

Case No. 01-12865-F

IN THE UNITED STATES COURT OF APPEALS
FOR THE ELEVENTH CIRCUIT

TAYLOR CORPORATION,
Appellant/Cross-Appellee

v.

SIGMA CHI FRATERNITY and SIGMA CHI CORPORATION,
Appellees/Cross-Appellants.

On Appeal from the United States District Court
for the Middle District of Florida

BRIEF OF AMICUS CURIAE THE INTERNATIONAL TRADEMARK
ASSOCIATION IN PARTIAL SUPPORT OF APPELLEES/CROSS-
APPELLANTS

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CERTIFICATE OF INTERESTED PERSONS
AND CORPORATE DISCLOSURE STATEMENT

Pursuant to Rule 26.1 of the Federal Rules of Appellate Procedure and Eleventh Circuit Rule 26.1-1, amicus curiae The International Trademark Association states that it has no corporate parent and that are no parties that own 10% or more of its stock. It additionally identifies the following parties that have an interest in the outcome of this appeal:

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STATEMENT OF IDENTITY OF AMICUS CURIAE

The International Trademark Association (“INTA”) is a not-for-profit organization whose more than 3,800 members have a special interest in trademarks. They include trademark owners, law firms, advertising agencies, package design firms and professional associations from the United States and 119 other countries. INTA members frequently are participants in trademark litigation, and therefore are interested in the development of consistent principles of trademark and unfair competition law. INTA has selectively participated as amicus curiae in past cases involving significant trademark issues.

This brief is being filed under the authority of INTA’s Executive Committee. Although the law firms representing the parties in this action are associate members of INTA, none has participated in the preparation of this brief.

STATEMENT OF THE ISSUES

Although not taking a position on many of the factual findings on which Sigma Chi’s infringement claims may turn,¹ INTA nevertheless files

¹INTA also takes no position on the significance of the consent decree referenced by Taylor’s brief or on the issue raised by Sigma Chi of whether fame in a niche market qualifies a mark for protection against dilution.

this brief to address certain propositions of trademark law raised by this appeal, namely the nature of ownership rights in collective marks and the applicability of the test for infringement set forth by this Court in *University of Georgia Athletic Ass'n v. Laite*, 756 F.2d 1535 (11th Cir. 1985).

SUMMARY OF THE ARGUMENT

Collective membership marks are governed by unique rules under some circumstances. None of those rules, however, is applicable in the instant case. Rather, as the District Court properly recognized, this action is controlled by traditional principles of unfair competition law to which no exceptions are relevant. In particular, there was no reason for the District Court to have departed from this Court's holding in *University of Georgia Athletic Ass'n v. Laite*, 756 F.2d 1535 (11th Cir. 1985), in its evaluation of whether infringement had occurred.

ARGUMENT

I. THE NATURE OF OWNERSHIP OF COLLECTIVE MEMBERSHIP MARKS.

A primary theory underlying this appeal, that Sigma Chi's members are the actual owners of the marks at issue, cannot withstand scrutiny. Collective marks generally are a creature of federal statutory law, which first recognized them in the passage of the 1946 Lanham Act. As Taylor notes,

collective **membership** marks in particular depend on use of the marks “by the members of a cooperative, an association, or other collective group or organization.” *See* 15 U.S.C. § 1127.

Nevertheless, there are multiple reasons why user/members are not thereby the **owners** of the mark, nor do they inherently have the ability to authorize others to use the mark. First, Sigma Chi Corporation, and not some amorphous collection of “members,” is the record owner of the registrations at issue. Because (1) each registration has passed its fifth anniversary and (2) Sigma Chi has filed the “section 15 affidavits” provided for by 15 U.S.C. § 1065, each registration is “incontestable,” and thus constitutes “**conclusive** evidence of the validity of the registered mark and of the registration of the mark, of **the registrant’s** ownership of the mark, and of **the registrant’s** exclusive right to use the mark in commerce.” 15 U.S.C.

§ 1115(b) (1994 & Supp. V 1999); *see generally* *Park ‘N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189 (1985). These conclusive presumptions are subject only to the exceptions set forth in 15 U.S.C. § 1115(b)(1)-(9), only two of which, laches and acquiescence, have any relevance to this proceeding and neither of which is raised to any great extent by Taylor.

Second, it is often the case where other types of marks are concerned that owners’ rights turn upon use by other parties. For example, section 5 of

the Lanham Act expressly authorizes licensors to acquire rights through use of their marks by licensees. *See* 15 U.S.C. § 1055 (1994) (“If first use of a mark by a person is controlled by the registrant or applicant for registration of the mark with respect to the nature and quality of the goods or services, such first use shall inure to the benefit of the registrant or applicant, as the case may be.”). As the Patent and Trademark Office has thus explained:

There is a longstanding administrative practice of accepting applications [to register marks] by parties who claim to be owners of marks through controlled licensees, whether that control over the nature and quality of the goods or services rendered under the mark results from a corporate relationship or from a contract or agreement.... Ownership rights in a trademark ... may be acquired and maintained through the use of the mark by a controlled licensee even when the only use of the mark has been made, and is being made, by the licensee.

United States Patent and Trademark Office, *Trademark Manual of*

Examining Procedure § 1201.03(b)(iii) (1997); *accord Pneutek, Inc. v.*

Scherr, 211 U.S.P.Q. 824, 833 (T.T.A.B. 1981).

It is for this reason that the former Fifth Circuit held in *Turner v. H M H Publishing Co.*, 380 F.2d 224 (5th Cir. 1967), that the proper party to bring an infringement action to protect a mark is the mark’s licensor, and not the licensee using the mark. In *Turner*, the defendant argued that the plaintiffs did not enjoy protectable rights because they were not themselves using the service mark at issue. The court rejected this contention, however, holding that “Section 5 of the Lanham Act definitely contemplates that a

trade or service mark may be acquired through its use by controlled licensees, even though the registrant itself may not have used the mark.” *Id.* at 229; *see also Warner Bros. v. Road Runner Car Wash, Inc.*, 189 U.S.P.Q. 430, 432 (T.T.A.B. 1976) (rejecting argument that licensee of mark, rather than licensor, was proper party to oppose applicant’s application).

Even further, not only do owners of certification marks depend on use by other parties, but such owners are barred from using the marks themselves. *See* 15 U.S.C. § 1064(5) (providing for cancellation of a registration covering certification mark if the registrant “engages in the production or marketing of any goods or services to which the certification mark is applied”). Thus, although collective membership marks may have some unique characteristics that distinguish them from other types of marks, the fact that they are not actually used by their owners is not among them.

Third, and of compelling significance, claims of ownership in collective marks by individual members are fundamentally irreconcilable with the nature of collective marks. For example, in *Lepage Bakery, Inc. v. Roush Bakery Products Co.*, 851 F.2d 351 (Fed. Cir. 1988), *vacated*, 863 F.2d 43 (Fed. Cir. 1988), the respondent had acquired a registration of a collective mark from an organization of which it was a member. In subsequent litigation involving the registration, the Federal Circuit ordered

the registration cancelled “on the fundamental proposition that a collective mark registration cannot be owned by one who would not be entitled to obtain it under the statute.” *Id.* at 354-55. As the court further explained:

A collective mark is said to be a “trademark or service mark used by members of a cooperative, an association, or other group or organization.” It follows logically that only such an organization as is indicated by the statutory definition can become the owner of a collective mark and as a corollary, only such an organization, after acquiring ownership of use, can obtain a service mark registration.

Id. at 354 (quoting 15 U.S.C. § 1127 (1988 & Supp. V 1993)).²

There is therefore no doctrinal hurdle to ownership of the marks at issue by Sigma Chi Corporation; to the contrary, ownership by the “members” of the fraternity is a legal impossibility. Lack of ownership thus precludes members from enjoying the broad right to license third parties posited by Taylor.

II. SUPREME ASSEMBLY AND THE TEST FOR LIABILITY.

In urging reversal, Taylor relies heavily on *Supreme Assembly, Order of Rainbow for Girls v. J.H. Ray Jewelry Co.*, 676 F.2d 1079 (5th Cir.

²The court vacated its holding on this point only after the respondent submitted evidence that the registration had been reassigned to the original registrant. See *F.R. Lepage Bakery, Inc. v. Roush Bakery Prods. Co.*, 863 F.2d 43 (Fed. Cir. 1988).

1982).³ In *Supreme Assembly*, the District Court found that plaintiffs “had failed to adduce evidence justifying an inference of likelihood of confusion” because there was “no historical custom or practice – either as to fraternal jewelry or Rainbow jewelry – that would provide a reasonable basis for buyers of Rainbow jewelry to assume that such jewelry can only be manufactured with Rainbow’s sponsorship or approval.” 676 F.2d at 1082-83. Quoting from *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.*, 549 F.2d 368, 389 (5th Cir. 1977), the Fifth Circuit thus held that “[o]ur cases demonstrate unbroken insistence upon likelihood of confusion, and by doing so they reject any notion that a trademark is an owner’s ‘property’ to be protected irrespective of its role in the operation of our markets.” *Supreme Assembly*, 676 F.2d at 1085. Both factually and legally, *Supreme Assembly* is a historical anomaly.

First, it is true that for many years, the traffic in trademarks as products themselves, particularly those of fraternal and educational

³ Page 39 of Taylor’s brief mistakenly suggests that *Supreme Assembly* is “controlling authority.” In fact, however, the Fifth Circuit rendered the decision on May 28, 1982, **after** the creation of this Court. *See generally Bonner v. City of Prichard*, 661 F.2d 1206, 1209 (11th Cir. 1981) (adopting decisions of the former Fifth Circuit rendered prior to October 1, 1981).

institutions, was conducted by third parties. *See generally University of Pittsburgh v. Champion Prods., Inc.*, 686 F.2d 1040 (3d Cir. 1982). A third party, indeed, “created and nurtured,” without licenses, the business of imprinting “soft goods” (primarily sweatshirts) with university logos. *Id.* at 1042. Consumers, however, have become increasingly aware of the phenomena of “licensing, franchising, brand extensions, brand leveraging, co-branding, umbrella brands and reach brands,”⁴ and they now “assume that products bearing the mark [, e.g.] of a school or sports team are sponsored or licensed by the school or team.” *University of Ga. Athletic Ass’n v. Laite*, 756 F.2d 1535, 1547 (11th Cir. 1985).

Today, as one consequence, it is a recognized economic fact that a “trademark has a value independent of the good it identifies [and] itself is a good.”⁵ The HARD ROCK CAFÉ and GRATEFUL DEAD marks are

⁴Jerre B. Swann, Sr., *Dilution Redefined for the Year 2000*, 90 TRADEMARK REP. 823, 835 (2000).

⁵William M. Landes & Richard A. Posner, *The Economics of Trademark Law*, 78 TRADEMARK REP. 267, 283 n.32 (1988).

bought to commemorate or reinforce an event.⁶ The BUDWEISER and HARLEY DAVIDSON marks are bought to express identification with a product or a lifestyle.⁷ Every major college and university in the nation sells its marks to alumni “desir[ing] to identify with” an institution.⁸ For hundreds of years, “fraternal, religious and service organizations [have] help[ed] people define who they are and[, largely through their symbols,] then help[ed] them communicate that definition to others.”⁹

Under such circumstances, courts now appreciate that “the trademark laws are designed not only to prevent consumer confusion but also to protect ‘the synonymous right of a trademark owner to control his product’s reputation.’” *Dallas Cowboys Cheerleaders, Inc. v. Pussycat Cinema, Ltd.*,

⁶See, e.g., James C. Makins & John T. Bowen, *Increasing Restaurant Profits with Product Merchandising*, 37 CORNELL HOTEL & RESTAURANT ADMIN. Q. 72 (1996).

⁷Jerre B. Swann, Sr., David A. Aaker & Matt Reback, *Trademarks and Marketing*, 91 TRADEMARK REP. 789, 802-03 (2001).

⁸*University of Pittsburgh v. Champion Prods. Inc.*, 686 F.2d 1040, 1047 (3d Cir. 1982).

⁹KEVIN LANE KELLER, *STRATEGIC BRAND MANAGEMENT: BUILDING, MEASURING, AND MANAGING BRAND EQUITY* 8 (1998).

604 F.2d 200, 205 (2d Cir. 1979). With respect, indeed, to goods that are bought to make a statement about their owner,¹⁰ Judge Learned Hand's classic formulation is particularly apt:

[An owner's] mark is his authentic seal; by it he vouches for the goods which bear it; it carries his name for good or ill. If another uses it, he borrows the owner's reputation, whose quality no longer lies within his own control. This is an injury, even though the borrower does not tarnish it, or divert any sales by its use; for a reputation, like a face, is the symbol of its possessor and creator, and another can use it only as a mask.

Yale Electric Corp. v. Robertson, 26 F.2d 972, 974 (2d Cir. 1928).

“[P]erceived quality and brand associations [generated by a mark] can enhance customers' satisfaction with the use experience,”¹¹ and the commercial appeal of a brand should not become the “hostage” of a third party.

Moreover, it is apparent that the demand for Sigma Chi designs “is a direct result of [its] efforts to make its name widely known.” *See University of Pittsburgh v. Champion Prods.*, 686 F.2d at 1047. The “trademark, originated by [Sigma Chi], is the triggering mechanism for [its] sale,” *see Boston Prof. Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d

¹⁰*See, e.g., Hermes Int'l v. Lederer de Paris Fifth Avenue, Inc.*, 219 F.3d 104, 108 (2d Cir. 2000); *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-LeCoultre Watches, Inc.*, 221 F.2d 464, 466 (2d Cir. 1955).

¹¹DAVID A. AAKER, *MANAGING BRAND EQUITY* 16 (1991).

1004, 1012 (5th Cir. 1975), and in a classic example of free riding, defendants endeavor “to reap where [they have] not sown”¹² – they “seek[] to profit from [plaintiff’s] investment.”¹³

It is now generally appreciated, however, that “[n]o social purpose is served by having the defendant get free some aspect of the plaintiff that would have market value and for which he would normally pay.” *Winterland Concessions Co. v. Sileo*, 528 F. Supp. 1201, 1213 (N.D. Ill. 1981) (quoting *Zacchini v. Scripps-Howard Broadcasting Co.*, 433 U.S. 562, 576 (1977)). Under general principles of unfair competition, courts thus routinely reject efforts “to capitalize on the good will created by the tremendous expenditure in advertising [and effort] by [a] plaintiff.” *Chemical Corp. of Am. v. Anheuser-Busch, Inc.*, 306 F.2d 433, 437 (5th Cir. 1962).¹⁴

¹²*Int’l News Serv. v. Assoc. Press*, 248 U.S. 215, 239-40 (1918).

¹³*University of Pittsburgh v. Champion Prods.*, 686 F.2d at 1047.

¹⁴*See also University of Ga. v. Laite*, 756 F.2d at 1545-46 (“Battlin’ Bulldog Beer” sold “not because the beer tastes great, but because the cans would catch the attention of University of Georgia football fans.”); *Boston Athletic Ass’n v. Sullivan*, 867 F.2d 22, 35 (1st Cir. 1989) (“[D]efendants intentionally referred to the Boston Marathon ... in order to create an

Finally, Taylor mistakenly asserts throughout its brief that confusion is actionable only if it occurs at the point of sale, *i.e.*, only if members of Sigma Chi fraternity believe that Taylor’s merchandise is authorized by the fraternity. This argument is without merit under both the common law and the Lanham Act.

As to the former, unfair competition law long has afforded relief if confusion is likely after sales have occurred, even if point-of-sale confusion is unlikely because of labeling or other factors. For example, nearly half a century ago, the Second Circuit addressed a junior user’s imitation of a senior’s user’s clock in *Mastercrafters Clock & Clock Radio Co. v. Vacheron & Constantin-LeCoultre Watches, Inc.*, 221 F.2d 464 (2d Cir. 1955) (L. Hand, J.). Upholding a finding of liability notwithstanding an absence of confusion among actual purchasers, the court explained that “at least some customers would buy [the junior user’s] cheaper clock for the purpose of acquiring the prestige gained by displaying what many visitors at the customers’ homes would regard as a prestigious article.” *Id.* at 466.

identification with the event and, thus, to sell their shirts.”); *Rolls-Royce Motors Ltd. v. A&A Fiberglass, Inc.*, 428 F. Supp. 689, 695 (N.D. Ga. 1976) (“It is enough that the motivating reason behind the purchase of ... is the association with the trademark owner.”).

As to section 32 of the Lanham Act, 15 U.S.C. § 1114 (1994), which creates the cause of action against the infringement of federally registered marks asserted by Sigma Chi here, a plaintiff

need not prove confusion on the part of actual consumers. Prior to 1962, § 32(1) of the Lanham Act required confusion, mistake or deception by “purchasers as to the source or origin of such goods or services.” In 1962, the quoted words were deleted, specifically to allow any kind of confusion in support of a trademark infringement action.

Marathon Mfg. Co. v. Enerlite Prods. Corp., 767 F.2d 214, 221 (5th Cir. 1985) (citations omitted); *see also Rolls-Royce Motors, Ltd. v. A & A Fiberglass, Inc.*, 428 F. Supp. 689, 694 n.10 (N.D. Ga. 1977). Not surprisingly, therefore, this Court often has upheld findings of liability based on actual confusion among noncustomers. *See, e.g., John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 978-79 (11th Cir. 1983) (confusion among bank customer service representatives probative of liability despite fact that “neither instance indicated that bank customers, the ultimate consumers, were confused”); *see also Alliance Metals, Inc. v. Hinely Indus.*, 222 F.3d 895, 908 (11th Cir. 2000) (confusion among parties’ vendors and creditors); *Conagra, Inc. v. Singleton*, 743 F.2d 1508, 1515 n.10 (11th Cir. 1984) (confusion among prospective employees); *Jellibeans, Inc. v. Skating Clubs*, 716 F.2d 833, 843-44 (11th Cir. 1983) (confusion among plaintiff’s

investors); *Safeway Stores, Inc. v. Safeway Discount Drugs, Inc.*, 675 F.2d 1160, 1167 (11th Cir. 1982) (confusion among defendant's creditors).

In particular, “an action for . . . infringement may be based on confusion of consumers other than direct purchasers, including observers of an allegedly infringing product in use by a direct purchaser.” *Insty*Bit, Inc. v. Poly-Tech Indus.*, 95 F.3d 663, 671 (8th Cir. 1996); accord *Academy of Motion Picture Arts & Sciences v. Creative House Promotions, Inc.*, 944 F.2d 1446, 1455 (9th Cir. 1991). Moreover, the risk of post-sale confusion may be particularly significant if consumers' first exposure to the parties' products occurs after the parties' products are removed from their packaging. See *Insty*Bit*, 95 F.3d at 671. Thus, liability under the infringement and related causes of action asserted by Sigma Chi in this case may indeed be based on likely confusion among members of the public who merely encounter Taylor's products in the post-sale context, even if confusion among purchasers is precluded. See, e.g., *Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872 (2d Cir. 1986); *Rolls-Royce Motors*, 428 F. Supp. at 694 n.10. Indeed, the post sale confusion doctrine is particularly compelling in the collective mark context. *In re Code Consultants Inc.*, 60 U.S.P.Q.2d 1699, 1700-01 (T.T.A.B. 2001).

There is therefore no reason for the District Court to have departed from an application of the standard test for infringement. The District Court's finding of likely confusion is supported by evidence of intent and the identity of the marks and products at issue. *See Wynn Oil Co. v. Thomas*, 839 F.2d 1183, 1191 (6th Cir. 1988) (cases involving identical marks and goods typically are “‘open and shut’ and do not involve protracted litigation to determine liability”). The general principles enunciated in *University of Georgia v. Laite* are controlling, and the decision in *Supreme Assembly* should finally be laid to rest.

CONCLUSION

The ultimate resolution of the infringement claims in this case turns on factual issues on which INTA takes no position. The legal doctrine governing the resolution of those issues, however, is well-settled and requires no modification because of the happenstance that a collective membership mark is involved. Accordingly, INTA urges the Court to uphold the principles of unfair competition law applied by the District Court.

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CERTIFICATE OF COMPLIANCE

Pursuant to Rule 32(a)(7) of the Federal Rules of Appellate Procedure, this certifies that the relevant portions of this brief contain 3,303 words as determined by the word processing system used to generate the brief.

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