

Charting a course to success in reverse confusion claims and fair-use defences

The recent *Marketquest* decision offers important insight into reverse confusion claims, providing a road map for using a senior user’s mark comprising descriptive terms to market a junior user’s product

Last year’s decision by the Ninth Circuit Court of Appeals in *Marketquest Group, Inc v BIC USA, Inc* was significant in several respects. First, in a case of first impression, the court held that a senior but lesser-known trademark owner can proceed with a trademark infringement claim under the theory of reverse confusion even if the theory is not expressly pled, provided that sufficient facts are alleged that render reverse confusion plausible. Second, it articulated useful standards for determining the intent of an alleged infringer in a reverse confusion case, as well as a fair-use defence. Third, it set out useful steps that can be taken to make fair use of another’s mark and potentially avoid unnecessary litigation.

The longstanding case was brought by Marketquest Group, Inc – which produces and sells promotional

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products – for the unauthorised use of its registered trademarks ALL-IN-ONE and THE WRITE CHOICE (see Figure 1), which it registered for use with a variety of products, including pens (see Figure 2).

One of Marketquest’s competitors in the promotional products market is Norwood Promotional Products LLC. For a number of years, Norwood published catalogues for a variety of products, including pens, under the

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registered trademark NORWOOD. In 2009 BIC Corp and BIC USA, Inc acquired Norwood and in 2010 published a consolidated catalogue, which featured the phrase “all in one” on both the cover of and inside the catalogue (see Figure 3). The catalogue was distributed as the Norwood All in One catalogue and consolidated all of the available products.

In 2010, to herald its 30th anniversary, BIC used the phrase “The WRITE Pen Choice for 30 Years” in the advertising and packaging of its pens. Marketquest, the prior and therefore senior user of the marks ALL-IN-ONE and THE WRITE CHOICE, objected. BIC, the larger and better-known user of the marks, refused to cease use of the marks, arguing that it was making a permissible, fair use of the terms in order to describe its catalogue and products.

As a result, Marketquest sued BIC for trademark infringement, alleging that BIC’s use of the phrases “all in one” and “the write pen choice” was likely to cause its customers to believe, incorrectly, that there is some affiliation, connection or association between Marketquest and BIC. In its defence, BIC asserted that its use of the phrases was permissible under the fair-use doctrine (15 USC §1115). Early on, Marketquest moved for a preliminary injunction, which the district court

denied after concluding that it was unlikely to succeed on the merits because BIC was likely to succeed in its fair-use defence. Extensive discovery ensued, after which the parties filed cross-motions for summary judgment. The district court granted summary judgment for BIC, holding that while there was “some likelihood of confusion and therefore the potential for trademark infringement liability”, the fair-use doctrine provided BIC with a complete defence to allegations of infringement of both the ALL-IN-ONE and THE WRITE CHOICE marks. Marketquest appealed.

“Reverse confusion is not a separate claim that must be specifically pleaded. Rather, it is a theory of likely confusion that may be pursued by itself or in addition to forward confusion

The Ninth Circuit reversed the summary judgment and remanded the case for further proceedings. It began its analysis by observing that it had “not previously addressed the pleading standard required to state a cause of action for trademark infringement under a reverse confusion theory”. To address this issue, the court first distinguished between traditional, forward confusion and reverse confusion. ‘Forward’ confusion occurs when consumers believe that a junior user’s goods come from or are sponsored by the senior user. For example, the court explained that “consumers would experience forward confusion if they believed that BIC’s 2011 catalogue came from Marketquest because it featured the phrase ‘All-in-One’”. On the other hand, ‘reverse’ confusion occurs when consumers encountering the senior user’s goods believe that they are doing business with the junior user. In that case, “consumers would experience reverse confusion if they did business with Marketquest, but believed that they were doing business with BIC, because they had come to associate the words ‘All-in-One’ with BIC. Marketquest argued that the confusion that was likely to result from BIC’s use of Marketquest’s marks was reverse confusion, namely that its customers would mistakenly think they were doing business with [BIC]”. However, in its complaint, Marketquest merely alleged confusion; it did not expressly allege reverse confusion. Thus, the question for the court was whether Marketquest adequately pled reverse confusion.

Considering the matter, the court held that reverse confusion is not a separate claim that must be pleaded specifically. Rather, it is a theory of likely confusion that may be pursued by itself or in addition to forward confusion. It distinguished prior precedent, which dismissed claims for reverse confusion on the basis that in the prior precedent the theory of reverse confusion was neither specifically pled nor was it plausible based upon the alleged facts. However, in *Marketquest*, reverse confusion was clearly plausible. Indeed, the court noted

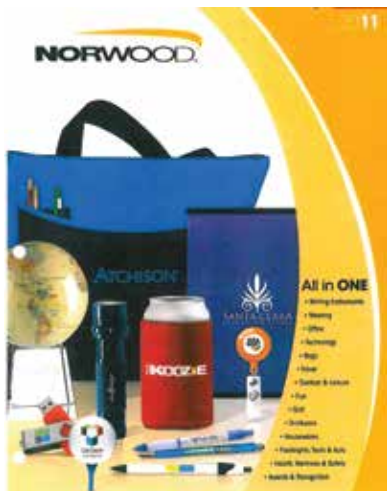
FIGURE 1: Marketquest’s ALL-IN-ONE and THE WRITE CHOICE trademarks



FIGURE 2: Use of Marketquest’s marks on pens



FIGURE 3: Norwood catalogue displaying ‘all in one’ phrase



that “BIC is clearly the larger, more widely-known entity, and has acquired some smaller promotional products companies, such as Norwood. It is therefore plausible that consumers would associate Marketquest’s marks with BIC, or think that BIC had acquired Marketquest. Thus, Marketquest’s general allegation that there was confusion as to whether there is some affiliation, connection, or association among the parties fairly encompasses this possibility”.

Accordingly, the Ninth Circuit held that Marketquest could maintain its trademark infringement claim based on the theory of reverse confusion. This holding has since been followed by the Northern District Court of California in *Rise Baseball Skill Development, LLC v K-Mart Corporation* (2017 US Dist LEXIS 179695; 2017 WL 4865561, *8; October 27 2017 – holding that the theory of reverse confusion may not be pursued where it was not specifically pled and, under the facts of the case, there was “no plausible reason to think that such evidence exists”).

The Ninth Circuit next took up the likelihood of confusion analysis – specifically, the question of intent as a factor to consider when assessing the likelihood of confusion under the traditional multifactor analysis required by *AMF Inc v Sleekcraft Boats*. In a traditional, forward confusion trademark infringement analysis, the intent factor favours a finding of infringement if it can be said that the defendant adopted its mark with the intent of capitalising on the plaintiff’s goodwill. However, “the tenor of the intent inquiry shifts when considering reverse confusion due to the shift in the theory of confusion”. In such cases, “no specific type of evidence is necessary to establish intent, and the importance of the intent and evidence presented will vary by case”. In essence, in reverse confusion cases, the relevant intent of the junior user is more varied and can be measured by degree. “One extreme” is demonstrated where it can be shown that the larger, better-known but junior user “deliberately intended to push” a senior user out of the market “by flooding the market with advertising to create reverse confusion”. However, less extreme manifestations of the junior user’s intent still weigh in favour of a finding of infringement. These include that the defendant:

- knew of the senior user’s mark;
- should have known of the mark;
- intended to copy the senior user;
- failed to conduct a reasonably adequate trademark search; or
- otherwise culpably disregarded the risk of reverse confusion.

With this distinction guiding the court’s analysis, it examined the dispositive issue of whether BIC’s uses of the marks were permissible and fair. To prevail in its fair-use defence on summary judgment, the court noted that BIC was required to establish that there was no genuine issue of fact regarding each of the elements of fair use – namely, that BIC used the marks other than as trademarks to describe its goods and in good faith.

To determine whether a term is being used other than as a trademark, the court “must look for indications that the term is being used to associate it with a

manufacturer” and “whether the term is used as a symbol to attract public attention”. It must also consider whether the accused infringer “undertook precautionary measures” to avoid the term being perceived by consumers as a trademark. As the court explained, there is some flexibility in what counts as ‘descriptive’. “The scope of the fair use defense varies with... the descriptive purity of the defendant’s use and whether there are other words available to do the describing.” Even when there is “some evidence of descriptive use, a jury could still reasonably conclude that a defendant’s lack of ‘precautionary measures’ outweighs such evidence”.



Where a senior user is the smaller, lesser-known user of the marks at issue, care should be taken to plead with specificity any available facts to support a theory of reverse confusion

Reviewing the record before it, the court found that BIC did take precautionary measures with respect to the Norwood All In One catalogue cover. Specifically, the NORWOOD mark was printed at the top in large, bold, capital letters with a trademark symbol. The phrase “all in one” was located further down on the page, in smaller letters, without a trademark symbol and positioned as a heading over a list of all the products consolidated “in one” catalogue. The court found that these facts suggest that BIC used the mark NORWOOD, rather than the term “all in one”, to indicate the source of the goods and thus used the term “other than as a trademark” on the cover.

However, the Ninth Circuit noted that the district court was required to review all of the purportedly fair uses of the marks by BIC “since the fair use analysis often varies when a defendant uses the same mark in different ways”. Here, BIC used the marks in several other ways. It distributed promotional materials that featured an image of the 2011 catalogue, as well as other promotional materials that directed customers to look for products or information in “the 2011 Norwood All in ONE catalogue”. It also ran an online advertisement that said “Put Your Drinkware Needs... in a Norwood ALL in ONE Basket”, which included a photo of a basket containing several different types of drinkware.

The court noted that no precautionary measures were taken with these other uses of “all in one”, which were arguably not descriptive. While BIC’s use of “all in one” as a heading on the 2011 catalogue “strongly indicates descriptive use, such use is not apparent in decontextualized references to ‘the 2011 Norwood All in ONE catalogue’”. Additionally, the court found that the phrase “Put Your Drinkware Needs... in a Norwood ALL in ONE Basket” is not a descriptive use because it does not refer to the consolidated catalogue and uses “all in one” in a manner that stripped it of the descriptive meaning given to it in BIC’s fair-use

argument. Moreover, “a finder of fact could determine that BIC could have used a number of alternative words or phrases”, which would limit the scope of the fair-use defence available to BIC. Because these materials lacked precautionary measures and were not considered by the district court, the Ninth Circuit found that an issue of fact remained regarding whether BIC used the marks as “other than as a trademark”, which precluded summary judgment.

As noted, a defendant asserting fair use must also show that it used the mark in good faith. However, the good-faith inquiry differs somewhat from the *Sleekcraft* intent-factor analysis. In the fair-use defence, good faith is an element of the defence, not merely a factor to consider when it is relevant in a given case. However, the court noted that, as with intent in the *Sleekcraft* analysis, there is no bright-line rule or required piece of evidence to establish good or bad faith and the shift in tenor discussed above applies. Thus, generally the same type of evidence is relevant when examining the intent of the purported fair user and includes whether the defendant:

- intended to create confusion (forward or reverse);
- intended to push the senior user out of the market;
- remained intentionally ignorant of the plaintiff’s mark when it reasonably should have known of it;
- knew of the mark and showed bad faith in its disregard of the plaintiff’s rights; or
- evidenced any other indicia of an “objectively fair” use of the mark.

Marketquest argued that because this case was one of reverse confusion, mere knowledge of Marketquest’s ownership and use of the ALL IN ONE mark was sufficient to establish BIC’s bad faith and rendered the fair-use defence unavailable to it as a matter of law.

The Ninth Circuit disagreed. An inference of bad faith does not arise, it held, from the mere knowledge of a mark when the use is otherwise objectively fair, even in a case presenting reverse confusion. Marketquest also argued that BIC’s use of two of its marks in the same year supported an inference of bad faith. However, the court found this fact, by itself or coupled with Marketquest’s knowledge of the marks, to be “thin evidence of bad faith”. Ultimately, the court found that there was a question of fact concerning whether BIC’s bad faith could be inferred from the facts, which also precluded summary judgment.

The Ninth Circuit’s careful breakdown and analysis of the record before it yields several significant insights with respect to pleading claims for trademark infringement under the theory of reverse confusion and defending trademark infringement claims under the fair-use doctrine.

First, while the court’s opinion makes it clear that it is unnecessary to expressly plead that a claim of trademark infringement is based on the theory of reverse confusion, it illustrates the expediency of doing so. Certainly, allegations of forward and reverse confusion can be pled concurrently as separate allegations or even counts. More importantly, where a senior user is the smaller, lesser-known user of the marks at issue, care should be taken to plead with specificity any available facts to support a theory of reverse confusion. In *Marketquest*,

it was sufficient for Marketquest to plead that BIC was the larger, better known of the two companies and had a history of acquiring smaller companies. Thus, it was plausible that a prospective consumer might believe that Marketquest had been acquired by or was somehow otherwise affiliated with BIC. Other facts that should be pled, if available, include that the junior user:

- has a history of engaging in prior acts of infringement;
- has a history of expanding, or the intent and means to expand, into new or distinct product lines;
- was aware or should have been aware of the senior user’s rights; or
- has saturated the market with its advertising or engaged in ambush or some form of questionable marketing.

Accordingly, such a pleading would require some careful, pre-filing investigation that might not be necessary in a forward confusion case.

Second, in both stating a case and proceeding with discovery in reverse confusion cases, consideration should be given to the different ways of establishing intent as an indicia of a likelihood of confusion. Thus, rather than considering only whether the junior user acted with an intent to trade upon the senior user’s market or goodwill, discovery into the amount, degree and nature of the defendant’s marketing, knowledge of the market and its participants, and the market saturation of the allegedly infringing product should be pursued and developed. This includes identifying changes in annual marketing expenditures, the use of new marketing avenues and the benchmarking of competitors’ activities, as these may also indicate the junior user’s ill intent, which would weigh in favour of a finding for infringement in the reverse confusion case.

Finally, and perhaps most helpful, *Marketquest* provides a road map for using a senior user’s mark comprising descriptive terms to market a junior user’s product. In short, although every trademark owner takes its rights subject to the fair descriptive use by others of the terms comprising the mark, junior users should avoid simply adopting a descriptive use of a senior user’s terms in a perfunctory fashion. Care should be taken throughout all promotional materials to avoid using the terms “as a trademark”, but rather to use them in an objectively fair manner. Such measures include the prominent use of another distinctive or well-known trademark or house mark primarily to identify the associated products. They also include using other available descriptive terms interchangeably with the terms found in the senior user’s mark. More importantly, they include a broad and consistent consideration of all promotional materials, not just the cover of a catalogue or brochure, the landing page of a website or the outer packaging of a product. Taking one or more of these precautionary measures should significantly increase the likelihood that use of descriptive terms found in another’s mark will be found to be a permissible, fair use. **WTR**



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