoodTimes book as his control blunted the impact of his testimony that 19% of the respondents in his replication study thought that a Little Golden Book and the control book were put out by the same or related companies. Thus, neither Western's study nor P.I.'s “replication” used an appropriate control to “weed out” responses reflecting confusion unrelated to P.I.'s alleged infringement.

CONCLUSIONS

1. This court has jurisdiction over the parties. The court has jurisdiction over Plaintiff's trademark claims pursuant to 15 U.S.C. §§ 1121 and 1338(a) and (b). Because these claims involve federal questions, the court also has jurisdiction pursuant to 28 U.S.C. § 1331. The court has pendent jurisdiction over the state law claims. Venue properly lies in this district because the claims arose here and Defendant is located here. 28 U.S.C. § 1391(b).

2. A party seeking a preliminary injunction must demonstrate: “(1) some likelihood of succeeding on the merits; (2) that it has ‘no adequate rem-

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edy at law' and will suffer 'irreparable harm' if preliminary relief is denied." *Abbott Laboratories v. Mead Johnson & Co.*, 971 F.2d 6, 11 (7th Cir.1992) (citing *Lawson Prods., Inc. v. Avnet, Inc.*, 782 F.2d 1429, 1433 (7th Cir.1986) and *Roland Mach. Co. v. Dresser Indus., Inc.*, 749 F.2d 380, 387–87 (7th Cir.1984)). Where these threshold tests are met, the court must consider (3) whether the non-moving party would suffer irreparable harm if preliminary relief were granted, "balancing that harm against the irreparable harm to the moving party if relief is denied;" and (4) the interests of the public. *Abbott*, 971 F.2d at 11–12 (citing *Lawson Prods.*, 782 F.2d at 1433; *Roland Mach.*, 749 F.2d at 387–88.). The court then " 'weighs' all four factors in deciding whether to grant the injunction, seeking at all times to 'minimize the costs of being mistaken.' " *Id.* at 12 (citing *American Hosp. Supply Corp. v. Hospital Prods. Ltd.*, 780 F.2d 589, 593 (7th Cir.1986)).

3. Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) provides for civil liability for any person who "uses in commerce any word, term, name [or] symbol ... which—

(1) 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 or his or her goods, services, or commercial activities by another person, or

*11 (2) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her ... services, or commercial activities."

15 U.S.C. § 1125(a).

4. In this case, Plaintiff Western seeks protection for its "trade dress" in Little Golden Books. "Trade dress" refers to the "total image of a product, including size, shape, color or color combinations, texture, graphics or even particular sales techniques." *Kohler Co. v. Moen, Inc.*, 12 F.3d 632, 641 n. 11 (7th Cir.1993); see also *Badger Meter,*

Inc. v. Grinnell Corp., 13 F.3d 1145, 1151 (7th Cir.1994); *Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 935 (7th Cir.1989) (quoting *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 980 (11th Cir.1983)), *cert. denied*, 493 U.S. 1075 (1990).

5. Plaintiff can establish a reasonable likelihood of success on its trademark infringement claim by demonstrating (a) that its trade dress is protectible, either because it has acquired secondary meaning or because it is inherently distinctive, *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992); and (b) that, due to the similarity in the products' appearance, customers are likely to be confused as to the source of the products. *Badger Meter*, 13 F.3d at 1151; *Storck, USA L.P. v. Farley Candy Co.*, 14 F.3d 311, 314 (7th Cir.1994); *Schwinn Bicycle Co. v. Ross Bicycles, Inc.*, 870 F.2d 1176, 1182 (7th Cir.1989).

6. Plaintiff is not entitled to trade dress protection for functional aspects of its product. In the Seventh Circuit, "functionality" of a claimed trade dress is an affirmative defense, on which Defendant bears the burden of proof. *Computer Care v. Service Systems Enterprises, Inc.*, 982 F.2d 1063, 1068 (7th Cir.1992), citing *Abbott Laboratories*, 971 F.2d at 20; *Badger Meter*, 13 F.3d at 1151. A feature is functional if it is one that competitors would find necessary to incorporate into their product in order to compete effectively. *Vaughan Mfg. Co. v. Brikam International, Inc.*, 814 F.2d 346, 349 (7th Cir.1987). As the Court of Appeals explained in *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 339 (7th Cir.1985), a design feature that is not ornamental or arbitrary but is "somehow intrinsic to the entire product" is viewed as functional. A functional feature would be found in most brands of the product, even if no producer had any desire to copy another's product. A feature is functional if it is "one which competitors would have to spend money not to copy but to design around ... It is something costly to do without ... rather than costly to have...." *Id.* Where one manufacturer copies the format of

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another manufacturer's product in its entirety, the Seventh Circuit has observed that in making the “functionality” determination, it is error for the court to focus on individual features of the trade dress. Instead, the court should consider the “gestalt experience” and the “overall appearance” of the product, *Storck USA L.P.*, 14 F.3d at 315, in order to determine whether the total combination and arrangement of features is entitled to protection. See *Computer Care*, 982 F.2d at 1071, citing *Vaughan Mfg.*, 814 F.2d at 350.

*12 7. Western has shown that the “look and feel” of the Little Golden Books is entitled to trade dress protection. The evidence shows, first, that Western's trade dress is inherently distinctive. Although many of the individual features of the Little Golden Books can be seen in other products, the overall image is sufficiently unique to warrant trade-dress protection. In reaching this conclusion, the court notes particularly the rough-cut cardboard cover, the flush-cut pages, the hinged covers, and the nearly square dimensions, all of which combine to give Western's product a somewhat old-fashioned appearance which can fairly be characterized as a source identifier. Although it is not conclusive, the fact that Western's trade dress appears to be unique in the industry supports the finding that the trade dress is inherently distinctive. See *Computer Care*, 982 F.2d at 1069; *Roulo*, 886 F.2d at 936.

8. Whether Western's trade dress has secondary meaning is a more difficult question under the circumstances of this case. Western's trademarked gold foil spine and corresponding name, “Little Golden Book” have such strong secondary meaning that it might be difficult to “tease out” the secondary meaning, if any, commanded by other features of the books' appearance. Weighing in favor of Western on this issue is the length and exclusivity of its use of the trade dress. *Centaur Communications, Ltd. v. A/S/M Communications, Inc.*, 830 F.2d 1217, 1225 (2d Cir.1987). Where, as in this case, the second manufacturer deliberately copies the

trade dress of the first manufacturer, some courts employ a presumption that the trade dress has secondary meaning; the Seventh Circuit, however, holds only that proof of intentional copying is probative evidence on the issue. *Schwinn Bicycle*, 870 F.2d at 1182 n. 13, citing *Vaughan Mfg.*, 814 F.2d at 348. Because the Supreme Court held in *Two Pesos* that trade dress is protectible if it is inherently distinctive, the court need not consider whether Western's trade dress also has secondary meaning independent of association with the gold spine.

9. Defendant P.I. did not meet its burden of showing that Western's trade dress is functional. As noted, Rand McNally personnel went to considerable lengths to produce what Brian Wright referred to as an “LGB clone” or “LGB look-like.” Although P.I. witnesses urged that their goal always was to produce a hardcover book at the lowest possible cost, Rand McNally's apparently slavish adherence to the LGB format casts doubt on the notion that low cost was P.I.'s only goal. P.I. did not present a preponderance of evidence that the format it adopted was costly to do without rather than costly to have. The evidence on the additional cost necessary to produce a cased-in book was equivocal (see Findings ¶ 21). Significantly, Mr. Weber testified that he made no effort to determine that cost during the period when the Little Rainbow Books format was being developed, in spite of the fact that P.I. had at that time produced a number of cased-in books for children. Thus, P.I. has not demonstrated that the features of Western's trade dress that P.I. adopted are necessary for effective competition. Cf. *Schwinn Bicycle*, 870 F.2d at 1188.

*13 10. Where a trade dress is found to be non-functional and subject to protection due to its inherent distinctiveness or secondary meaning, the court must consider the question whether the alleged infringer's trade dress is sufficiently similar to create a likelihood of confusion as to source. *Badger Meter*, 13 F.3d at 1151; *Health O Meter, Inc. v. Terrillon Corp.*, 873 F.Supp. 1160, 1169 (N.D.Ill.1995) (Holderman, J.) citing *Roulo*, 886

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F.2d at 937. The following factors are relevant:

“[T]he similarity of the trade dresses, the products to which the trade dresses are attached, the area and manner of concurrent use, the degree of care likely to be exercised by consumers, the strength of the plaintiff's trade dress, and the actual confusion and intent on the part of the alleged infringer to pass off the infringer's good as those of the plaintiff.”

Badger Meter, 13 F.3d at 1152, citing *Roulo*, 886 F.2d at 937. See also *Smith Fiberglass Products, Inc. v. Ameron, Inc.*, 7 F.3d 1327, 1329 (7th Cir.1993) (identifying these factors as significant in determining the likelihood of confusion in a trademark case); *Health O Meter*, 873 F.Supp. at 1174–75 (citing *Smith* factors in trade dress case). None of these seven factors alone is dispositive, and the weight to be accorded to each factor will vary from case to case. *Schwinn Bicycle*, 870 F.2d at 1187. This court will address each of the relevant factors in the paragraphs below.^{FN4}

FN4. Although this court's conclusions concerning likelihood of confusion appear in this section, the determination of whether confusion is likely is an issue of fact, not of law. *Badger Meter*, 13 F.3d at 1156, citing *Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d 1423, 1432 (7th Cir.1985), cert. denied, 475 U.S. 1147, 106 S.Ct. 1801, 90 L.Ed.2d 346 (1986); *Forum Corp. of North America v. Forum, Ltd.*, 903 F.2d 434, 438 (7th Cir.1990).

11. *Similarity of trade dress*: As described in Findings ¶¶ 4 and 8, P.I.'s format for the initial fairy tale series of Little Rainbow Books bears substantial resemblance to the format of Little Golden Books, including the cut and dimensions of the cardboard cover and pages; the front-hinged binding; the contrasting spine; the box for the child's name on the inside cover; and the back cover design and message to parents. P.I.'s president admitted that no other children's storybook looks

more like the Little Golden Books than does P.I.'s product. P.I.'s printer referred frankly to the Little Rainbow Book as an “LGB look-alike.” As also noted in the Findings, ¶ 9, there are important differences in the books' appearance, particularly between the appearance of Little Golden Books and the newer series of Little Rainbow Books. Apart from the fact that both spines contrast with the remainder of the book covers, this court finds no compelling resemblance between the rainbow spine strip and the trademarked gold strip. In spite of these differences, however, the court concludes that the evidence strongly favors Western on this issue.

12. *Similarity of product*: The products involved, storybooks, are identical. This factor also weighs in favor of Western.

13. *Area and manner of concurrent use*: Both Little Golden Books and Little Rainbow Books are marketed chiefly through mass market retailers. Up to the time of the hearing, Little Rainbow Books were marketed only in K-mart stores, but P.I. hopes to penetrate other retailers, including the grocery and chain stores where Little Golden Books are sold. P.I. can fairly be understood as a potential direct competitor of Western's. This factor, again, weighs in favor of Western.

*14 14. *Degree of care likely to be exercised by consumers*: Western notes the low retail price of both parties' products as a relevant factor in the determination of whether confusion is likely. Western (affectionately) characterizes these low-priced storybooks as “shut-‘em-up” items, purchased on impulse by mothers to satisfy their younger shopping companions. Indeed, as another court in this district has noted, the likelihood of confusion is greater where the competing products are sold “in close physical proximity to one another in retail stores, and are impulse-purchase items.” *Storck USA, L.P. v. Farley Candy Co.*, 797 F.Supp. 1399, 1413 (N.D.Ill.1992). P.I. challenges Western's characterization of storybooks as impulse purchase items; P.I. urges that parents, aunts and uncles, and grandparents who purchase storybooks are in fact

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likely to exercise greater care in purchasing such a product as a gift. Neither party offered direct evidence in support of its argument. The court notes, however, that P.I.'s product is currently only sold at *K-mart*, a mass marketer, and that most sales of Little Golden Books are also through mass retailers rather than bookstores, where more careful browsing might be expected. This marketing pattern, as well as the low prices at which the books are offered, supports a finding in favor of Western on this issue.

15. *Strength of the plaintiff's trade dress*: As explained earlier, this court has not made a specific finding on the degree to which Western's trade dress has secondary meaning. The length and exclusivity of Western's use of its trade dress, as well as Rand McNally's efforts to copy that trade dress support a conclusion for Western on this issue, but the presence of the trademarked gold foil spine on Little Golden Books renders it difficult to determine the extent to which the Western's trade dress has independent strength. The evidence on this factor of the test is inconclusive.

16. *Intent of the alleged infringer*: As Western notes, the facts support a conclusion that P.I. intentionally copied the trade dress of the Little Golden Books when it developed the competing series. The Seventh Circuit has observed, however, that it is error to draw a presumption of confusion from evidence of intentional copying. *Schwinn Bicycling*, 870 F.2d at 1183–85. Cf. *Computer Care*, 982 F.2d at 1069–70 (affirming a finding that confusion was likely where defendant's sales brochure and monthly reminder letters were “slavish imitations of [Plaintiff's] documents”; deliberate copying does not create a presumption of confusion but is an “important factor bearing on the likelihood of confusion.” (citing *Schwinn Bicycling*).) More recently, the Seventh Circuit has observed that “[c]ompetitors are generally privileged to copy one another's products,” but that competitors are nevertheless required to select a trade dress that will avoid a likelihood of consumer confusion. *Badger*

Meter, 13 F.3d at 1155. Accordingly, “[a] party who owns a protectible trade dress ... has the ability to force subsequent entrants into the market to select a trade dress that avoids a likelihood of consumer confusion as to the source of sponsorship of the product.” *Abbott Laboratories v. Nutramax Prods.*, 844 F.Supp. 443, 445 (N.D.Ill.1994) (Norgle, J.) (citing *Badger Meter*). Here, as the junior entrant into the children's storybook market, P.I. had a duty to avoid confusion and arguably breached that duty by permitting its printer to duplicate the look and feel of Little Golden Books. Although not conclusive, this factor also weighs in favor of a finding of likelihood of confusion.

*15 17. *Actual confusion*: In support of its contention that consumers are likely to be confused as to the source of P.I.'s Little Rainbow Books, Western relies heavily on the results of the consumer survey conducted by Marketeam. Survey evidence is not evidence of actual confusion, but is a proxy for it. See *Henri's Food Products Co. v. Kraft, Inc.*, 717 F.2d 352, 356 (7th Cir.1983 .)

The Seventh Circuit has observed that situations in which a survey is “so flawed as to be completely unhelpful to the trier of fact ... will be rare...” *AHP Subsidiary Holding Co. v. Stuart Hale Co.*, 1 F.3d 611, 618 (7th Cir.1993). Nevertheless, for the reasons explained in Findings ¶¶ 25–28, this court accords very little weight to the results of the survey performed by Marketeam for Western. Most troublesome is Dr. Block's failure to use a control. Few cases have specifically addressed the value of control groups in “likelihood of confusion” surveys. See generally Federal Judicial Center, REFERENCE MANUAL ON SCIENTIFIC EVIDENCE (West 1994) at 251–252 (suggesting that “the relative absence of control groups in reported cases may reflect the fact that a survey with a control group produces less ambiguous findings, which leads to a resolution before a preliminary injunction or trial occurs.”) At least two courts have explicitly declined to accept the results of surveys conducted without controls. See *Major League Baseball Prop-*

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erties, Inc. v. Sed Non Olet Denarius, Ltd., 817 F.Supp. 1103, 1123 (S.D.N.Y.1993); *ConAgra, Inc. v. Geo. A. Hormel & Co.*, 784 F.Supp. 700, 728 (D.Neb.1992) (responses of interviewees who are “bored, hurried or just plain contrary ... must be filtered out through control questions,” quoting 3 McCarthy, J. Thomas, TRADEMARKS AND UNFAIR COMPETITION § 32:54[1][b] (1993)), *aff’d* 990 F.2d 368 (8th Cir.1993). There may be circumstances in which a control will be unnecessary or in which the use of the follow-up question, “Why do you say that?” will be adequate to eliminate irrelevant responses. In this case, however, where the competing products would, by necessity, appear very similar even apart from any trade dress infringement, Dr. Block’s failure to use a non-infringing product as a control destroys the value of his results.

Dr. Rappeport’s testimony was equally disappointing. Dr. Rappeport criticized the Marketeam study’s failure to use a control; but in his own “replication” study, Dr. Rappeport selected as a “control” a product arguably *more* infringing than the Little Rainbow Books. In response to questions from the court, Dr. Rappeport himself acknowledged feeling “somewhat sheepish” about the selection.^{FN5} As the *ConAgra* court explained (and as both experts, experienced researchers, are undoubtedly aware), a control product is “a *non-infringing* product which is similar to the products at issue.” 784 F.Supp. at 728 (emphasis supplied).

FN5. Dr. Rappeport has not been hesitant to criticize an inappropriate choice of control. See *Indianapolis Colts, Inc. v. Metropolitan Baltimore Football Club Ltd. Partnership*, 34 F.3d 410, 415–16 (7th Cir.1994) (although critical of Dr. Rappeport’s testimony, court notes that he was right in criticizing the choice of the hypothetical name “Indianapolis Horses” as an unappealing team name, a control that, thus, inappropriately “loaded the dice” in favor of the result sought by the opponent’s

expert).

The Seventh Circuit has recently observed that where both side’s studies are subject to criticism, the court has authority to “designate a third, a neutral expert who would be appointed by the court to conduct the necessary studies.” *Indianapolis Colts, Inc. v. Metropolitan Baltimore Football Club Ltd. Partnership*, 34 F.3d 410, 415 (7th Cir.1994). Should the district court in this case conclude that the evidence does not adequately support the recommendations in this Report, the court may wish to direct the parties to perform an additional survey to address the problems noted here.

*16 Although flawed, as discussed here, the results of the Marketeam research were in fact significant in one respect. Ten of those persons who believed that Little Golden Books and Little Rainbow Books were produced by the same or related companies also told researchers that both books are “Little Golden Books.” These ten responses might fairly be characterized as reflecting actual confusion between the two products. Such evidence is accorded substantial weight. *McGraw–Edison Co. v. Walt Disney Productions*, 787 F.2d 1163, 1173 (7th Cir.1986). “[R]eason tells us that ... very little proof of actual confusion would be necessary to prove likelihood of confusion.” *Id.* at 1172. The court notes that these responses, too, might reflect no more than the interviewee’s belief that *every* children’s storybook is a “Little Golden Book”—which would say a great deal about the secondary meaning in Western’s trademark and trade dress, but very little about the likelihood of confusion. Again, use of a control would be enlightening. Nevertheless, this evidence that consumers are confused as to the source of origin of Little Rainbow Books cannot be completely discounted.

This court concludes that the results of the survey evidence do not favor either party. Although there is no evidence that actual consumers have been confused as to the source of origin of Little Rainbow Books, the fact that a few respondents to the survey expressed such confusion provides slight

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support for Western on this issue.

18. In summary, the likelihood-of-confusion factors favor Western. Specifically, the similarity of the trade dresses, the identity of the products and marketing channels, and the comparatively small degree of care consumers are likely to exercise for purchase of such an inexpensive product all weigh in favor of a finding that confusion is likely. P.I.'s intent to copy Western's trade dress also weighs in favor of such a finding. The parties' survey evidence was disappointing and entitled to little weight. A handful of respondents to the Marketeam survey did, however, indicate actual confusion between the products. The court thus concludes that Western has met its burden of proving likelihood of confusion.

19. Western has established some likelihood that it will succeed on the merits of its trade dress infringement claim. Western's common law unfair competition claim, on which it also seeks preliminary injunctive relief, is "absorbed in a finding" in Western's favor on the trade dress claim. *James Burrough Ltd. v. Sign of Beefeater, Inc.*, 540 F.2d 266, 274–75 n. 16 (7th Cir.1976). This court will, thus, proceed to consider the other elements of the showing necessary for preliminary injunctive relief.

20. Where infringement of trademark or trade dress is shown, the court may presume that irreparable injury will result from consumer confusion. *Abbott Laboratories*, 971 F.2d at 16; *International Kennel Club Inc. v. Mighty Star, Inc.*, 846 F.2d 1079, 1091 (7th Cir.1988); *Processed Plastic Co. v. Warner Communications, Inc.*, 675 F.2d 852, 858 (7th Cir.1982). This well-recognized presumption "is based upon the judgment that it is virtually impossible to ascertain the precise economic consequences of intangible harms, such as damage to reputation and loss of goodwill, caused by such violations." *Abbott Laboratories*, 971 F.2d at 16, citing *Roland Mach.*, 749 F.2d at 386.

*17 21. Defendant has not shown that it will suffer irreparable harm if preliminary relief is gran-

ted. As noted, P.I. earns 90% of its profits from products other than children's storybooks. Even if the court enjoins further production of Little Rainbow Books, P.I. will be free to continue to produce children's storybooks in any of several formats of its other children's books series.

22. A balance of the equities favors Western. Western has made a substantial investment in establishing and promoting its marks and the trade dress of its products. At least some authority suggests that enjoining further use of an infringing mark (or, by extension, of infringing trade dress) may be a "kindness" in that the enjoined party is spared potential further challenges. See *Bertolli USA, Inc. v. Filippo Bertolli Fine Foods, Ltd.*, 662 F.Supp. 203, 206 (S.D.N.Y.1987), quoting *Geo. Washington Mint, Inc. v. Washington Mint, Inc.*, 349 F.Supp. 255, 263 (S.D.N.Y.1972).) In any event, it is undisputed that P.I.'s managers were familiar with the trade dress of Little Golden Books at the time they developed the Little Rainbow Books; P.I. therefore acted at its peril. See *Atari, Inc. v. North American Philips Consumer Electronics Corp.*, 672 F.2d 607, 620 (7th Cir.) cert. denied, 459 U.S. 880, 103 S.Ct. 176, 74 L.Ed.2d 145 (1982); *Helene Curtis Indus., Inc. v. Church & Dwight Co.*, 560 F.2d 1325, 1333–34 (7th Cir.1977).

23. The public interest will not be disserved by entry of a preliminary injunction; indeed, to the extent that a preliminary injunction eliminates the possibility of consumer confusion, such an injunction will serve the public interest. *Health O Meter*, 873 F.Supp. at 1176 ("The public's interest is best served by the employment of non-confusing trade dresses on similar products put out by competing companies.") See also *C.B. Fleet Co. v. Complete Packaging Corp.*, 739 F.Supp. 393, 399 (N.D.Ill.1990) (recognizing the public interest in accurate labeling). Nor need the public interest be disserved by the absence of Little Rainbow Books titles from the children's storybook market. The evidence showed that a number of the titles in the Little Rainbow Books series appeared first in other

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formats in which P.I. publishes, and which are not challenged by Western.

DISCUSSION

As more fully described in the findings and conclusions set out above, Plaintiff Western has demonstrated that it has some likelihood of prevailing on the merits of its claim of trade dress infringement under the Lanham Act and under its related state law claim. This court has concluded that Western is entitled to a preliminary injunction against P.I.'s infringement. The precise scope of the appropriate injunction requires careful consideration. Western has proposed a broad order directing P.I. to “immediately stop creating, manufacturing, publishing, distributing advertising or selling” any of its Little Rainbow Books and hold all such books until a final hearing in this case; to recall any books previously delivered; and not to create or sell “any colorable imitations of Western's Little Golden Books.” (Proposed Order, Ex. 8 to Plaintiff's Memorandum in Support of its Motion for a Preliminary Injunction.) Although an order requiring that P.I. stop producing Little Rainbow Books is justified by the evidence, this court concludes that, where evidence of actual confusion is slim, a recall may be overly burdensome. The court notes, further, that P.I. already has made significant changes in the format of the Little Rainbow Books, eliminating several of the features Western claims as part of its trade dress. Mr. Weber's testimony suggested P.I. might make additional changes if ordered. If the parties are unable, within a schedule set by the court, to reach an agreement regarding additional changes that will satisfy Western, this court should proceed promptly to a trial in order to determine whether the preliminary relief should be made permanent. If the parties are unable to satisfy the court's concerns regarding their survey evidence, the court may wish to appoint its own expert to conduct a survey as suggested in *Indianapolis Colts*.

*18 Finally, the parties and this court have focused most of their attention on Western's trade

dress infringement claim; this Report contains no specific recommendation regarding Western's trademark infringement claim. Although the word “little” appears on its face to be descriptive, Western notes that many children's storybooks are in fact smaller than the Little Golden Books and that its mark has extraordinarily strong secondary meaning. Absent its link with the word “little,” the court would have no difficulty concluding that P.I.'s use of the word “rainbow” is non-infringing. In light of this court's conclusions regarding the trade dress claim, however, it is recommended that the trademark claim, too, be the subject of negotiation.

RECOMMENDATION

This court should enter a preliminary injunction prohibiting further production by P.I. of its “Little Rainbow Books” and should require Western to post appropriate security. If the parties cannot agree on changes in the format and “Little Rainbow” mark, the court should set the case for an early trial on the issue of whether the preliminary relief recommended here should be made permanent.

Counsel have ten days from the date of service to file objections to this Report and Recommendation with the Honorable Elaine E. Bucklo. See [FED. R. CIV. P. 72\(b\)](#); [28 U.S.C. § 636\(b\)\(1\)](#). Failure to object constitutes a waiver of the right to appeal. See [Egert v. Connecticut General Life Ins. Co.](#), 900 F.2d 1032, 1039 (7th Cir.1990).

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