

YOUR SKILLS

Your Skills:
Surveys prove a boon for
trademark suits

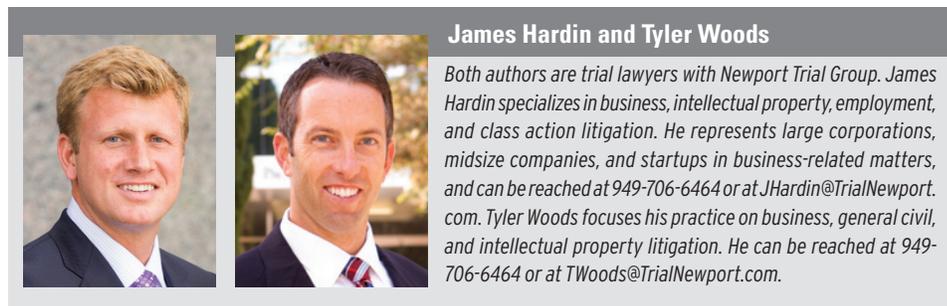
Surveys can boost trademark suits

In most trademark cases, questions of liability, and to a lesser extent damages, hinge on consumer perceptions regarding the trademarks or trade dresses at issue. Often, the most effective way to probe and prove the relevant consumer perceptions is with a well-designed survey. While surveys have drawbacks—including being costly, manipulable, complex and unpredictable—they have become almost essential in addressing certain trademark law issues, such as likelihood of confusion, secondary meaning, genericness and dilution.

The study of consumer behavior is a complex area. Legal treatises present elaborate guidelines on survey design, population definition, interview techniques and survey question structure. Litigators often rely heavily on survey experts to analyze and explain the issues and pitfalls particular to each case. However, to effectively communicate with one's survey expert and analyze survey-related issues, it is critical to understand the basic terms and concepts.

GENERAL PRINCIPLES

As attorneys learn in law school, issues can be proven by direct or circumstantial evidence. In trademark cases, circumstantial evidence regarding consumer perception, such as sales revenues or advertising expenses, is usually of limited value when compared with direct evidence on key trademark issues like actual consumer confusion. While testi-

**James Hardin and Tyler Woods**

Both authors are trial lawyers with Newport Trial Group. James Hardin specializes in business, intellectual property, employment, and class action litigation. He represents large corporations, midsize companies, and startups in business-related matters, and can be reached at 949-706-6464 or at JHardin@TrialNewport.com. Tyler Woods focuses his practice on business, general civil, and intellectual property litigation. He can be reached at 949-706-6464 or at TWoods@TrialNewport.com.

mony from actual consumers can be compelling, it is often hard to obtain, including the inherent difficulty in finding bona fide “confused” consumers willing to appear at trial without compensation, and the fact that a confused person does not necessarily realize his own confusion. Accordingly, the primary source of direct evidence in trademark cases will often be consumer surveys.

The first step in any survey is to determine the subset of the overall population whose perceptions are relevant to the legal issues. The validity and probative value of a survey derives in part from the extent to which it fairly and accurately represents the relevant universe of consumers.

Probability samples involve randomly selecting a sample of people from the universe. From there, the results can be statistically projected to apply to the entire universe according to a known degree of error. The most common type of probability sample in trademark cases is a telephone survey, in which telephone numbers within a geographic area are randomly selected. But probability surveys have become disfavored because they are difficult

to implement and expensive. With the ascendance of mobile phones and caller identification, along with changes in dinnertime habits and views toward cold callers, the response rate has decreased markedly.

By contrast, non-probability surveys do not attempt to sample a statistically significant number of participants. Instead, they approximate the relevant universe by narrowing the population in various ways, such as by geography (New England), demographics (males ages 18-50), socio-economics (income above \$100,000), or commercial channels (wholesale versus retail consumers).

The most common non-probability survey in trademark cases is a “mall-intercept survey.” These are usually conducted at multiple malls throughout the country. Generally, the interviewer “intercepts” mall patrons who appear to meet the defined criteria (gender, age), and takes them to a special area where they are asked a series of questions (and often shown images or exemplars of the products in question). Or in a “central location survey,” the market research company interviews people at one location, such

as the party-litigant's business.

Finally, Internet-based surveys are becoming more common. Types of Internet surveys have been accepted by some courts without questioning the media used. But the format has potential and oft-cited drawbacks, such as arguably attracting "professional survey takers," allowing participants to more easily misstate characteristics such as age or gender and the belief that online participants may not type in as complete an answer as someone responding telephonically or face-to-face.

LIKELIHOOD OF CONFUSION

One issue that is in almost every trademark action is whether there is a likelihood of confusion between the two subject marks. On this question, there are three basic types of mall-intercept formats used: (1) the *Eveready* format; (2) the *Exxon* format; and (3) the *Squirt* format, established in the seminal *Union Carbide Corp. v. Ever-Ready Inc.*, 392 F.Supp. 280 (7th Cir. 1976); *Exxon Corp. v. Texas Motor Exchange of Houston Inc.*, 628 F.2d 500 (5th Cir. 1980); and *Squirtco v. Seven-Up Co.*, 628 F.2d 1086 (8th Cir. 1980).

The *Eveready* format has been called the "gold standard" for confusion surveys in cases involving strong marks—when the senior mark is readily accessible in memory such that it will be cognitively triggered by the reference or depiction of a junior user's mark.

In a standard *Eveready* format, a survey participant is shown an image of the defendant's branded product, then asked variants of three basic questions: (1) Who do you think makes this brand? (2) What makes you think so? (3) Can you name any other products made by this brand? Responses that include the name of the senior product constitute evidence of likelihood of confusion. The senior mark is not specifically identified or referenced in the survey.

The *Exxon* format is similar to the *Eveready* format in that respondents are shown only the junior mark and asked, in essence, what is the first thing that comes to mind. If the respondent does not answer with a specific

company, they are asked, "What company comes to mind?" And a follow-up question: "What was there about the mark that made you say that?" If the senior mark is mentioned, that is deemed evidence of confusion.

The *Squirt* format has become widely accepted for cases where the senior mark is not strong, when the accessibility of the senior mark in consumers' memory is so low that it must be specifically referenced in the survey. Respondents view both the junior and senior marks simultaneously, and are asked if the marks are produced by the same company or different companies. In a variant, respondents are shown a lineup of marks that includes the junior and senior marks among others, and are then asked if two or more are from the same company.

While popular, various courts and commentators have criticized the *Squirt* survey as leading. Regardless, the *Squirt* format is widely used because many trademark disputes involve marks that are not famous or strong, and thus not amenable to the *Eveready* format.

SECONDARY MEANING

The Ninth Circuit has, in *Levi Strauss & Co. v. Blue Bell Inc.*, 778 F.2d 1352 (1985), described secondary meaning as "the mental association by a substantial segment of consumers and potential consumers 'between the alleged mark and a single source of the product.'" Secondary meaning allows a mark that is not "inherently distinctive" to become "distinctive" when it is shown that the primary significance of the mark in the consuming public's mind is as the source of the goods or services. For example, a descriptive term like "tasty food" would not normally be viewed as a trademark. But if a particular company established a restaurant chain with the "Tasty Food" name, such that many or most consumers understood that term to refer to this restaurant chain, it would have acquired secondary meaning.

Although secondary meaning can be proven by evidence of consumer testimony; exclusivity, length and manner of use; amount

of sales; and position in the marketplace, courts have been consistently receptive to surveys regarding secondary meaning.

A survey designed to test for secondary meaning should measure the degree to which consumers associate certain words, symbols, colors, designs or goods as emanating from a single source. This requires two basic steps: a technique to isolate the mark or dress at issue, and a series of questions designed to probe the level of association. To prove secondary meaning, courts have accepted various survey formats, generally critiqued on the degree to which they are consistent with sound survey principles.

GENERICNESS

A generic term or dress is not protectable. The two most commonly used survey formats that have been approved by courts for testing genericness are the *Thermos* model and the *Teflon* model.

In the *Thermos* model, respondents are asked a series of questions to determine how they would ask for the product if they walked into a store. The survey in *American Thermos Products Co. v. Aladdin Indus. Inc.*, 207 F.Supp. 9 (D. Conn. 1962), essentially asked respondents "what would they ask for" in speaking to a store clerk if they wanted a container "that is used to keep liquids, like soup, coffee, tea and lemonade, hot or cold for a period of time." Because 75 percent of the respondents said "Thermos," this was used to prove that the term is generic.

One noted problem with this survey is that for very strong trademarks, it confounds those who use the term generically and those who would simply want the leading brand. For instance, if someone said they would ask for "a Coke," that could mean they were using the term generically for cola. Or the speaker could be using "Coke" in the trademark sense to indicate that "Coke" is their preferred brand of cola.

In the *Teflon* model, the survey contains a brief discussion of the distinction between a protectable trademark and a generic term, then asks the respondents

whether they consider various terms to be “a brand theme or a common name.” In the Teflon case itself, *E.I. DuPont de Nemours and Co. v. Yoshida International Inc.*, 393 F.Supp. 502 (E.D.N.Y. 1975), the fact that approximately 68 percent of the respondents said the term “Teflon” was a brand name rather than a common name was admitted as a basis for the court’s finding that the term was not generic.

DILUTION

The crux of a dilution theory is that the defendant’s junior mark threatens to dilute the distinctiveness, or tarnish the reputation, of the plaintiff’s “famous” mark.

A dilution cause of action was first recognized by federal law in 1996, and then modified into its current form in 2006. There is still significant debate and confusion among courts and commentators regarding the meaning of dilution, and how or whether it can be proven.

Perhaps because of this confusion, various types of surveys have been proffered regarding aspects of dilution—fame, association, blurring, tarnishment—but none have been widely validated or accepted. For example, in *Starbucks Corp. v. Wolfe’s Borough Coffee Inc.*, 559 F.Supp.2d 472 (S.D.N.Y. 2008), Starbucks’ survey—which indicated that “39.5 percent of people associate the [allegedly diluting] term ‘Charbucks’ with ‘Starbucks’ or ‘coffee’” and 45.3 percent indicated they would have a “negative” impression of coffee called “Charbucks”—was found to be insufficient to establish tarnishment of the Starbucks mark.

Accordingly, in this unsettled area, a practitioner considering whether to commission a dilution survey should, at a minimum, understand which elements of the dilution claims are amenable to survey evidence and ensure the survey language, and the overall focus of the survey, tracks the language and spirit of the dilution statutory language.

ISSUES IN EVALUATING SURVEYS

The majority approach is to admit a sur-

vey into evidence and take account of its defects by giving it reduced weight, rather than excluding it altogether.

Still, significant attention should be paid to ensure that the survey is done fairly and consistent with applicable methodological and legal requirements. As noted in *Consumers Union of U.S. Inc. v. New Regina Corp.*, 664 F.Supp. 753 (S.D.N.Y. 1987):

“The trustworthiness of surveys has been said to depend upon foundation evidence that (1) the ‘universe’ was properly defined, (2) a representative sample of the 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.”

Accordingly, as part of your decision to use a survey in a trademark case, you should consider—in coordination with your survey expert(s)—at least the following fundamental issues:

- **Survey expert:** Does your survey expert have a sufficiently relevant and rigorous educational and professional background? Is he technically astute enough to design, execute, explain and defend—in deposition and at trial—the survey he designed? Has he done the same or similar types of surveys before and what were the results?

- **Universe:** What is the appropriate universe for the survey, based on the relevant customers and markets for the products? What is the geographic scope of the appropriate universe? Has the universe been chosen in a way that could bias the results in favor of either party?

- **Sample:** Has a proper and representative sample been selected? Is the sample large enough? Is it sufficiently diverse and representative geographically, demographically and socioeconomically?

- **Controls:** Does the survey design and use proper control questions, or control groups, to eliminate background noise or confusion?

- **Interview procedures:** Is the survey designed in a way to approximate market conditions? Are the products or images presented to the survey participants in a way that’s consistent with how consumers actually encounter the relevant products in the marketplace (in the same stores or side-by-side)? Were the interviewers properly instructed and trained on their assignment? Do the interviewers have knowledge of the litigation or the overall purpose of the survey?

- **Data reporting:** Were the survey results verified by the survey expert, or by others at his direction, to ensure accurate reporting of the data? Was data recorded by the survey questionnaires in a manner that appears to be complete, legible, reliable, and consistent with the overall findings?

- **Data analysis:** Was the data analyzed in accordance with accepted statistical principles?

- **Objectivity:** The hallmark of a good survey is that it was designed and administered objectively. Are there indicia that the survey design, questions or execution were biased in any way? Are images of the products presented in a way that is leading? Are the survey questions leading or biased in any way?