The arbitrary nature of reverse confusion claims

Companies face several hurdles when launching new products, but as James Weinberger of Fross Zelnick Lehrman & Zissu explains, an additionally bumpy ride can be provided by the reverse confusion doctrine

Companies have scores of issues to address when planning to launch branded products or services in the US. They must not only overcome traditional hurdles of product development, market research, budget constraints, financial planning, advertising, and any necessary regulatory approvals, but must also devote substantial time and resources to brand name development and trade mark clearance. For businesses considering major product launches, the doctrine of reverse trade mark confusion adds yet another layer to an already complicated set of issues.

In the US, as in other jurisdictions, trade marks are generally classified along a spectrum of distinctiveness, ranging from arbitrary and fanciful marks, such as XEROX (which are the strongest), to suggestive marks, such as DIAL-A-MATTRESS (which are weaker), to descriptive marks, like HOLIDAY INN (which are weak and protectable only if the user can prove that consumers associate the mark with the owner), to generic terms, such as ASPIRIN (which are not protectable at all). In typical trade mark infringement cases, the senior user of a mark seeking to challenge a junior user's use of a similar mark will argue that consumers are likely to be confused and believe that the senior user is the source of products or services offered under the junior user's similar mark. This is known as forward confusion. As long as the mark is not generic, the senior user has an opportunity to obtain relief.

But, the doctrine of reverse confusion provides a twist – it allows a small company, being the senior user of a mark, to recover against a large, well-known junior user of a similar mark if consumers are likely to think that, as a result of the large company's expansive advertising, the small company is the infringer. The lesser known company does not even need to own a trade mark registration for its mark to assert such a claim. This is because, under US law, commercial use can give rise to enforceable common law rights under state law and Section 43(a) of the Lanham Act, the federal trade mark statute.

The doctrine of reverse confusion can thus be an invitation for lesser known (or relatively unknown) companies or individuals making minimal use of a mark to assert an infringement claim against a deep-pocket newcomer. To anticipate such claims, therefore, a diligent trade mark search must go well beyond a review of the marks on the register of the United States Patent & Trademark Office.

Case law removes doubts

A collection of recent decisions suggests that reverse confusion is not as frightening as it sounds to companies launching new brands. US courts are generally unwilling to find reverse confusion where the plaintiff's mark, whether registered or not, is not a conceptually strong one, namely arbitrary or fanciful. Moreover, courts have not adopted a shortened or truncated likelihood of confusion analysis in reverse confusion cases, despite the suggestion by some appellate courts that certain factors merit more consideration than others in the reverse confusion context. US courts generally look at a wide range of factors in determining likelihood of confusion between two trade marks, including strength of the mark, proximity of the goods, similarity of the marks, evidence of

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actual confusion, marketing channels used, type of goods and the degree of care likely to be exercised by the purchaser, the defendant's intent in selecting the marks, and the likelihood of expansion of the product lines.

A plaintiff seeking to capitalize on the doctrine thus faces a heavy burden in any attempt to demonstrate not only that its use is sufficient to confer broad trade mark protection (if it does not have a federal registration), but also that the mark is strong enough to entitle it to reap a potential windfall of damages based on what might be a fortuitous coincidence of two parties adopting similar marks.

The doctrine and its appeal

The concept of reverse confusion first appeared in the landscape of the federal courts in *Westward Coach Manufacturing Co v Ford Motor Co*, a 1968 decision by the Court of Appeals for the Seventh Circuit. The plaintiff, the senior user of a horse design on cars, challenged Ford's use of a similar mark on the then new Mustang. The plaintiff argued that "a second use creating the likelihood of confusion about the source of the first user's products [was] actionable" (describing the concept of reverse confusion), but the court rejected the approach.

Nine years later, the Court of Appeals for the Tenth Circuit revisited the issue. In *Big O Tire Dealers v Goodyear Tire & Rubber Co*, the court issued the first US decision allowing recovery under a reverse confusion theory. The plaintiff, an association of tire dealers, sued defendant Goodyear for infringement of its trade mark BIG FOOT for tires prior to Goodyear's launch of its product and a massive nationwide advertising campaign. Goodyear, which had apparently chosen the name of its BIG FOOT product without prior knowledge of Big O's tire, chose to launch and advertise its product in spite of Big O's protest, and the plaintiff subsequently filed suit. The district court entered judgement on a jury verdict of infringement that included almost $19 million in damages, based in part on a calculation of the cost of corrective advertising. Although the Court of Appeals reduced the award as "excessive", the decision is viewed as the seminal reverse confusion case, departing from the Seventh Circuit's *Ford* decision.

The doctrine of reverse confusion was further developed in *Sands, Taylor & Wood v Quaker Oats Co*, involving the mark THIRST-AID. The defendant used Thirst Aid in a slogan for its GATORADE sports drinks, despite its pre-launch knowledge of the existence of the plaintiff's marks. The plaintiff asserted a claim of reverse confusion. The court ultimately awarded nearly $30 million in damages and attorneys' fees.

While reverse confusion has been applied relatively sparingly over the years, the doctrine is obviously appealing to plaintiffs and their attorneys. First, early reverse confusion decisions resulted in large damage awards. Second, the doctrine allows for a small plaintiff to time its suit just as the defendant's launch of a new product is imminent, thereby obtaining significant settlement leverage. Third, some courts have suggested that some likelihood of confusion factors (strength of the mark, similarity of the marks, and relatedness of the goods or services) are more important than others in the reverse confusion context. Plaintiffs often argue that courts should look only at these three factors, to make their case easier.

But in recent years courts have begun to rein in zealous plaintiffs who have overused reverse confusion. A recent wave of decisions reflects an emerging trend: no matter how big the junior user's use is likely to become, and no matter how likely it is that the senior user's mark will be overwhelmed by the junior user's newer mark, courts will not allow a reverse confusion claim to stand if the senior user's mark is not conceptually strong. Courts have also largely rejected plaintiffs' invitations to look at a truncated likelihood of confusion analysis, and have looked at all factors raised by the parties.

Narrowing reverse confusion claims

The recent trend towards a narrower application of reverse confusions can be traced to the Ninth Circuit's 1998 decision in *Dreamwerks Production Group Inc v SKG Studio*, which noted that three factors – "arbitrariness" of the mark, similarity of the marks, and relatedness of the goods – are most important. At first glance, it would appear that the reference to "arbitrariness" was merely meant to direct courts to the strength of the mark factor, which is traditionally considered in forward trade mark infringement claims. A more careful read, however, suggests that the court may have been instructing district courts in the Ninth Circuit to consider whether a mark was arbitrary, or, at least, a strong conceptual mark, before making a finding of reverse confusion.

Two years later, in *A&H Sportswear Inc v Victoria's Secret Stores Inc*, the Third Circuit further emphasized the importance of the strength of the mark factor in the reverse confusion analysis, holding that courts should consider both the conceptual and commercial strength of the marks at issue. As discussed above, the conceptual strength of a mark is measured along a spectrum which ranges from arbitrary and fanciful, to suggestive to descriptive, and to generic. Commercial strength, on the other hand, looks at the real-world market impression, or the potential impression of a given mark.

Courts have generally adopted a common sense approach to the conceptual/commercial analysis in reverse confusion cases – focusing on the conceptual strength of the senior user's mark and the commercial strength of the junior user's mark – since the hallmark of a reverse confusion case is the possibility that the junior user will overwhelm the senior user in the marketplace.

More case law

Following the reasoning set forth in *Dreamwerks and A&H Sportswear*, courts have begun to place greater emphasis on the concept of strength of the marks in reverse confusion cases. One example is *Glow Industries Inc v Lopez*, a case that was filed in a California district court. The defendants successfully defeated the motion for a preliminary injunction brought by Glow Industries against actress and singer Jennifer Lopez and fragrance maker Coty.

Glow claimed that its GLOW brand of bath and beauty products was infringed by a nationwide launch of a line of similar products under the GLOW BY J.LO mark. Glow based its theory of infringement on reverse confusion, and emphasized the three factors noted in *Dreamwerks* as particularly applicable to reverse confusion cases: arbitrariness of the mark, similarity of the marks, and relatedness of the goods. The court denied the motion on the grounds that the plaintiff did not own the rights to the trade mark GLOW, in part because the mark was conceptually weak.

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The court held that while GLOW was a suggestive mark, it was nonetheless entitled to only limited protection because of expansive third party use, and lack of widespread commercial use. The court determined that GLOW simply was not a strong enough mark to garner protection under the reverse confusion doctrine. It also rejected the plaintiff's attempt to truncate the likelihood of confusion analysis, noting that a full analysis "avoids the anomalous result against which defendants caution – i.e., that a small plaintiff with a weak mark will be able more easily to prove likelihood of confusion than a large company with a strong distinctive mark and high market penetration."

In *Echo Drain v Newsted*, the same court granted summary judgement for the defendants in a case involving a claim of reverse trade mark confusion brought by a music group over the use of its name, ECHO DRAIN. The plaintiff, formed in February of 2000, brought action against ECHOBRAIN – founded by a former member of the famous band Metallica – which first began recording music in April 2000 and released its first album nationally in May 2002 (followed by a national tour and radio airplay). The plaintiff based its claim on reverse confusion. In granting the defendants' 2003 motion for summary judgement, the court considered the strength of the mark in the context of the likelihood of confusion.

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The court first considered the conceptual strength of ECHO DRAIN, which rested on the mark's distinctiveness and found that the mark was at best suggestive, conveying an impression of the type of music the band performed (a finding based on the testimony of the band members). It ruled that any suggestive mark was conceptually weak and entitled to a limited scope of protection, particularly in a reverse confusion case, and, coupled with music groups' widespread use of the word "echo", ECHO DRAIN was found to be conceptually weak. The court then considered the commercial strength of the two marks. While finding that ECHOBRAIN was commercially stronger than ECHO DRAIN, the strength of the mark weighed in favour of the defendants. The court refused to adopt the *Dreamwerks* triumvirate, instead considering the likelihood of confusion in its conclusion.

In 2003, a district court in Washington held that a plaintiff's PLAYMAKERS sports agency was not entitled to an injunction against sports television network ESPN for its use of the PLAYMAKERS mark on a series about professional football. The court's decision was based on its findings relating to the strength of the PLAYMAKERS mark.

The court held that the mark was suggestive and thus entitled to moderate protection. It then noted that, despite the plaintiff owning two incontestable federal trade mark registrations for PLAYMAKERS, "a mark may be sufficiently strong for registration purposes, i.e. not 'generic,' but may still be relatively weak for likelihood of confusion purposes." This is important because it demonstrates that even where a plaintiff has an incontestable trade mark registration – a weapon thought by many to be a trump card in trade mark cases – it does not necessarily mean that the mark is conceptually strong.

The court held that despite the commercial promotion, marketing and advertising for ESPN's PLAYMAKERS (making the mark susceptible to a finding of reverse confusion), the conceptual weakness of the mark made the strength of the mark factor only slightly favour the plaintiff. The Ninth Circuit affirmed the decision in 2004.

In a 2002 decision in *M&G Electronics Sales Corp v Sony Kabushiki Kaisha*, the defendant successfully defeated a motion for a preliminary injunction based on a reverse confusion theory. M&G, a manufacturer and wholesaler of electronics, claimed that its MG trade mark had been infringed by Sony's use of a design mark incorporating the letters MG (an abbreviation for "MagicGate") in connection with digital storage media. The court denied M&G's motion, partly because the company's mark was weak due to extensive third-party use and the lack of evidence that consumers recognized the association between MG and the plaintiff.

In *Strange Music Inc v Strange Music Inc*, the plaintiff, known as sTRANGEmUSIC, was a record label in the business of selling, promoting and distributing so-called new music, a modern take on classical tradition with sales from 1998 to 2003 of $15,000. The defendant, a hip-hop artist, known as Tech N9ne, operated a rap and hip-hop record company known as Strange Music, which first began operation in 2001, with sales to the end of 2003 of over $5.5 million.

In declining to grant injunctive relief to the plaintiff, a New York court recognized that, despite the focus of the reverse confusion analysis on the strength of the junior user's mark, it was nonetheless important to examine the strength of the senior user's mark.

After considering both conceptual and commercial strength, the court found that sTRANGEmUSIC was suggestive for the type of new music for which it was used, and that the mark was commercially weak, given the plaintiff's limited advertising budget and promotional expenditures. Turning to the strength of the defendant's mark, the court found the STRANGE MUSIC mark to be commercially strong. However, though the mark's strength was in favour of the plaintiff (since it had a weak, but protectable mark and the junior user had a mark that was strong in the marketplace), the court declined to enter an injunction, after considering the broad range of likelihood of confusion factors.

One final example of the emerging trend of unsuccessful reverse confusion claims is *First National Bank of Omaha Inc v Mastercard International Inc*. In that case, also in New York, the plaintiff marketed Visa credit cards with smart-chips under the mark SMARTONE. Mastercard had plans, but had not actually used the mark ONESMART in connection with similar bankcards.

In looking at the plaintiff's reverse confusion claim, the court found that SMARTONE was both "inherently distinctive" and "suggestive" (despite these terms having contradictory meaning under the traditional analysis discussed above), but was still a weak mark. The mark had not acquired any significant level of distinctiveness in the consumer market to allow the plaintiff to recover. Other factors were also considered (such as the fact that there was no evidence that Mastercard would saturate the market with ONESMART advertising), but the decision provides yet another example of an unsuccessful reverse confusion claim where the mark at issue was not found to be conceptually strong.

A bumpy road to success

As shown, courts are generally unwilling to adopt a truncated likelihood of confusion analysis in reverse confusion cases or find reverse confusion if the plaintiff's mark is not strong. Thus, the threshold for plaintiffs in reverse confusion cases may be higher than previously thought. A plaintiff must not only show that it has prior rights in a protectable mark, but that the mark is strong enough for the type of pre-emptive protection offered by the reverse confusion doctrine.

Parties considering suing based on reverse confusion should not expect an easy road to success. First, courts reject the short-form approach to reverse confusion and consider all relevant factors. Second, the decisions outlined above suggest that the mark at issue must be conceptually strong – arbitrary or fanciful – for the claim to be successful. A plaintiff's mark may be inherently distinctive (as with SMARTONE), registered and incontestable (as with MG and PLAYMAKERS) or even subject to the type of market saturation that the reverse confusion doctrine was designed to prevent (GLOW BY J.LO, ECHOBRAIN, STRANGE MUSIC), but as case law shows, it may not be enough to prove likelihood of reverse confusion if that mark is not strong enough to warrant the broad protection the doctrine confers.

James Weinberger

James Weinberger is an associate in the US litigation group of Fross Zelnick Lehrman & Zissu, PC. He is a graduate of Wesleyan University (1996) and Columbia University School of Law (1999). He focuses his practice on litigation in the areas of copyright, trade mark and trade dress infringement, unfair competition, trade mark dilution, and internet-related matters, and services clients across a broad range of industries, including publishing, music, film, cosmetics, fragrances, apparel, pharmaceutical and consumer products. Weinberger represented the defendants in *M&G Electronics Sales Corp v Sony Kabushiki Kaisha and Glow Industries Inc v Lopez*. The views expressed in this article are solely those of the author and not necessarily the views of Fross Zelnick. The author gratefully acknowledges the assistance of Fross Zelnick partners Lisa Pearson and Mark Engelmann.