

Litigating reverse confusion infringement actions

As new brands and marks continue to proliferate, cases involving claims of reverse confusion have increased dramatically. Practitioners need to understand how courts analyse likelihood of confusion factors differently where reverse, rather than forward, confusion is at issue

In Summer 2014 the Seventh Circuit Court of Appeals rejected as “implausible” a trademark infringement suit targeting the Warner Brothers’ latest Batman film, *The Dark Knight Rises*. The plaintiff in *Fortres Grand v Warner Bros Ent, Inc* (763 F 3d 696 (2014)) alleged that the film, in which the character Catwoman uses a fictional piece of software named Clean Slate to erase all traces of her criminal past, infringed its registered trademark for a real-world software program of the same name, which erases all evidence of user activity. The court held that the plaintiff could not base a trademark infringement claim on a theory of reverse confusion, because consumers were unlikely to believe that its software was affiliated with the Warner Brothers movie studio. While the decision to compare the plaintiff’s software to the defendants’ film (as opposed to the fictional software program depicted in the film) drew much attention, the case presents an opportunity to explore a topic of more practical significance for trademark practitioners: how courts address trademark infringement claims premised on the theory of reverse confusion.

Forward confusion

In a case of traditional or forward confusion, an established, successful company (the senior user) claims that a fledgling, upstart company (the junior user) is using a similar mark in a way that causes consumers mistakenly to believe that the junior user’s products are made by or affiliated with the senior user. The junior user free-rides on the goodwill that the senior user has developed through marketing, advertising expenditure and a long history of sales.

In deciding claims of forward confusion, courts consider a variety of factors that are designed to assess whether

AUTHOR
TAL E DICKSTEIN

consumers are likely to be confused as to the source, sponsorship or affiliation of the junior user’s products or services. While each circuit uses a slightly different set of factors, most consider the following factors in some form:

- the strength of the senior user’s mark;
- the similarity of the marks as they appear in the marketplace;
- the proximity of the products in the marketplace;
- evidence of actual confusion as to the source of the junior user’s products or services;
- the junior user’s intent to trade off the goodwill of the senior user;
- any disparity in quality between the parties’ goods or services; and
- whether the senior user’s customers are sophisticated and therefore less likely to be confused as to the source of the junior user’s products or services.

Reverse confusion

In addition to claims based on forward confusion, US courts recognise a theory of trademark infringement known as reverse confusion. This occurs when a large, powerful junior user leverages its superior resources to quickly saturate the market of a small but established senior user with a similar mark on similar products or services. The danger with reverse confusion is not that consumers will believe that the junior user’s products originate with the senior user, but that consumers will mistakenly believe that the smaller senior user’s products were sponsored or approved by the stronger junior user. Because consumers have been bombarded by the junior user’s products and advertising, they may even view the senior user as having infringed the junior user’s mark. In either case, reverse confusion has the

potential to harm the value of the senior user's trademark, dilute its product identity and prevent it from controlling its reputation and goodwill with the public.

Although courts have recognised the theory of reverse confusion for at least 40 years, the number of lawsuits involving allegations of reverse confusion has increased exponentially over the past decade. This is no doubt due, at least in part, to the proliferation of information technology and social networking platforms that allow even moderately financed companies to gain national market penetration much more quickly than they could have in the past. The faster roll-out of new products and services increases the chances that the newcomers' marks will overlap in the marketplace with similar marks used by smaller, often regional companies, resulting in claims of reverse confusion.

While there is no single nationwide standard for evaluating claims of reverse confusion, most courts apply a modified version of the multi-factor test used to evaluate forward confusion, including the proximity of the products in the marketplace, disparity in quality of the parties' products and consumer sophistication. However, the remaining factors – strength of the marks, similarity of the marks, actual confusion and the defendant's intent – are often analysed differently and require different forms of evidence.

Commercial strength of junior user's mark

Rather than analysing the commercial strength of the senior user's mark, as in cases involving forward confusion, courts deciding cases of reverse confusion consider the commercial strength of the junior user's mark. Indeed, the theory of reverse confusion – that a larger, more powerful junior user is strong enough to swamp the smaller senior user's market and overwhelm the senior user's brand in the mind of the public – presumes a commercially strong junior user and a weaker senior user. Accordingly, evidence of the senior user's commercial weakness is often offered to support a reverse confusion claim, particularly where the senior user can demonstrate that its lack of commercial success was caused by the junior user's entry into the market.

In evaluating the commercial strength of the junior user's mark and the commercial weakness of the senior user's mark, courts consider evidence of expenditures on marketing, advertising and promotions, the level and history of sales, and consumer surveys designed to gauge brand recognition.

Conceptual strength of senior user's mark

In assessing likelihood of confusion, courts also examine a mark's conceptual strength or its inherent ability to identify a product's source or sponsor. Conceptual strength is determined by placing the mark into one of five categories. Marks that are suggestive (eg, Microsoft), arbitrary (eg, Apple for computers) or fanciful (eg, Google) are conceptually strong and are entitled to robust protection. At the other end of the spectrum, generic terms (eg, internet café) are considered weak and thus never entitled to protection. Marks that describe a characteristic of the associated product or service (eg, Internet Explorer) lie in the middle. Descriptive marks are conceptually weak, but may nevertheless be entitled to protection if the owner



In Summer 2014 the Seventh Circuit Court of Appeals rejected as "implausible" a trademark infringement suit targeting the Warner Brothers' latest Batman film, *The Dark Knight Rises*

PICTURE: WARNER BROS

can prove that consumers do, in fact, associate the mark with a particular source. This associational connection, known as 'acquired distinctiveness' or 'secondary meaning', can be proven using the same type of evidence used to prove commercial strength – that is:

- marketing and advertising expenditure;
- unsolicited media coverage;
- attempts by others to copy the mark;
- a high level of sales over a long period of time; and
- consumer studies that show an association between the mark and a particular source.

In reverse confusion cases, as in forward confusion cases, the conceptual strength inquiry focuses on the plaintiff senior user's mark. After all, a plaintiff which has adopted a mark that has little or no ability to identify a particular source will not be entitled to protection from similar marks regardless of whether its claim sounds in forward or reverse confusion.

However, proving conceptual strength can be particularly challenging for a reverse confusion plaintiff that has adopted a descriptive mark. By definition, a reverse confusion plaintiff is relatively weak and has been unable to generate widespread brand recognition. It typically has achieved only a moderate and inconsistent history of sales and lacks sufficient resources to launch an impactful marketing or advertising campaign. It is unlikely that such a plaintiff will be able to prove that its descriptive mark has acquired a secondary meaning in the minds of the public.

This lack of conceptual strength is often fatal when the reverse confusion claim is premised on an unregistered mark. While a mark that has been registered with the US Patent and Trademark Office is entitled to a

“

Proving conceptual strength can be particularly challenging for a reverse confusion plaintiff that has adopted a descriptive mark

presumption of validity and protectability, the owner of an unregistered mark must prove that the mark functions as a valid trademark before a court will even consider whether there is a likelihood of confusion with a competing mark. For descriptive marks, this requires evidence of secondary meaning which, as noted above, can prove elusive for a small reverse confusion plaintiff. Even where a mark has been registered – and even where the mark has achieved incontestable status five years after its registration – conceptual weakness will still weigh against a finding of infringement when analysing the likelihood of confusion.

The strength of the senior user’s mark was at issue in *JT Colby & Co v Apple, Inc* (2013 US Dist LEXIS 65959 (SDNY, May 8 2013), aff’d 2014 US App LEXIS 18527 (2d Cir 2014)), where a small book publisher which used the unregistered mark IBOOKS to sell printed books on the Internet sued Apple for reverse trademark confusion when the technology giant began offering e-reader software using the mark iBOOKS. The court found that the plaintiff’s IBOOKS mark was merely descriptive of books sold on the Internet, and that the plaintiff needed to prove secondary meaning in order for its mark to be entitled to protection. Because the plaintiff was unable to offer any evidence of ad spending, exclusive use, intentional copying of its mark or consumer surveys, and only inconsistent evidence of sales success and some cursory media coverage, the court held that the plaintiff’s mark was invalid and unprotectable, and its suit was dismissed.

The court in *JT Colby & Co* recognised the Catch 22 that faces the owner of a descriptive mark which asserts a reverse confusion claim: “On the one hand, a commercially weak mark is more vulnerable to reverse confusion. On the other hand, part of what entitles a mark to protection is its ability to serve as an indicator of origin. Accordingly, to the extent a senior user has invested so little in its mark that it has failed to create an association in the minds of consumers between the mark and a source, there is correspondingly less reason to protect the mark.”

Similarity of marks – use of house marks

The similarity of the marks is, for the most part, analysed in the same manner regardless of whether the theory of infringement is forward or reverse confusion. Courts consider whether consumers are likely to confuse the parties’ marks based on their appearance in the marketplace, including their font, stylisation, size and colour, as well as their sound and meaning.

One difference in reverse confusion cases involves the use of a house mark, which identifies

The strength of the senior user’s mark was at issue in *JT Colby & Co v Apple, Inc*, where a small book publisher which used the unregistered mark IBOOKS to sell printed books on the Internet sued Apple for reverse trademark confusion when the technology giant began offering e-reader software using the mark iBOOKS (the related app was available on the iPhone as illustrated below)

PICTURE: APPLE



a particular business as the source of a line of products and appears in conjunction with the primary mark for the specific product. GOOGLE CHROME is an example of a house mark (GOOGLE) used in conjunction with a primary mark (CHROME) to signify the source of the product.

In cases involving forward confusion, the junior user’s addition of a house mark often mitigates the risk of consumer confusion. For example, it is unlikely that anyone would think Google Chrome was offered by anyone other than Google.

However, in the context of reverse confusion, the junior user’s addition of a house mark may actually increase the likelihood of confusion. Consumers that have been repeatedly exposed to the junior user’s primary mark on products which also bear its house mark may come to associate the primary mark with the house mark. Encountering the senior user’s similar mark may then call to mind the junior user’s house mark and cause consumers to mistakenly believe that the senior user’s products are affiliated with the junior user.

For example, in *Glow Indus v Lopez* (252 F Supp 2d 962 (CD Cal 2002)) the court found that the junior user’s addition of the famous performer Jenifer Lopez’s nickname on GLOW BY J LO perfumes heightened the likelihood that consumers would mistakenly believe that the smaller senior user’s GLOW toiletries and lotions were sponsored by Lopez.

Evidence of action confusion – consumer surveys

Evidence that a significant number of consumers have, in fact, been confused as to the source, sponsorship or affiliation of the parties’ marks often weighs heavily in a likelihood of confusion analysis. Evidence of actual confusion typically comes in the form of consumer complaints, misdirected customer support calls and consumer surveys.

The nature of actual confusion evidence differs depending on whether the theory of the infringement suit is forward or reverse confusion. In forward confusion cases actual confusion occurs when consumers mistakenly believe that the junior user’s products are sponsored by or affiliated with the senior user, while in reverse confusion cases consumers mistakenly believe that the senior user’s products are sponsored by or affiliated with the junior user. Nevertheless, because it is often difficult to uncover actual confusion evidence of any kind, some courts have been willing to consider evidence of actual forward confusion even in cases where the theory of infringement is reverse confusion. As a result, trademark litigators should be careful not to discount the potential impact of forward confusion

evidence even when the theory of infringement is reverse confusion.

Consumer surveys – which attempt to replicate real-world purchasing decisions in a controlled environment in order either to prove or disprove likelihood of confusion – must also be adjusted, depending on the theory of infringement. In testing for forward confusion, surveys should attempt to determine whether the junior user’s customer base mistakenly believes that the junior user’s products are sponsored by or affiliated with the senior user. This is often accomplished by using a side-by-side survey (a so-called ‘Squirt’ survey), in which participants are shown the parties’ products and marks at the same time and asked questions to test for any perceived confusion as to the source of the junior user’s product.

In reverse confusion cases, on the other hand, consumer surveys should be designed to test whether the senior user’s likely customers mistakenly believe that its products are affiliated with or sponsored by the junior user. Because the junior user is already well known, there should be no need to show survey participants the junior user’s products. As a result, reverse confusion surveys often show participants only the senior user’s mark and ask questions to discern any perceived connection to the junior user.

While numerous factors must be considered when designing an appropriate consumer survey for use in an infringement action – such as the survey’s geographic scope, the appropriate control stimulus and the precise wording of the survey questions – trademark litigators should, in the first instance, ensure that the survey is properly tailored to the theory of infringement.

Bad-faith intent

In deciding whether there is a likelihood of confusion in a forward confusion case, courts often consider evidence that the junior user adopted its mark with an intent to trade off the senior user’s goodwill. Where a company sets out to confuse consumers as to the source of its products, courts presume that it has succeeded.

However, in cases involving reverse confusion, where the senior user is small and relatively unknown, the junior user is often not even aware that the senior user exists before adopting its mark. Indeed, some courts, including the Seventh Circuit in *Fortres Grand*, have stated that the junior user’s intent is entirely irrelevant in reverse confusion cases. Courts that do consider intent in reverse confusion cases focus on whether the junior user adopted its mark not with the intent to free-ride on the senior user’s name recognition, but with the bad-faith intent to push the senior user out of the market.

This inquiry often centres on whether the junior user conducted an adequate trademark clearance search for similar marks before adopting its own mark. A trademark search should encompass all federally registered marks and registration applications, marks and business names registered with state authorities, industry trade journals or newsletters that might show uses of unregistered (or common law) marks and the results of popular internet search engines. However, a search need not turn over every stone. Apple was found not to have acted in bad faith even though its trademark search for IBOOK did not include bankruptcy court records that would have revealed the plaintiff’s use of IBOOKS.

If a reasonably comprehensive search turns up no evidence of the senior user’s mark, courts will not find bad faith. Where a search does reveal potentially conflicting marks, the junior user has a number of options. It can proceed to adopt the new mark and offer proof that its decision was based on business considerations that had nothing to do with the existence of the senior user, such as where the newly adopted mark connotes certain qualities of the junior user’s products or services, or is an extension of the junior user’s existing brand name. For example, Apple deflected a charge of bad faith by offering evidence that it adopted the IBOOKS mark as an extension of its other ‘I’ branded products rather than to push the plaintiff out of the market (*JT Colby & Co*, 2013 US Dist LEXIS 65959, at *77).

Another option is to attempt to acquire the rights from earlier adopters of the mark, in order to gain priority over other intermediate users. Assuming that the trademark purchase agreement recites that the associated business goodwill is being assigned along with the trademark registration itself, trademark assignments can be an effective way to gain priority over users that would otherwise have superior rights, even where the assignment is motivated primarily to gain priority over an infringement plaintiff in litigation.

When a trademark search uncovers an arguably similar mark that may be an obstacle to registration or pose a threat of litigation, companies often retain trademark counsel to conduct a likelihood of confusion analysis. If the stakes are sufficiently high, they may also commission a pilot consumer survey, or even a full-blown study, to support counsel’s legal analysis. Assuming that counsel advises that the likelihood of consumer confusion is low, but the senior user nevertheless files suit, the junior user can rebut an allegation of bad faith by showing that it relied on counsel’s advice or the results of the survey in deciding to use the new mark. However, careful consideration must be given before an advice of counsel defence is asserted, as it may result in a waiver of privilege that would otherwise protect from discovery all communications between the company and its counsel.



Litigators should ensure that the survey is tailored to the theory of infringement

Conclusion

With the rapid proliferation of new brands and trademarks, litigation involving claims of reverse confusion has increased dramatically over the past decade. Both transactional and litigation counsel should understand the ways in which courts analyse the likelihood of confusion factors differently where the theory of infringement is reverse confusion – especially the commercial and conceptual strength of the marks, the use of house marks, evidence of actual confusion and the defendant’s intent. **WTR**



Tal E Dickstein is senior counsel at Loeb & Loeb
tdickstein@loeb.com