

**Reconsideration Request  
DERCars, LLC**

**Annex J**

Case C-251/95, *Sabel v. Puma*, 1997 ECR I-6191



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Cite as: [1998] 1 CMLR 445, [1998] RPC 199, [1997] EUECJ C-251/95, [1998] CEC 315, [1997] ECR I-6191, [1998] ETMR 1

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## JUDGMENT OF THE COURT

11 November 1997(1)

(Directive 89/104/EEC - Approximation of laws relating to trade marks - 'Likelihood of confusion which includes the likelihood of association')

In Case C-251/95,

REFERENCE to the Court under Article 177 of the EC Treaty by the Bundesgerichtshof for a preliminary ruling in the proceedings pending before that court between

**SABEL BV**

and

**Puma AG, Rudolf Dassler Sport**

on the interpretation of Article 4(1)(b) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p.1),

THE COURT,

composed of: G.C. Rodríguez Iglesias, President, C. Gulmann (Rapporteur), H. Ragnemalm and M. Wathelet, (Presidents of Chambers), G.F. Mancini, J.C. Moitinho de Almeida, P.J.G. Kapteyn, J.L. Murray, D.A.O. Edward, J.-P. Puissochet, G. Hirsch, P. Jann and L. Sevón, Judges,

Advocate General: F.G. Jacobs,

Registrar: H.A. Rühl, Principal Administrator,

after considering the written observations submitted on behalf of:

- Puma AG, Rudolf Dassler Sport, by W. Hufnagel, Patentanwalt,
- the French Government, by C. de Salins, Deputy Director in the Legal Affairs Department of the Ministry of Foreign Affairs, and P. Martinet, Secretary for Foreign Affairs in that Ministry, acting as Agents,
- the Netherlands Government, by A. Bos, Legal Adviser in the Ministry of Foreign Affairs, acting as Agent,
- the United Kingdom Government, by L. Nicoll, of the Treasury Solicitor's Department, acting as Agent, assisted by M. Silverleaf, Barrister,
- the Commission of the European Communities, by J. Grunwald, Legal Adviser, and B.J. Drijber, of its Legal Service, acting as Agents,

having regard to the Report for the Hearing,

after hearing the oral observations of SABEL BV, represented by R.E.P. de Ranitz, of The Hague Bar; of the Belgian Government, represented by A. Braun, of the Brussels Bar; of the French Government, represented by P. Martinet; of the Luxembourg Government, represented by N. Decker, of the Luxembourg Bar; of the United Kingdom Government, represented by L. Nicoll, assisted by M. Silverleaf; and of the Commission, represented by J. Grunwald, at the hearing on 28 January 1997,

after hearing the Opinion of the Advocate General at the sitting on 29 April 1997,

gives the following

### Judgment

1. By order of 29 June 1995, received at the Court on 20 July 1995, the Bundesgerichtshof (Federal Court of Justice) referred to the Court for a preliminary ruling under Article 177 of the EC Treaty a question on the interpretation of Article 4(1)(b) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks (OJ 1989 L 40, p. 1, hereinafter 'the Directive').
2. That question was raised in proceedings between the Dutch company SABEL BV (hereinafter 'SABEL') and the German company Puma AG, Rudolf Dassler Sport (hereinafter 'Puma') concerning an application to register the IR mark 540 894, depicted below,

Figure

Image file SABEL.WPG with height " and width "

in Germany, *inter alia* for goods in classes 18 'Leather and imitation leather, products made therefrom not included in other classes; bags and handbags' and 25 'Clothing, including tights, hosiery, belts, scarves, ties/cravats and braces; footwear; hats'.

3. Puma lodged opposition to the registration of that mark on the ground, in particular, that it was the proprietor of the pictorial mark depicted below,

Figure

Image file PUMA\_2.WPG with height " and width "

which was of earlier priority and registered in Germany (under No 1 106 066), *inter alia* for 'leather and imitation leather, goods made therefrom (bags) and articles of clothing'.

4. The Deutsches Patentamt (German Patent Office) considered there to be no resemblance for the purposes of trade-mark law between the two marks and rejected the opposition. Puma therefore appealed to the Bundespatentgericht (Federal Patents Court) which partially upheld its application and held that there was a resemblance between the two marks with respect to SABEL's goods in classes 18 and 25, which it regarded as being identical or similar to the goods on the list of articles covered by the Puma mark. SABEL then appealed to the Bundesgerichtshof for annulment of the decision refusing its application.
5. The Bundesgerichtshof provisionally considered that, applying the principles applied hitherto under German law for determining whether there is a likelihood of confusion for trade-mark purposes, no such likelihood existed as regards the two marks in question.
6. The criteria applied by the Bundesgerichtshof in order to reach that provisional conclusion are, in essence, as follows:
  - o In determining whether there is a likelihood of confusion, the court must focus on the overall impression made by the respective signs. It is not permissible to isolate one element out of a graphic ensemble and to restrict examination of the likelihood of confusion to that element alone. However, an individual component may be recognized as having a particularly distinctive character which characterizes the sign as a whole, and, consequently, a likelihood of confusion may be found to exist if another party's sign resembles the whole of the sign so characterized. Even in such a case, however, the two signs must be compared in their entirety and the comparison must not be confined to their individual (characterizing) elements.
  - o A sign may have a particularly distinctive character either *per se* or because of the reputation the mark enjoys with the public. The more distinctive its character, the greater the risk of confusion. However, since no submission had been made on that point in the present case, the starting point for examining the similarity of the two marks is that the earlier mark has normal distinguishing characteristics.
  - o The assessment of whether an element has such significance as to characterize the sign as a whole is, essentially, a matter for the court called upon to adjudicate on the substance of the case, subject however to its observing the rules of logic and common sense. The Bundespatentgericht cannot be criticized in law for stressing the importance of the pictorial component of the SABEL mark and considering that the textual component of the mark was of only secondary importance.
  - o Strict criteria must be applied with respect to the likelihood of confusion between pictorial components which are basically descriptive and have little imaginative content. The depiction of a bounding feline is a pictorial component which closely follows a natural model and reproduces the bounding motion typical of such animals. The particular features of the depiction of the bounding feline in the Puma mark, for example its depiction as a silhouette, are not reproduced in the SABEL mark. The fact that there is an analogy between the pictorial components of the two marks can therefore not be adduced as a ground for finding that there is a likelihood of confusion.

7. None the less, the Bundesgerichtshof seeks to ascertain the importance to be accorded to the semantic content of the marks (in the present case, a 'bounding feline') in determining the likelihood of confusion. That difficulty is occasioned, in particular, by the ambiguous wording of Article 4(1)(b) of the Directive, in terms of which the likelihood of confusion 'includes the likelihood of association with the earlier trade mark'. The question therefore arises for the national court whether the mere association which the public might make between the two marks, through the idea of a 'bounding feline', justifies refusing protection to the SABEL mark in Germany for products similar to those on the list of articles covered by Puma's priority mark.
8. The Directive, which was implemented in Germany by the Gesetz über den Schutz von Marken und sonstigen Kennzeichen (Law on the Protection of Trade Marks and Other Signs) of 25 October 1994 (BGBl I, p. 3082), contains, in Article 4(1)(b), the following provision:

'A trade mark shall not be registered or, if registered, shall be liable to be declared invalid:

(a) ...

(b) if because of its identity with, or similarity to, the earlier trade mark and the identity or similarity of the goods or services covered by the trade marks, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark.'

9. The tenth recital in the preamble to the Directive states:

'Whereas the protection afforded by the registered trade mark, the function of which is in particular to guarantee the trade mark as an indication of origin, is absolute in the case of identity between the mark and the sign and goods or services; whereas the protection applies also in case of similarity between the mark and the sign and the goods or services; whereas it is indispensable to give an interpretation of the concept of similarity in relation to the likelihood of confusion; whereas the likelihood of confusion, the appreciation of which depends on numerous elements and, in particular, on the recognition of the trade mark on the market, of the association which can be made with the used or registered sign, of the degree of similarity between the trade mark and the sign and between the goods or services identified, constitutes the specific condition for such protection; whereas the ways in which likelihood of confusion may be established, and in particular the onus of proof, are a matter for national procedural rules which are not prejudiced by the directive'.

10. The Bundesgerichtshof decided to stay proceedings and to refer the following question to the Court for a preliminary ruling:

'With reference to the interpretation of Article 4(1)(b) of the First Council Directive of 21 December 1988 to approximate the laws of the Member States relating to trade marks, is it sufficient for a finding that there is a likelihood of confusion between a sign composed of text and picture and a sign consisting merely of a picture, which is registered for identical and similar goods and is not especially well known to the public, that the two signs coincide as to their semantic content (in this case, a bounding feline)?

What is the significance in this connection of the wording of the Directive, in terms of which the likelihood of confusion includes the likelihood that a mark may be associated with an earlier mark?'

11. In its question the Bundesgerichtshof is essentially asking whether the criterion of the 'likelihood of confusion ... which includes the likelihood of association with the earlier trade mark' contained in Article 4(1)(b) of the Directive is to be interpreted as meaning that the mere association which the public might make between the two marks as a result of a resemblance in their semantic content, is a

sufficient ground for concluding that there exists a likelihood of confusion within the meaning of that provision, taking into account that one of those marks is composed of a combination of a word and a picture, whilst the other, consisting merely of a picture, is registered for identical and similar goods, and is not especially well known to the public.

12. Article 4(1)(b) of the Directive, which sets out the additional grounds on which registration may be refused or a registered mark declared invalid in the event of conflict with earlier marks, provides that a trade mark conflicts with an earlier trade mark if, because of the identity or similarity of both the trade marks and the goods or services covered, there exists a likelihood of confusion on the part of the public, which includes the likelihood of association between the two marks.
13. Essentially identical provisions are found in Article 5(1)(a) and (b) of the Directive, which defines the situations in which the proprietor of a trade mark is entitled to prevent third parties from using signs identical with or similar to its trade mark, and in Articles 8(1)(b) and (9)(1)(b) of Council Regulation (EC) No 40/94 of 20 December 1993 on the Community trade mark (OJ 1994 L 11, p. 1).
14. The Belgian, Luxembourg and Netherlands Governments claimed that the term 'likelihood of association' was included in those provisions of the Directive at their request, in order that they should be construed in the same manner as Article 13a of the Uniform Benelux Law on Trade Marks which adopts the concept of resemblance between marks, rather than that of likelihood of confusion, in defining the scope of the exclusive right conferred by a trade mark.
15. Those governments refer to a judgment of the Benelux Court holding that there is resemblance between a mark and a sign when, taking account of the particular circumstances of the case, in particular the distinctiveness of the mark, the mark and the sign, considered separately and together, present, aurally, visually or conceptually, a similarity such as to establish an association between the sign and the mark (judgment of 20 May 1983 in Case A 82/5 *Jullien v Verschuere*, Jur. 1983, vol. 4, p. 36). That decision is based on the idea that, where a sign is likely to give rise to association with a mark, the public makes a connection between the sign and the mark. Such a connection may be prejudicial to the earlier mark not only if it gives the impression that the products have the same or a related origin, but also where there is no likelihood of confusion between the sign and the mark. Since perception of the sign calls to mind, often subconsciously, the memory of the mark, associations made between a sign and a mark can result in the 'goodwill' attached to the earlier mark being transferred to the sign and dilute the image linked to that mark.
16. According to those governments, the likelihood of association may arise in three sets of circumstances: (1) where the public confuses the sign and the mark in question (likelihood of direct confusion); (2) where the public makes a connection between the proprietors of the sign and those of the mark and confuses them (likelihood of indirect confusion or association); (3) where the public considers the sign to be similar to the mark and perception of the sign calls to mind the memory of the mark, although the two are not confused (likelihood of association in the strict sense).
17. It must therefore be determined whether, as those governments claim, Article 4(1)(b) can apply where there is no likelihood of direct or indirect confusion, but only a likelihood of association in the strict sense. Such an interpretation of the Directive is contested by both the United Kingdom Government and by the Commission.
18. In that connection, it is to be remembered that Article 4(1)(b) of the Directive is designed to apply only if, by reason of the identity or similarity both of the marks and of the goods or services which they designate, 'there exists a likelihood of confusion on the part of the public, which includes the likelihood of association with the earlier trade mark'. It follows from that wording that the concept of likelihood of association is not an alternative to that of likelihood of confusion, but serves to define its scope. The terms of the provision itself exclude its application where there is no likelihood of

confusion on the part of the public.

19. The tenth recital in the preamble to the Directive, according to which 'the likelihood of confusion ... constitutes the specific condition for such protection', also confirms that interpretation.
20. Furthermore, the interpretation given in paragraph 18 of this judgment is not inconsistent with Article 4(3) and (4)(a) and Article 5(2) of the Directive, which permit the proprietor of a trade mark which has a reputation to prohibit the use without due cause of signs identical with or similar to his mark and do not require proof of likelihood of confusion, even where there is no similarity between the goods in question.
21. In that respect, it is sufficient to note that, unlike Article 4(1)(b), those provisions apply exclusively to marks which have a reputation and on condition that use of the third party's mark without due cause takes unfair advantage of, or is detrimental to, the distinctive character or the repute of the trade mark.
22. As pointed out in paragraph 18 of this judgment, Article 4(1)(b) of the Directive does not apply where there is no likelihood of confusion on the part of the public. In that respect, it is clear from the tenth recital in the preamble to the Directive that the appreciation of the likelihood of confusion 'depends on numerous elements and, in particular, on the recognition of the trade mark on the market, of the association which can be made with the used or registered sign, of the degree of similarity between the trade mark and the sign and between the goods or services identified'. The likelihood of confusion must therefore be appreciated globally, taking into account all factors relevant to the circumstances of the case.
23. That global appreciation of the visual, aural or conceptual similarity of the marks in question, must be based on the overall impression given by the marks, bearing in mind, in particular, their distinctive and dominant components. The wording of Article 4(1)(b) of the Directive - '... there exists a likelihood of confusion on the part of the public ...' - shows that the perception of marks in the mind of the average consumer of the type of goods or services in question plays a decisive role in the global appreciation of the likelihood of confusion. The average consumer normally perceives a mark as a whole and does not proceed to analyse its various details.
24. In that perspective, the more distinctive the earlier mark, the greater will be the likelihood of confusion. It is therefore not impossible that the conceptual similarity resulting from the fact that two marks use images with analogous semantic content may give rise to a likelihood of confusion where the earlier mark has a particularly distinctive character, either *per se* or because of the reputation it enjoys with the public.
25. However, in circumstances such as those in point in the main proceedings, where the earlier mark is not especially well known to the public and consists of an image with little imaginative content, the mere fact that the two marks are conceptually similar is not sufficient to give rise to a likelihood of confusion.
26. The answer to the national court's question must therefore be that the criterion of 'likelihood of confusion which includes the likelihood of association with the earlier mark' contained in Article 4(1)(b) of the Directive is to be interpreted as meaning that the mere association which the public might make between two trade marks as a result of their analogous semantic content is not in itself a sufficient ground for concluding that there is a likelihood of confusion within the meaning of that provision.

#### Costs

27. The costs incurred by the Belgian, French, Luxembourg, Netherlands and United Kingdom



Governments and by the Commission of the European Communities, which have submitted observations to the Court, are not recoverable. Since these proceedings are, for the parties to the main proceedings, a step in the proceedings pending before the national court, the decision on costs is a matter for that court.

On those grounds,

THE COURT,

in answer to the question referred to it by the Bundesgerichtshof by order of 29 June 1995, hereby rules:

**The criterion of 'likelihood of confusion which includes the likelihood of association with the earlier mark' contained in Article 4(1)(b) of First Council Directive 89/104/EEC of 21 December 1988 to approximate the laws of the Member States relating to trade marks is to be interpreted as meaning that the mere association which the public might make between two trade marks as a result of their analogous semantic content is not in itself a sufficient ground for concluding that there is a likelihood of confusion within the meaning of that provision.**

Rodríguez Iglesias Gulmann Ragnemalm

Wathelet Mancini

Moitinho de Almeida

Kapteyn Murray

Edward

Puissochet Hirsch

Jann

Sevón

Delivered in open court in Luxembourg on 11 November 1997.

R. Grass

G.C. Rodríguez Iglesias

Registrar

President

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1: Language of the case: German.



URL: <http://www.bailii.org/eu/cases/EUECJ/1997/C25195.html>

**Reconsideration Request  
DERCars, LLC**

**Annex K**

*Custom Mfg. and Eng'g, Inc. v. Midway Servs., Inc.*,  
508 F.3d 641, 651 (11th Cir. 2007)

508 F.3d 641

United States Court of Appeals,  
Eleventh Circuit.

CUSTOM MANUFACTURING AND  
ENGINEERING, INC., Plaintiff-Appellant,

v.

MIDWAY SERVICES, INC., Automated  
Engineering Corporation, MDCO, Inc., NTU  
Electronics, Inc., et al., Defendants-Appellees.

No. 05-12906. | Nov. 21, 2007.

**Synopsis**

**Background:** Technology company that designed water meter reading system for residential apartment complexes brought action against contractor that marketed system, contract electronic manufacturers, and manufacturer of printed circuit boards, alleging violations of the Lanham Act and the Florida Deceptive and Unfair Trade Practices Act (FDUTPA), and alleging tortious interference with a business relationship by one manufacturer and individual engineers, arising from defendants' alleged use of circuit boards that had been modified from plaintiff's design but that bore plaintiff's trade name. The United States District Court for the Middle District of Florida, No. 03-02671-CV-T-30MAP, James S. Moody, Jr., J., 2005 WL 1313829, granted summary judgment for defendants and imposed sanctions on plaintiff's counsel. Plaintiff appealed.

**[Holding:]** The Court of Appeals, Tjoflat, Circuit Judge, held that defendants' use and installation of modified version of circuit boards that were initially designed by plaintiff, and which bore plaintiff's trade name, did not create likelihood of confusion.

Affirmed.

West Headnotes (16)

[1] Trademarks

↔ Necessity of Registration

Trademarks

↔ Unfair Competition

Trademarks

↔ Infringement

382T Trademarks

382TVII Registration

382TVII(A) In General

382Tk1241 Necessity of Registration

382T Trademarks

382TVIII Violations of Rights

382TVIII(A) In General

382Tk1418 Practices or Conduct Prohibited in  
General; Elements

382Tk1420 Unfair Competition

382T Trademarks

382TVIII Violations of Rights

382TVIII(A) In General

382Tk1418 Practices or Conduct Prohibited in  
General; Elements

382Tk1421 Infringement

Lanham Act creates a federal cause of action for unfair competition in interstate commerce, and forbids unfair trade practices involving infringement of trademarks, even in the absence of federal trademark registration. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

3 Cases that cite this headnote

[2] Trademarks

↔ Infringement

382T Trademarks

382TVIII Violations of Rights

382TVIII(A) In General

382Tk1418 Practices or Conduct Prohibited in  
General; Elements

382Tk1421 Infringement

Unlike the general prohibition against unauthorized copying that exists in patent and copyright law, the touchstone of liability in a trademark infringement action under the Lanham Act is not simply whether there is unauthorized use of a protected mark, but whether such use is likely to cause consumer confusion. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

5 Cases that cite this headnote

[3] Antitrust and Trade Regulation

↔ Passing Off or Palming Off

29T Antitrust and Trade Regulation

29TII Unfair Competition  
 29TII(A) In General  
 29Tk40 Passing Off or Palming Off  
 29Tk41 In General

For purpose of false designation of origin claim under the Lanham Act, "passing off," or "palming off," occurs when a producer misrepresents his own goods or services as someone else's. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

2 Cases that cite this headnote

**[4] Trademarks**

↔ Practices or Conduct Prohibited in General; Elements

382T Trademarks  
 382TVIII Violations of Rights  
 382TVIII(A) In General  
 382Tk1418 Practices or Conduct Prohibited in General; Elements  
 382Tk1419 In General

To establish a prima facie case of false designation of origin under the Lanham Act, a plaintiff must show (1) that the plaintiff had enforceable trademark rights in the mark or name, and (2) that the defendant made unauthorized use of it such that consumers were likely to confuse the two. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

53 Cases that cite this headnote

**[5] Trademarks**

↔ Factors Considered in General

382T Trademarks  
 382TIII Similarity Between Marks; Likelihood of Confusion  
 382Tk1081 Factors Considered in General

In determining whether defendant made unauthorized use of plaintiff's trademark or name in manner likely to confuse consumers, under the Lanham Act, court considers seven factors: (1) the type of mark, in short, whether the relationship between the name and the service or good it describes is such that the chosen name qualifies as generic, descriptive, suggestive, or arbitrary; (2) the similarity of the marks, based on the overall impressions that the marks create,

including the sound, appearance, and manner in which they are used; (3) the similarity of the goods, looking at whether the products are the kind that the public attributes to a single source; (4) the similarity of the parties' retail outlets, trade channels, and customers, considering where, how, and to whom the parties' products are sold; (5) the similarity of advertising media, examining each party's method of advertising to determine whether there is likely to be significant enough overlap in the respective target audiences such that a possibility of confusion could result; (6) the defendant's intent, determining whether the defendant had a conscious intent to capitalize on the plaintiff's business reputation, was intentionally blind, or otherwise manifested improper intent; and (7) actual confusion, that is, whether there is evidence that consumers were actually confused. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

18 Cases that cite this headnote

**[6] Federal Courts**

↔ Grounds for Sustaining Decision Not Relied Upon or Considered

170B Federal Courts  
 170BVIII Courts of Appeals  
 170BVIII(K) Scope, Standards, and Extent  
 170BVIII(K)1 In General  
 170Bk759 Theory and Grounds of Decision of Lower Court  
 170Bk762 Grounds for Sustaining Decision Not Relied Upon or Considered

Court of Appeals may affirm the district court's decision on any adequate ground, even if it is other than the one on which the court actually relied.

1 Cases that cite this headnote

**[7] Trademarks**

↔ Levels or Categories of Distinctiveness in General; Strength of Marks in General

382T Trademarks  
 382TIII Marks Protected  
 382Tk1033 Levels or Categories of Distinctiveness in General; Strength of Marks in General

A trademark generally falls into one of four categories based on the terms it uses, which in order of increasing strength are: (1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful.

1 Cases that cite this headnote

**[8] Trademarks**

↳ Generic Terms or Marks

**Trademarks**

↳ Acquired Distinctiveness; Secondary Meaning

382T Trademarks

382TII Marks Protected

382Tk1034 Generic Terms or Marks

382T Trademarks

382TII Marks Protected

382Tk1035 Descriptive Terms or Marks

382Tk1037 Acquired Distinctiveness; Secondary Meaning

Generic trademarks may never be registered as trademarks under the Lanham Act, while descriptive marks are entitled to protection only if the holder shows that the mark has acquired secondary meaning. Lanham Act, § 1, 15 U.S.C.A. § 1051 et seq.

1 Cases that cite this headnote

**[9] Trademarks**

↳ Acquired Distinctiveness and Secondary Meaning in General

382T Trademarks

382TII Marks Protected

382Tk1029 Capacity to Distinguish or Signify; Distinctiveness

382Tk1032 Acquired Distinctiveness and Secondary Meaning in General

Relevant factors in determining whether a trademark has taken on secondary meaning, for purpose of determining scope of protection accorded to mark under the Lanham Act, are: (1) the length and manner of its use; (2) the nature and extent of advertising and promotion; (3) the efforts made by the user of the mark to promote a conscious connection in the public's mind between the name and the user's product or business; and (4) the extent to which the

public actually identifies the name with the user's product or venture. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

2 Cases that cite this headnote

**[10] Trademarks**

↳ Factors Considered in General

382T Trademarks

382TIII Similarity Between Marks; Likelihood of Confusion

382Tk1081 Factors Considered in General

Application of the *Frehling* factors for assessing likelihood of confusion under the Lanham Act, including the type of mark, the similarity of the marks, similarity of goods, similarity of parties' trade channels and customers, and similarity of advertising media, the defendant's intent, and actual confusion, entails more than the mechanistic summation of the number of factors on each side; it involves an evaluation of the overall balance, and while these subsidiary findings typically inform a court's determination of the likelihood of confusion, a court must also take into account the unique facts of each case. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

15 Cases that cite this headnote

**[11] Trademarks**

↳ Trade Channels; Sales, Advertising, and Marketing

**Trademarks**

↳ Persons Confused; Circumstances of Sale

382T Trademarks

382TIII Similarity Between Marks; Likelihood of Confusion

382Tk1107 Nature and Circumstances of Use of Marks

382Tk1110 Trade Channels; Sales, Advertising, and Marketing

382T Trademarks

382TIII Similarity Between Marks; Likelihood of Confusion

382Tk1112 Persons Confused; Circumstances of Sale

Defendants' use and installation of modified version of circuit boards that were initially designed by plaintiff technology company, and

which bore plaintiff's trade name, did not create likelihood of confusion as required to support plaintiff's false designation of origin claim under the Lanham Act; mark was affixed on subcomponents used in water meter reading system marketed to apartment complex owners and managers, not to plaintiff's own customers, it was unlikely that such owners and managers would examine the circuit boards, and even if third parties who might see plaintiff's trade name, such as fire marshals or repair technicians, were part of relevant purchasing public, confusion was not likely. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

3 Cases that cite this headnote

**[12] Trademarks**

☞ Persons Confused; Circumstances of Sale

382T Trademarks

382TIII Similarity Between Marks; Likelihood of Confusion

382Tk1112 Persons Confused; Circumstances of Sale

In determining whether allegedly infringing goods or services are likely to confuse consumers, for purpose of false designation of origin claim under the Lanham Act, where the direct purchaser is not the intended user and has purchased the goods or services for use by others, the likelihood-of-confusion inquiry extends to those foreseeable users. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

1 Cases that cite this headnote

**[13] Trademarks**

☞ Extent or Degree of Confusion

382T Trademarks

382TIII Similarity Between Marks; Likelihood of Confusion

382Tk1083 Nature of Confusion

382Tk1085 Extent or Degree of Confusion

While there is no bright line test to determine the existence of a likelihood of consumer confusion, for purpose of false designation of origin claim, recovery under the Lanham Act requires, at a minimum, that confusion, mistake, or deception

be likely, not merely possible. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

3 Cases that cite this headnote

**[14] Trademarks**

☞ Nature and Circumstances of Use of Marks

382T Trademarks

382TIII Similarity Between Marks; Likelihood of Confusion

382Tk1107 Nature and Circumstances of Use of Marks

382Tk1108 In General

The unauthorized use of a trademark that is never perceived by anyone cannot be said to create a likelihood of consumer confusion under the Lanham Act. Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a).

2 Cases that cite this headnote

**[15] Trademarks**

☞ Repaired, Rebuilt, or Altered Goods

382T Trademarks

382TVIII Violations of Rights

382TVIII(A) In General

382Tk1423 Particular Cases, Practices, or Conduct

382Tk1429 Use on Genuine Goods; Resale Under Original Marks or Name

382Tk1429(2) Repaired, Rebuilt, or Altered Goods

Technology company's failure to establish a likelihood of confusion as to its Lanham Act claim against defendants who allegedly used and installed for customers modified versions of circuit boards that were initially designed by company and that bore company's trade name extinguished company's related claim under the Florida Deceptive and Unfair Trade Practices Act (FDUTPA). Lanham Act, § 43(a), 15 U.S.C.A. § 1125(a); West's F.S.A. § 501.201 et seq.

2 Cases that cite this headnote

**[16] Trademarks**

☞ Alphabetical Listing

382T Trademarks

382TXI Trademarks and Trade Names  
Adjudicated  
382Tk1800 Alphabetical Listing  
Custom Manufacturing and Engineering.

#### Attorneys and Law Firms

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

Before TJOFLAT, BARKETT and HILL, Circuit Judges.

#### Opinion

TJOFLAT, Circuit Judge:

The claims alleged in this trademark infringement case surfaced during the litigation of a contract action between Custom Manufacturing and Engineering, Inc. (“Custom”) and Midway Services, Inc. (“Midway”) in Florida state court. Custom had agreed to design for Midway a water meter reading system to be installed in residential complexes, but Midway had cancelled the contract (on the ground that Custom had breached it) and hired Automated Engineering Corporation (“AEC”), MDCO, Inc. (“MDCO”), NTU Electronics, Inc. (“NTU”), and engineers to finish the job. Custom sued for damages, and Midway counterclaimed, alleging breach of contract.

During the discovery phase of that lawsuit, Custom learned that the water meter reading system that had been installed had used printed circuit boards that had been modified from the design it had created, but retained a printed legend containing Custom's trade name. Armed with this discovery, Custom brought this lawsuit, claiming trademark infringement against Midway, AEC, MDCO, and NTU, and tortious interference with a business relationship against AEC and the engineers involved in modifying the circuit boards.

On considering the defendants' motions for summary judgment, the district court found that Custom had failed

to establish the likelihood that the purchasing public would be confused by the presence of Custom's trade name on the circuit boards and therefore dismissed Custom's trademark infringement claim. As for Custom's tortious interference claim, the district court dismissed the claim as meritless and imposed sanctions on Custom's counsel under Federal Rule of Civil Procedure 11. We find no error in the district court's grants of summary judgment or an abuse of discretion in a discovery ruling Custom challenges, and therefore affirm the district court's judgment in all respects.

The relevant facts are presented in Part I of this opinion. Part II summarizes Custom's claims and the procedural background of this appeal. Part III analyzes the substance of Custom's arguments and concludes that they are without merit.

#### I.

Founded in 1997, Custom is a privately-held technology company that provides research and development, engineering, software, and manufacturing services to the government and industrial markets. Midway is a contractor of plumbing, electrical, submetering, and air conditioning services. AEC and MDCO are contract electronic \*645 manufacturers, and NTU is a manufacturer of printed circuit boards.<sup>1</sup>

<sup>1</sup> Each party to this appeal is a Florida corporation that has its principal place of business in Florida.

Midway wished to market a system that could remotely read the water meters installed in each unit of multiple-unit residential complexes such as apartment buildings. In early 1998, Midway contracted with Custom to design and manufacture such a system. Custom designed a system that used radio waves to gather and transmit water usage data, and consisted of four components: meter transmitters, transceivers, repeaters, and collectors. Each of these components was to contain a two-inch by three-inch printed circuit board. Custom, in turn, contracted with NTU to manufacture and supply these circuit boards, and also contracted with MDCO to assist with affixing components on the circuit boards and assembling other system parts.<sup>2</sup> Custom specified that the circuit boards manufactured by NTU were to contain a legend with Custom's trade name. Appearing in small, plain font in the upper left-hand corner of each circuit board were the words: “MFG by Custom



Manufacturing and Engineering, Inc., for Midway Services, Inc.”<sup>3</sup> Each of the circuit boards was fully encased in an opaque plastic housing unit. Midway marketed the system to owners and managers of apartment buildings in several states.

<sup>2</sup> A manufacturer of a printed circuit board typically begins with the artwork or electronic data, which are called Gerber files. The manufacturer will then use machining processes, chemical plating processes, screening processes, and photo imaging processes to create the final board. Components, such as transistors and batteries, are typically added by others.

<sup>3</sup> Although Custom contends that the circuit boards also included its logo, we are unable to locate any such logo in the extremely low-quality, black-and-white photographs which constitute the only record depiction of the circuit boards in question. Nor were we able to locate any mention of a logo on the circuit boards in the affidavit of Custom's president, Dr. Nancy Crews, cited in Custom's brief. The existence of such a logo ultimately matters not, given our disposition of this case in part III, *infra*.

Although the system prototype had functioned properly, in the fall of 1998 Midway reported to Custom that the system was malfunctioning. Unsurprisingly, the parties disagree as to the reason; Midway believes that the fault lay in the design of the transceiver component, while Custom chalks up the problem to Midway's improper installation of the system. In early 1999, with Custom's knowledge, Midway retained Judd Sheets to evaluate the system and diagnose the problem. Sheets professed unfamiliarity with the system and requested permission to consult with Genium, Inc. (“Genium”) and its president, James Stosic. Together, Sheets and Stosic determined that there were flaws in the design of the transceiver component and recommended that it be redesigned. Because Sheets and Stosic were too busy to create a modified design themselves, they referred Midway to two other engineers, James Baughman and Randy Bell, to do the job. Sheets and Stosic met with Baughman and Bell to discuss their recommendations. Sheets's involvement with the entire matter lasted less than a month, while Stosic's involvement was approximately half that time.

To the extent possible, Baughman and Bell sought to incorporate the components of the original system in the modified design. They decided to redesign the original transceiver component so that it would function only as a receiver. Meanwhile, the relationship between Midway and Custom soured as a result of Custom's alleged \*646 inability to adhere to the delivery schedule, causing Midway to begin

looking for a new supply source. In April 1999, Midway issued a purchase order to AEC for the component parts of the original system. AEC, in turn, contacted NTU to manufacture the circuit boards for the components. Because NTU would not provide circuit boards to AEC using Custom's tools and test fixtures, Midway sent NTU the necessary information to construct the circuit boards. Although the record is unclear as to what process of manufacture was used, NTU apparently duplicated all of the markings on the original circuit boards, including the legend containing Custom's trade name.

On June 16, 1999, Midway sent a letter to Custom that terminated the contract and instructed Custom to stop all work. Later that month, Midway learned that MDCO had previously supplied some components as a contract manufacturer for Custom. Midway contracted directly with MDCO to supply 1000 transmitters, which were constructed using circuit boards manufactured by NTU. None of the defendants noticed that the circuit boards that NTU supplied to AEC and MDCO—approximately 6000 or 7000 in total—retained the legend with Custom's trade name. By July 1999, Baughman and Bell completed their redesign of the new receiver component. This new receiver used a new circuit board that was not manufactured by NTU and did not contain the legend.

In 1999, Custom sued Midway in Florida state court for breach of contract. Midway countersued. Discovery in that action unearthed the use of Custom's trade name on the circuit boards supplied to AEC and MDCO, and this litigation ensued.

## II.

On December 22, 2003, Custom brought suit in the United States District Court for the Middle District of Florida against the defendants in this appeal and against Sheets, Stosic, and Genium. Count 1 of Custom's complaint alleged unfair competition in violation of section 43(a) of the Lanham Act, 15 U.S.C. §§ 1051 et seq.<sup>4</sup> Count 2 alleged violation of the Florida Deceptive and Unfair Trade Practices Act (“FDUTPA”), Fla. Stat. § 501.201 et seq.<sup>5</sup> Finally, Count 3 alleged that AEC, Stosic, Genium, and Sheets tortiously interfered with a business relationship in violation of Florida law.

4 In pertinent part, 15 U.S.C. § 1125(a)(1)(A) proscribes a person's use in commerce of any "false designation of origin, false or misleading description of fact, or false or misleading representation of fact," which is "likely to cause confusion, or to cause mistake, or to deceive ... as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person."

5 Fla. Stat. § 501.204(1) provides that "[u]nfair methods of competition, unconscionable acts or practices, and unfair or deceptive acts or practices in the conduct of any trade or commerce are hereby declared unlawful."

The court granted summary judgment in favor of the defendants with respect to Counts 1 and 2. The court also granted summary judgment in favor of AEC, Sheets, Stosic, and Genium on Count 3, and imposed sanctions on Custom's counsel pursuant to Federal Rule of Civil Procedure 11. Custom timely appealed the judgment on Counts 1 and 2 only, and the district court's order denying Custom's motion to compel discovery relating to Midway's customers.

We review a district court's grant of summary judgment *de novo* and apply the same legal standards as the district court. \*647 Summary judgment is appropriate where, viewing the evidence (all "pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any," Fed.R.Civ.P. 56(c)), and all reasonable factual inferences drawn therefrom in the light most favorable to the non-moving party, there remains no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law. *See Johnson v. Bd. of Regents*, 263 F.3d 1234, 1243 (11th Cir.2001) (citation omitted). Summary judgment is mandated where a party "fails to make a showing sufficient to establish the existence of an element essential to that party's case, and on which that party will bear the burden of proof at trial." *Id.* (quotation marks and citation omitted).

### III.

[1] [2] Count 1 of Custom's complaint alleged a claim pursuant to section 43 of the Lanham Act, codified as 15 U.S.C. § 1125. "Section 43(a) of the Lanham Act creates a federal cause of action for unfair competition" in interstate commerce, and "forbids unfair trade practices involving infringement of ... trademarks, even in the absence of federal trademark registration." *Univ. of Florida v. KPBB, Inc.*, 89 F.3d 773, 775-76 (11th Cir.1996) (per curiam).<sup>6</sup> Unlike the general prohibition against unauthorized copying that

exists in patent and copyright law, *see B.H. Bunn Co. v. AAA Replacement Parts Co.*, 451 F.2d 1254, 1258 (5th Cir.1971) ("The patent and copyright laws exist to prevent copies from being produced at all, without the consent of the registered holder."),<sup>7</sup> the touchstone of liability in a trademark infringement action is not simply whether there is unauthorized use of a protected mark, but whether such use is likely to cause consumer confusion. *See id.* at 1259 ("Outright copying is often a civilizing rather than a cannibalizing folkway. The world would be a duller place without the originators, but it would not work without the copyists ... Whatever the legal competitive rights one might have to copy and to sell the works originated by another, the copyist, if state law so requires, cannot 'palm off' his copied goods as the genuine goods of the originator, to the deceit of the purchasing public."); *see also B&L Sales Assocs. v. H. Daroff & Sons, Inc.*, 421 F.2d 352, 353 (2d Cir.1970) (noting that "the federal remedy against trademark infringement is not plenary, and is only available when the plaintiff can show a likelihood of confusion, mistake or deception arising in the market as a result of defendant's use of the mark registered to plaintiff").

6 The Lanham Act defines a trademark as "any word, name, symbol, or device, or any combination thereof," which is used by a person "to identify and distinguish his or her goods ... from those manufactured or sold by others." 15 U.S.C. § 1127.

7 In *Bommer v. City of Prichard*, 661 F.2d 1206, 1209 (11th Cir.1981) (en banc), this court adopted as binding precedent all decisions of the former Fifth Circuit handed down prior to October 1, 1981.

[3] [4] [5] Specifically, Custom alleged a false designation of origin claim, which proscribes the behavior of "passing off" or "palming off," which "occurs when a producer misrepresents his own goods or services as someone else's." *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 28 n. 1, 123 S.Ct. 2041, 2045, 156 L.Ed.2d 18 (2003). To establish a prima facie case under § 1125(a), a plaintiff must show (1) that the plaintiff had enforceable trademark rights in the mark or name, and (2) that the defendant made unauthorized use of it "such that consumers were likely to confuse the two." *Lone Star \*648 Steakhouse & Saloon, Inc. v. Longhorn Steaks, Inc.*, 106 F.3d 355, 358 (11th Cir.1997); *see SunAmerica Corp. v. Sun Life Assurance Co. of Canada*, 77 F.3d 1325, 1334 (11th Cir.1996). With respect to the second element, we consider seven factors in assessing whether or not the "likelihood of confusion"

exists: (1) the type of mark (in short, whether the “relationship between the name and the service or good it describes” is such that the chosen name qualifies as generic, descriptive, suggestive, or arbitrary); (2) the similarity of the marks (based on “the overall impressions that the marks create, including the sound, appearance, and manner in which they are used”); (3) the similarity of the goods (“whether the products are the kind that the public attributes to a single source”); (4) the similarity of the parties’ retail outlets, trade channels, and customers (“consider[ing] where, how, and to whom the parties’ products are sold”); (5) the similarity of advertising media (examining “each party’s method of advertising” to determine “whether there is likely to be significant enough overlap” in the respective target audiences such “that a possibility of confusion could result”); (6) the defendant’s intent (determining whether the defendant had a “conscious intent to capitalize on [the plaintiff’s] business reputation,” was “intentionally blind,” or otherwise manifested “improper intent”); and (7) actual confusion (that is, whether there is evidence that consumers were actually confused). *Frehling Enters., Inc. v. Int’l Select Group, Inc.*, 192 F.3d 1330, 1335-41 (11th Cir.1999).

[6] [7] [8] [9] The district court’s discussion of Count 1 eschewed analysis of the first element concerning the validity of Custom’s mark and proceeded directly to the second element, the likelihood of confusion. The court entered summary judgment for the defendants based on its determination that the “fatal weakness in Custom’s claim is that there is no evidence of any likelihood of confusion,” which is an “essential element.” *Custom Mfg. & Eng’g, Inc. v. Midway Servs., Inc.*, No. 8:03-cv-2671-T-30MAP, 2005 WL 1313829, at \*5, 2005 U.S. Dist. LEXIS 45267, at \*14-15 (M.D.Fla. May 31, 2005).<sup>8</sup>

<sup>8</sup> The district court’s silence with respect to the first element is presumably due to the fact that the defendants did not dispute the validity of Custom’s mark. Although “we may affirm the district court’s decision on any adequate ground, even if it is other than the one on which the court actually relied,” *Parks v. City of Warner Robins*, 43 F.3d 609, 613 (11th Cir.1995), we are unable to do so on the ground that Custom lacked enforceable trademark rights in its trade name because of the evidentiary lacunae in the record. A more methodical analysis potentially could have resulted in summary judgment for the defendants based on the threshold inquiry of whether Custom had a protectible interest in its trade name, thereby rendering the likelihood-of-confusion inquiry superfluous. *See, e.g., Gift of Learning*

*Found., Inc. v. TGC, Inc.*, No. 01-08069-CIV-HURLEY, 2001 WL 34718642, 2001 U.S. Dist. LEXIS 25301, at \*30 (finding that because the mark DRIVE PITCH & PUTT was merely descriptive and lacked secondary meaning, the plaintiff had no protectible interest in its mark, and thus “there is no need to engage in an analysis of likelihood of confusion between the two marks”) (S.D.Fla. Oct. 31, 2001), *aff’d*, 329 F.3d 792 (11th Cir.2003) (per curiam).

In particular, we are somewhat perplexed by the defendants’ concession that the first factor of the second element—the type of mark—supports Custom’s claim. Generally speaking, a mark falls into one of four categories based on the terms it uses, which in order of increasing strength are: (1) generic, (2) descriptive, (3) suggestive, and (4) arbitrary or fanciful. *See Frehling Enters., Inc. v. Int’l Select Group, Inc.*, 192 F.3d 1330, 1335-36 (11th Cir.1999). This categorization is also relevant to the first element of whether a plaintiff has enforceable rights in the mark. Generic marks “may never be registered as trademarks under the Lanham Act,” while descriptive marks are entitled to protection only if “the holder shows that the mark has acquired ‘secondary meaning.’ ” *Dieter v. B & H Indus. of Sw. Fla.*, 880 F.2d 322, 328 (11th Cir.1989); *see also Jellibeans, Inc. v. Skating Clubs of Georgia, Inc.*, 716 F.2d 833, 841 n. 19 (11th Cir.1983) (noting that “the true legal standard is not simply the ‘likelihood of confusion’ but rather the ‘likelihood of unreasonable confusion,’ ” in that “ ‘reasonable’ confusion is generated by the legitimate efforts of a business to convey vital information to the public about the basic nature of one’s business, and to invite comparison with one’s competitors”). Relevant factors in determining whether a mark has taken on secondary meaning are: “(1) the length and manner of its use; (2) the nature and extent of advertising and promotion; (3) the efforts made by [the user of the mark] to promote a conscious connection in the public’s mind between the name and [the user’s] product or business; and (4) the extent to which the public actually identifies the name with the [user’s] product or venture.” *Conagra, Inc. v. Singleton*, 743 F.2d 1508, 1513 (11th Cir.1984). Custom contends that its trade name “must be considered at least suggestive, if not arbitrary and fanciful.” Custom is a purveyor of research and development, engineering, software, and manufacturing services tailored to the needs of its clients. It seems to us that the mark “Custom Manufacturing and Engineering,” at worst, is a generic mark in the sense that its terms denote the “genus or class” to which Custom’s goods and services belong, *see Dieter*, 880 F.2d at 327 (quoting *Vision Ctr. v.*

*Opticks*, 596 F.2d 111, 115 (5th Cir.1979)) (quotation marks omitted); and, at best, is descriptive of a characteristic or quality of the goods and services provided by Custom, which would place it in the descriptive category. See *Frehling*, 192 F.3d at 1335 (noting, for example, that the term “vision center” denotes a place where glasses are sold, and is thus a descriptive mark); see also *In re Steelbuilding.com*, 415 F.3d 1293, 1299-1301 (Fed.Cir.2005) (affirming the refusal of the Patent and Trademark Office to register the mark STEELBUILDING.COM, because the mark was descriptive of online services for the design of steel buildings, and lacked secondary meaning). Unlike the case with suggestive marks, no “effort of the imagination by the consumer” is required to connect those terms with the particular goods and services provided by Custom. See *Frehling*, 192 F.3d at 1335 (“For instance, ‘penguin’ would be suggestive of refrigerators.”).

By their concession, the defendants argued neither that Custom's trade name was generic and wholly ineligible for trademark protection, nor that it was descriptive and protectible only if Custom could discharge its “burden of sustaining a high degree of proof establishing secondary meaning for a descriptive term.” See *Gift of Learning Found.*, 2001 WL 34718642, 2001 U.S. Dist. LEXIS 25301, at \*25. The district court did note that there was no evidence that Custom's mark was registered with the Patent and Trademark Office, see *id.* at \*23 (noting that a mark that has become “incontestable” through five years of substantially exclusive and continuous use after registration is presumed to be “at least descriptive with secondary meaning”), and some evidence indicated that Custom is a small company with little or no national presence. However, given the absence of a dispute as to this issue and the overall state of the record, we decline to affirm the summary judgment on the ground that Custom lacked enforceable trademark rights in the mark at issue.

\*649 Custom argues that the district court misapplied the seven factors articulated in *Frehling Enterprises*. Indeed, the district court made no mention of these factors at all. While a more systematic approach would have aided our review of such a fact-intensive inquiry, we find that analysis of the factors here is ultimately unnecessary to affirm the district court's ruling.

[10] Because the bottom line is the likelihood of consumer confusion, application of the *Frehling* factors entails more than the mechanistic summation of the number of factors on each side; it involves an evaluation of the “overall balance.”

See *Frehling*, 192 F.3d at 1342; see also *Jellibeans, Inc. v. Skating Clubs of Georgia, Inc.*, 716 F.2d 833, 840 n. 17 (11th Cir.1983) (“We note that the district court should not determine whether a likelihood of confusion exists by merely computing whether a majority of the subsidiary facts indicates that such a likelihood exists. Rather, the district court must evaluate \*650 the weight to be accorded the individual subsidiary facts and then make its ultimate fact decision.”). We have consistently held, for example, that “[t]he type of mark and evidence of actual confusion are the most weighty of considerations.” *Hi-Tech Pharms., Inc. v. Herbal Health Prods., Inc.*, 132 Fed.Appx. 348, 350 (11th Cir.2005) (per curiam). Moreover, while these seven subsidiary findings typically inform a court's determination of the likelihood of confusion, a court must also take into account the unique facts of each case. As the Sixth Circuit has observed:

These factors imply no mathematical precision, but are simply a guide to help determine whether confusion is likely. They are also interrelated in effect. Each case presents its own complex set of circumstances and not all of these factors may be particularly helpful in any given case .... The ultimate question remains whether relevant consumers are likely to believe that the products or services offered by the parties are affiliated in some way.

*Homeowners Group, Inc. v. Home Mktg. Specialists, Inc.*, 931 F.2d 1100, 1107 (6th Cir.1991).

[11] This case does not resemble the paradigmatic “passing off” case. The goods on which Custom's mark was affixed were subcomponents manufactured for use in a product that was marketed to apartment complex owners and managers, not to Custom's customers. No more of the circuit boards bearing Custom's trade name were made after July 1999-when Baughman and Bell had completed their redesign of the transceiver component-and an unknown number of components containing the putatively offending circuit boards have subsequently been replaced. Thus, the question in this case involves the likelihood of confusion in the post-sale context-namely, whether Custom's or Midway's potential customers are likely to be confused as to the origin of the extant circuit boards. See *United States v. Torkington*, 812 F.2d 1347, 1352 (11th Cir.1987) (noting that under the “likely to confuse test” of § 1114(1), the relevant audience is the

“purchasing public,” which includes both “those who are potential direct purchasers of the allegedly counterfeit goods” and “potential purchasers of the trademark holder’s products who encounter allegedly counterfeit goods in a post-sale context—for example, in a direct purchaser’s possession”).

Custom’s trade name cannot be viewed without first removing the opaque plastic housing units that completely cover the circuit boards in question. Moreover, the particular circuit boards in question correspond only to the components in the system that were originally designated as transceivers. Transceivers are located in two places: the attic of the building (to receive messages from the apartment transmitters and send this data to the repeater boxes or collector boxes) or the outside of the building (to receive messages from repeater boxes and relay the signal to an adjacent building). Because the system utilizes radio transmission, the transceivers are normally mounted as high as possible in attics, roofs, and exterior walls to reduce transmission interferences. We therefore find that it is unlikely that the apartment owners and managers to whom Midway sold the water meter reading systems would remove these covers and examine the circuit boards contained therein.

[12] [13] Custom argues that persons other than apartment owners and managers are likely to be confused by the circuit boards. Specifically, they contend that repair technicians would believe that the circuit boards were manufactured by Custom, as would fire marshals or other officials \*651 who might view the water meter reading system in the event of a fire. This argument does not cut the mustard. In the first place, neither repair technicians nor fire marshals can properly be regarded as the customers—either actual or potential—of Custom or Midway.<sup>9</sup> Second, even if such persons qualified as the relevant purchasing public, Custom failed to proffer sufficient record evidence in support of its allegations. While there is no bright line test to determine the existence of a likelihood of consumer confusion, recovery under the Lanham Act requires, at a minimum, “that confusion, mistake, or deception be ‘likely,’ not merely ‘possible.’” *Sears Roebuck & Co. v. All States Life Ins. Co.*, 246 F.2d 161, 168 (5th Cir.1957); see also *New Sensor Corp. v. CE Distribution LLC*, 303 F.Supp.2d 304, 310-11 (E.D.N.Y.2004) (noting that a plaintiff must show “a probability, not just a possibility, of confusion,” meaning “a likelihood that an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question”) (internal quotation marks and citations omitted); *We Media Inc. v. Gen. Elec. Co.*,

218 F.Supp.2d 463, 479 (S.D.N.Y.2002) (“Some confusion is always possible; but there must be some threshold quantum that crosses from mere possibility into a probability.”). See also *Dieter v. B & H Indus. of Sw. Fla.*, 880 F.2d 322, 326 n. 3 (11th Cir.1989) (“There are no hard and fast rules as to how much evidence of confusion is enough. Rather, when looking at the evidence the court must take into consideration the circumstances surrounding each particular case.”).

<sup>9</sup> In some cases, to hew too closely to the distinction between purchasers and users unduly constricts the scope of trademark liability. Where the direct purchaser is not the intended user and has purchased the goods or services for use by others, the likelihood-of-confusion inquiry extends to those foreseeable users. See, e.g., *Montgomery v. Noga*, 168 F.3d 1282, 1301-02 & n. 33 (11th Cir.1999) (collecting cases). Such is manifestly not the case here, as neither repair technicians nor fire marshals qualify as the foreseeable users of the products in question.

The water meter reading systems were initially installed and maintained by Midway technicians who would not be confused as to the subject circuit boards’ origin. Construing the facts in the light most favorable to Custom, we assume that Midway ceased servicing an unknown number of the systems for various reasons. Even with the benefit of that assumption, however, there is insufficient proof of a likelihood of confusion by third-party repair technicians. The circuit boards, like everything under the sun, may not be fail-safe; but there is insufficient proof that it was *likely* that third-party technicians would view and be confused as to the origin of the circuit boards, as opposed to the possibility that the systems would be replaced entirely by new ownership, or that the apartment complexes would be shut down before any circuit board malfunction, or any number of other eventualities. Without evidence in the record to support these allegations, we decline to supply the deficiency by simply taking judicial notice of such “facts” as likely. “[T]hese types of facts are not of the type that may be judicially noticed anyway; for example, they are not matters of authentic public record and are not otherwise ‘capable of accurate and ready determination by resort to sources whose accuracy cannot reasonably be questioned.’” See *Frehling*, 192 F.3d at 1341 n. 4 (quoting Fed.R.Evid. 201(b) (2)). The other scenario posited by Custom—that in the event that one of the apartment complexes in question catches fire, a fire marshal or official might suspect \*652 the water meter reading system was the cause and might open up the component to view the putatively offending circuit board—

similarly rests upon too many contingent possibilities to support a finding that a *likelihood* of confusion exists.

[14] Custom proposes that the proper inquiry is whether purchasers who have seen putatively offending circuit boards are likely to be confused. Custom thus seeks to omit the antecedent question of whether purchasers are likely to see the circuit boards at all. We reject such a theory of infringement in a vacuum, as liability under the Lanham Act is properly tied to the real-world context in which the alleged trademark use occurs. *Cf. Homeowners Group, Inc.*, 931 F.2d at 1106 (noting that the likelihood-of-confusion inquiry must consider “the operative facts of the real world” and “the performance of the marks in the commercial context,” and cautioning that the “appearance of the litigated marks side by side in the courtroom does not accurately portray actual market conditions”) (internal quotation marks and citation omitted). Like the proverbial tree falling in a forest, the unauthorized use of a trademark that is never perceived by anyone cannot be said to create a likelihood of consumer confusion.

We touched upon the converse of this notion in *Montgomery v. Noga*, 168 F.3d 1282 (11th Cir.1999). In that case, the plaintiff was the author of VPIC, a software program for viewing pictures on the computer, which the defendants had incorporated as a utility on their CD-ROM discs. *Id.* at 1286-87. Pointing to the plaintiff's trial testimony that users “never would even know that VPIC was on there,” the defendants argued that the jury erred in finding a likelihood of user confusion based upon the defendants' use of the VPIC mark. *Id.* at 1301-02. In rejecting this argument, we relied on evidence that “users who did not have one specific brand of video card in their computers would need to visit the defendants' CD help menu before engaging in [the] viewing process.” *Id.* at 1302. The VPIC term appeared on the help menu, where users were provided instructions on how to set up VPIC or another picture-viewing utility. *Id.* Thus, the fact that the express reference to VPIC occurred on the help menu—which was readily accessible and intended for viewing by users—supported the likelihood of consumer confusion.<sup>10</sup> The instant appeal presents facts at the opposite end of the spectrum. We therefore affirm the judgment of the district court as to Count 1.

<sup>10</sup> The physical context in which a mark appears also enters into the likelihood-of-confusion analysis in cases where a mark appears alongside a house brand. For example, in *AutoZone, Inc. v. Tandy Corp.*, 373 F.3d 786 (6th

Cir.2004), the plaintiff alleged that the defendant's use of the POWERZONE mark infringed on its AUTOZONE mark. *Id.* at 791. In assessing the similarity of the marks, the Sixth Circuit found “significant” the fact that the POWERZONE mark almost always appeared “in close physical proximity” with the Radio Shack house mark “such that a consumer would be unlikely to see one without the other,” thereby reducing the likelihood that consumers would be confused as to the source of the products. *Id.* at 790, 796.

[15] Plaintiff's failure to establish a likelihood of confusion as to its Lanham Act claim also extinguishes its claim under Florida law. *See Gift of Learning Found., Inc. v. TGC, Inc.*, No. 01-8069-CIV-HURLEY, 2001 WL 34718642, 2001 U.S. Dist. LEXIS 25301, at \*30 (S.D.Fla.2001) (citing *Investacorp, Inc. v. Arabian Inv. Banking Corp.*, 931 F.2d 1519, 1521 (11th Cir.1991), for the proposition that “the analysis of the Florida statutory and common law claims of trademark infringement and unfair competition is the same as under the federal \*653 trademark infringement claim”), *aff'd*, 329 F.3d 792 (11th Cir.2003) (per curiam); *Planetary Motion, Inc. v. Techsplosion, Inc.*, 261 F.3d 1188, 1193 n. 4 (11th Cir.2001) (“Courts may use an analysis of federal infringement claims as a ‘measuring stick’ in evaluating the merits of state law claims of unfair competition.”); *Marco's Franchising, LLC v. Marco's Italian Express, Inc.*, No. 8:06-cv-00670-T-17-TGW, 2007 WL 2028845 at \*3, 2007 U.S. Dist. LEXIS 49211, at \*10 (M.D.Fla. July 9, 2007) (analyzing the plaintiff's FDUTPA claim simultaneously with the plaintiff's Lanham Act claim because the former is “derivative of” the latter). Defendants are thus entitled to summary judgment with respect to Count 2.<sup>11</sup>

<sup>11</sup> Custom also claimed that the district court abused its discretion regarding its motion to compel. Specifically, after the close of discovery, and on the same day that the defendants filed their summary judgment motions, Custom filed a motion to compel Midway's corporate representative to provide the names and contact information of the representatives of customers to whom the water meter reading systems in question had been sold. An existing order in the pending state court action barred Custom from having any contact with Midway's customers. The magistrate judge denied Custom's motion to compel, and the district court did not modify or set aside that order prior to granting summary judgment for the defendants. We have reviewed Custom's claim that the district court abused its discretion in adopting the magistrate judge's ruling, and find it to be without merit.

**IV.**

**AFFIRMED.**

For the reasons herein stated, the judgment of the district court  
is

**Parallel Citations**

84 U.S.P.Q.2d 2009, 21 Fla. L. Weekly Fed. C 215

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**Reconsideration Request  
DERCars, LLC**

**Annex L**

*Hero Nutritionals, LLC v. Nutraceutical Corp.*, 2013  
WL 4480674, at \*3 (C.D. Cal. Aug. 16, 2013)

2013 WL 4480674

Only the Westlaw citation is currently available.  
United States District Court,  
C.D. California.

HERO NUTRITIONALS LLC, Plaintiff,

v.

NUTRACEUTICAL CORP., et al., Defendants.

No. SACV 11-1195 AG (MLGx) | Aug. 16, 2013.

#### Attorneys and Law Firms

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#### Opinion

#### FINDINGS OF FACT AND CONCLUSIONS OF LAW

ANDREW J. GUILFORD, District Judge.

\*1 This case is about whether two product lines of children's vitamins are confusingly similar. Plaintiff Hero Nutritionals LLC ("Plaintiff" or "Hero") sued Defendants Nutraceutical Corporation and Nutramarks, Inc., (collectively "Defendants" or "Nutraceutical") for trademark infringement and related unfair competition involving children's gummy vitamins. After reviewing the evidence presented during the bench trial and evaluating the credibility of witnesses and other evidence, the Court makes the following findings of fact and conclusions of law, including any factual findings interwoven with legal conclusions.

#### FINDINGS OF FACT

1. Hero is a manufacturer and distributor of vitamins and nutritional supplements throughout the United States and countries around the world.

2. Hero's first and flagship product is a nutritional supplement marketed as YUMMI BEARS brand gummy

vitamins ("Yummi Bears"). These bear-shaped gummy vitamins were first introduced to the market in 1996.

3. Hero is the owner of a number of "YUMMI" trademark registrations for its gummy vitamins (collectively, the "Yummi Trademarks"), including YUMMI and YUMMI BEARS. The YUMMI and YUMMI BEARS trademarks are incontestable.

4 Hero has sold gummy vitamins under one or more of its Yummi Trademarks continuously since 1996.

5 From 1996 to 2006, Hero spent more than \$3.5 million marketing and developing the Yummi Bears brand. Since 2007, Hero has spent more than \$3 million in marketing and advertising, much of which was devoted to the Yummi Bears brand.

6. Hero's founder chose to use a "gummy bear" based on the popular Haribo gummy bear candies, and chose the term "yummi" based on the ordinary dictionary meaning of the word "yummy," to indicate that the Hero products are good-tasting.

7. Hero sells its YUMMI BEARS products primarily in specialty health and natural food stores such as Whole Foods and the Vitamin Shoppe.

8. Both parties' products at issue are targeted and sold to similar consumers, namely health-conscious parents of young children.

9. In 2002, when attempting to register its YUMMI BEARS mark with the U.S. Patent and Trademark Office (the "PTO"), Hero faced an "initial rejection" from the PTO based on an earlier registration for YUMMY CHOICE. In response, Hero argued that no likelihood of confusion existed between the marks, citing several third-party trademark registrations for "Yummy" or "Yummi", and concluding:

The fact that "YUMMY" or "YUMMI" is a component of so many cited trademarks ... indicates that no one trademark owner can claim exclusivity in the term.

[C]onsumers faced with an abundance of "YUMMY" and "YUMMI" marks should be able to look at the other elements of the marks to determine their sponsorship. (Ex. 43 at 49-50).

10 Nutraceutical markets and sells nutritional supplement products, health and beauty products, and similar

products throughout the United States, including children's nutritional supplement products.

\*2 11 In 1998, Nutraceutical first began using the word "Yummy" in connection with its YUMMY GREENS chewable children's nutritional supplement.

12 Before selecting the YUMMY GREENS mark, Nutraceutical commissioned a trademark search. The search revealed many Yummy and other Yum-formative marks owned by various parties, including Hero's YUMMI BEARS.

13 In 2001, Hero demanded that Nutraceutical stop using YUMMY GREENS, claiming a likelihood of confusion with YUMMI BEARS. Nutraceutical disagreed, and after additional correspondence between the parties that continued into 2002, Hero made no further objection to the YUMMY GREENS product.

14 Nutraceutical has sold the YUMMY GREENS product continuously from 1998 to the present.

15 Since at least 2006, Nutraceutical has been selling a line of children's vitamins under the KAL DINOSAUR trademarks, including a vitamin "C-Rex" product, a vitamin "D-Rex" product, and a multi-vitamin product called "Multi-saurus." At first, these products were only offered in hard chewable tablets.

16 In 2009, Nutraceutical introduced a gummy version of its KAL DINOSAUR C-Rex product. Nutraceutical retained the marks and designs as they were created in 2006 and added the words "Yummy Gummy."

17 The KAL DINOSAUR Yummy Gummy products are gummies in the shape of a bear.

18 In 2011, Nutraceutical added three additional gummy products to its KAL DINOSAUR line: "Vitamin D-Rex," "Multi-Saurus," and an "Elderberry" product. Like the Vitamin C-Rex product, these were pre-existing products, previously sold in a hard chewable tablet, now being offered in a gummy. Again, Nutraceutical retained the marks and design as they were created in 2006 and added the words "Yummy Gummy" under the product name.

19 Nutraceutical sells 5,000 units or less of each of its KAL DINOSAUR Yummy Gummy products annually.

20 Nutraceutical sells its KAL DINOSAUR Yummy Gummy products in specialty health and natural food stores only.

21 In 2011, approximately two years after Nutraceutical began selling its KAL DINOSAUR C-Rex Yummy Gummy product, Nutraceutical contacted Hero and expressed interest in acquiring or investing in Hero. Hero told Nutraceutical that it was not interested in a such a sale or investment.

22 Neither party has presented any evidence of actual confusion concerning the marks or products at issue here.

23 Hero did not conduct a survey to measure the existence or degree of confusion caused by Nutraceutical's KAL DINOSAUR Yummy Gummy products, nor has it conducted any survey to measure customer recognition of its YUMMI BEARS mark.

24 Besides the "Yummy" or "yummi" marks Hero cited in response to the PTO office action, and those revealed in Nutraceutical's 1998 trademark search, there is extensive thirdparty use of bear shapes, gummy forms, and "YUM"-formative marks.

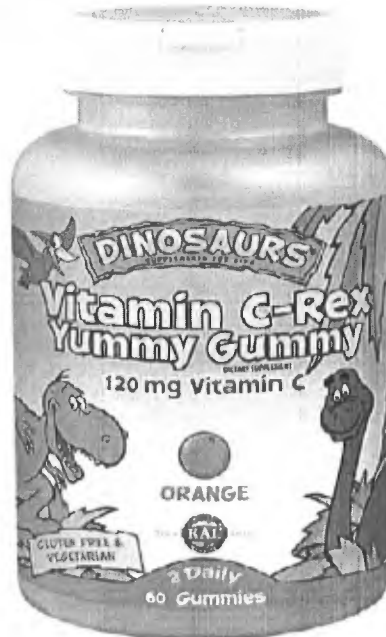
25 Hero uses the YUMMI BEARS mark in this context: YUMMI is red and BEARS is yellow; YUMMI BEARS is outlined in white; YUMMI is spelled with an "i" instead of a "y" and uses a heart shape to dot the "i"; the label depicts cartoon bears; the background is generally a solid color with a sunburst emanating from behind the YUMMI BEARS mark; and Hero's registered house mark HERO is displayed in a green leaf design towards the top of the label.

\*3 26 Nutraceutical uses Yummy Gummy in this context: "Yummy" is yellow and spelled with a "y" instead of an "i"; there are pictures of dinosaurs and foliage but no bears; the background is a vertical gradient from white to light blue; the DINOSAURS mark is prominently displayed at the top; and Nutraceutical's KAL house mark is displayed at the bottom.

27 Some of the YUMMI BEARS bottles are packaged in boxes, the design of which looks substantially similar to the bottles. KAL DINOSAUR Yummy Gummy products are never sold in a box.

28 The YUMMI BEARS bottles are transparent. KAL DINOSAUR Yummy Gummy products are currently sold in opaque bottles. Prior KAL DINOSAUR Yummy Gummy bottles may have been more transparent.

29 On occasion, Nutraceutical has used advertisements called “shelf-talkers” that depict the bear-shaped



gummies. These ads prominently feature the KAL and Dinosaur marks and the dinosaur theme.

30 Representative pictures follow of Hero's (on the left) and Nutraceutical's marks as used in the marketplace.

**CONCLUSIONS OF LAW**

The Court makes these conclusions of law, including any conclusions of law found in the Findings of Fact.

31 The Court has jurisdiction over the parties and subject matter of this case and venue is proper.

32 The registrations for YUMMI and YUMMI BEARS are “incontestable” under the Lanham Act, meaning that Hero's registrations for these trademarks are conclusive evidence of Hero's ownership of the marks and that the trademarks are valid and protectable. *See* 15 U.S.C. § 1115(b).

33 To prevail, Hero must prove by a preponderance of the evidence that Nutraceutical's use of “Yummy Gummy” on the KAL DINOSAUR products is likely to cause consumer confusion as to the source, affiliation, connection, or association of the products. *See* 15 U.S.C. §§ 1114(1)(a); 1125(a).

34 “The test for likelihood of confusion is whether a ‘reasonably prudent consumer’ in the marketplace is

likely to be confused as to the origin of the good or service bearing one of the marks.” *Dreamwerks Prod. Grp., Inc. v. SKG Studio*, 142 F.3d 1127, 1129 (9th Cir.1998). It is Hero's burden to demonstrate that confusion by an “appreciable number” of consumers is “probable,” not merely “possible.” *M2 Software, Inc. v. Madacy Entm't*, 421 F.3d 1073, 1085 (9th Cir.2005); *Entrepreneur Media, Inc. v. Smith*, 279 F.3d 1135, 1151 (9th Cir.2002).

35 Hero's state statutory and federal unfair competition claims are “substantially congruent” to its trademark infringement claims. *See Cleary v. News Corp.*, 30 F.3d 1255, 1262–63 (9th Cir.1994). Under both claims, the “ultimate test” is “whether the public is likely to be deceived or confused by the similarity of the marks.” *Century 21 Real Estate Corp. v. Sandlin*, 846 F.2d 1175, 1178 (9th Cir.1988).

36 The Ninth Circuit applies the following *Sleekcraft* factors in assessing “likelihood of confusion”: (1) strength of the mark; (2) proximity of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) type of goods and the

degree of care likely to be exercised by the purchaser; (7) defendant's intent in selecting the mark; and (8) likelihood of expansion of the product lines. *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348–49 (9th Cir.1979). “These factors are flexible, merely guiding the analysis of the overall likelihood of confusion[.]” *Cohn v. Petsmart, Inc.*, 281 F.3d 837, 841 (9th Cir.2002). “Some factors are much more important than others, and the relative importance of each individual factor will be case-specific.” *Brookfield Communications, Inc. v. W. Coast Entn't Corp.*, 174 F.3d 1036, 1054 (9th Cir.1999).

\*4 37 Strength of Hero's Mark

37.1 “The stronger a mark—meaning the more likely it is to be remembered and associated in the public mind with the mark's owner—the greater the protection it is accorded by the trademark laws.” *Id.* at 1058. The “ ‘strength’ of the trademark is evaluated in terms of its conceptual strength and commercial strength.” *GoTo.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1207 (9th Cir.2000). Conceptual strength is measured along a spectrum of generally increasing inherent distinctiveness as generic, descriptive, suggestive, arbitrary, or fanciful.” *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768, 112 S.Ct. 2753, 120 L.Ed.2d 615 (1992). “Commercial strength is based on actual marketplace recognition, and thus advertising expenditures can transform a suggestive mark into a strong mark.” *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1149 (9th Cir.2011) (citations and quotations omitted).

37.2 Although two of Hero's trademark registrations are “incontestable,” “[a]n incontestable mark may ... still be relatively weak for likelihood of confusion purposes[.]” *Gerawan Farming, Inc. v. Prima Bella Produce, Inc.*, 2011 WL 3348056, at \* 17 (E.D.Cal. Aug.2, 2011); see also *Entrepreneur Media*, 279 F.3d at 1143, n. 3 (noting that while incontestable status establishes the validity of the mark, it “does not require a finding that the mark is strong”); *Oreck Corp. v. U.S. Floor Sys., Inc.*, 803 F.2d 166, 171 (5th Cir.1986) (“Incontestable status does not make a weak mark strong.”).

37.3 Conceptually, the “yummi” portion of the YUMMI marks is descriptive of the good-tasting nature of the product. Hero's witness admitted that Hero uses “yummi” (albeit spelled with an “i”) for its ordinary dictionary meaning. See e.g., *Entrepreneur Media*, 279

F.3d at 1142 (holding that “ENTREPRENEUR” as a magazine title is descriptive, despite not directly stating that the product is a magazine, because “an entirely unimaginative, literal-minded person would understand the significance of the reference”). Accordingly, the YUMMI and YUMMI BEARS marks are conceptually weak, as it takes little to no imagination to understand the significance of the reference.

37.4 The Ninth Circuit has recognized that the strength of a suggestive or descriptive mark can be bolstered by its commercial success (*M2 Software*, 421 F.3d at 1081), extensive advertising, length of exclusive use and public recognition. *Brookfield*, 174 F.3d at 1058 (advertising expenditures can transform a suggestive mark into a strong mark). Hero's advertising and marketing efforts and commercial success bolster the strength of the mark.

37.5 But extensive use of similar marks by third-parties reduces the commercial strength of a mark. *Id.* at 1143; see also *M2 Software*, 421 F.3d at 1088. The extensive third-party use of gummies, bear shapes, and “YUM”-formative marks in the marketplace for childrens' vitamins undermines the commercial strength of Hero's marks. See, e.g., *Entrepreneur Media*, 279 F.3d at 1143–44 (“[T]hat the marketplace is replete with products using a particular trademarked word indicates not only the difficulty in avoiding its use but also, and directly, the likelihood that consumers will not be confused by its use.”); *Miss World (UK) Ltd. v. Mrs. Am. Pageants, Inc.*, 856 F.2d 1445, 1449 (9th Cir.1988) (in a crowded field “customers will not likely be confused between any two of the crowd and may have learned to carefully pick out one from the other”).

\*5 37.6 As stated, Hero presented no direct evidence, such as a consumer survey, to show if, or how strongly, the market recognizes its trademarks.

37.7 The Court concludes that YUMMI and YUMMI BEARS are relatively weak marks that are entitled to a narrow scope of protection. See, e.g., *Matrix Motor Co. v. Toyota Jidosha Kabushiki Kaisha*, 290 F.Supp.2d 1083, 1091 (C.D.Cal.2003) (evidence of six uses of MATRIX in racing field shows that mark is exceedingly weak and entitled to “very limited scope of protection”); *Glow Indus., Inc. v. Lopez*, 252 F.Supp.2d 962, 990–92 (C.D.Cal.2002) (finding GLOW to be relatively weak given the exceedingly crowded field of beauty products using the word “glow”).

38 *Proximity of the Goods*

38.1 “Where goods are related or complementary, the danger of consumer confusion is heightened.” *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1291 (9th Cir.1992); *see also Sleekcraft*, 599 F.2d at 348 (concluding that high-speed waterskiing racing boats are sufficiently related to family-oriented recreational boats that the public is likely to be confused as to the source of the boats). “Related goods are those products which would be reasonably thought by the buying public to come from the same source if sold under the same mark.” *Sleekcraft*, 599 F.2d at 348 (citations and quotations omitted).

38.2 Here, both products are bear-shaped gummy vitamins and target substantially the same consumer. The products are clearly related.

38.3 The Ninth Circuit applies a “sliding scale approach as to the weight that relatedness will carry dependent upon the strength of the trademark holder’s mark” in order to take into account the fact that consumers may well recognize that companies use descriptive terms for what they mean, not because of an association with any one company. *Entrepreneur Media*, 279 F.3d at 1148. This sliding scale avoids the undesirable result of “prevent[ing] the commercial use of descriptive words to name products, as straightforward names are often the most useful identifiers.” *Id.*

38.4 This factor weighs modestly in favor of a likelihood of confusion.

39 *Similarity of the Marks*

39.1 “Similarity of the marks is tested on three levels: sight, sound, and meaning.” *Sleekcraft*, 599 F.2d at 351. When determining the degree of similarity, courts should consider “the context of other identifying features,” *Survivor, Inc. v. Survivor Productions*, 406 F.3d 625, 633 (9th Cir.2005), and must consider the marks “in their entirety and as they appear in the marketplace.” *M2 Software*, 421 F.3d at 1082.

39.2 Hero has always used bears (both word and cartoon) on its packaging. There are no bears or the word “bear” on Nutraceutical’s label. Instead, its prehistoric-themed label features dinosaurs, consistent with its DINOSAURS mark. Hero’s label prominently

features the YUMMI BEARS mark. Nutraceutical’s label focuses on the DINOSAURS mark.

\*6 39.3 The only clear similarity between the labels are the words “Yummy” and “yummi,” which are pronounced the same. But the words are colored, spelled, and capitalized differently.

39.4 Both parties’ labels always contain their respective HERO and KAL house logos, which are not similar and serve to further distinguish the marks and products, making confusion even less likely. *See, e.g., Petsmart*, 281 F.3d at 842.

39.5 Although both parties’ products are gummy bears, there are several third parties that also use the gummy bear form for children’s vitamins. Despite such third-party use, Hero submitted no evidence that customers associate gummy bears with Hero, specifically. Hero has not asserted rights to the bear shape or the gummy form, which are ubiquitous.

39.6 The Court concludes that while the words “yummy” and “yummi,” standing alone, are similar in sight, sound, and meaning, the dissimilarities in the designs, themes, layouts, and respective house marks between the two product labels renders the marks dissimilar and easily distinguishable.

39.7 This factor weighs strongly against a likelihood of confusion.

40 *Evidence of Actual Confusion*

40.1 “Evidence of actual confusion is relevant to the issue of likelihood of confusion, but the absence of such evidence need not create an inference that there is no likelihood of confusion.” *E. & J. Gallo Winery*, 967 F.2d at 1292. “Because of the difficulty in garnering such evidence, the failure to prove instances of actual confusion is not dispositive.” *Sleekcraft Boats*, 599 F.2d at 353. “Consequently, this factor is weighed heavily only when there is evidence of past confusion or, perhaps, when the particular circumstances indicate such evidence should have been available.” *Id.*

40.2 Actual confusion can be established by (1) producing the testimony of consumers that have been confused; or (2) producing a consumer survey that shows consumers are actually confused. *Thane Int’l, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 902 (9th Cir.2002).

40.3 “[L]ack of evidence about actual confusion after an ample opportunity for confusion can be a powerful indication” that there is no meaningful likelihood of confusion. *Matrix Motor*, 290 F.Supp.2d at 1093; see also *Brookfield*, 174 F.3d at 1050 (“We cannot think of more persuasive evidence that there is no *likelihood* of confusion between these two marks than the fact that they have been simultaneously used for five years without causing any consumers to be confused as to who makes what.”).

40.4 Despite years of concurrent sales, Hero has presented no evidence of actual confusion.

40.5 This factor weighs against a likelihood of confusion.

#### 41 *Marketing Channels Used*

41.1 The parties do not dispute that the products are sold in essentially the same trade channels.

41.2 This factor weighs in favor of a likelihood of confusion.

#### 42 *Type of Goods and the Degree of Care Likely To Be Exercised By the Purchaser*

\*7 42.1 A consumer exercising a great deal of care would be less likely to be confused as to the source of the product. “In analyzing the degree of care that a consumer might exercise in purchasing the parties’ goods, the question is whether a ‘reasonably prudent consumer’ would take the time to distinguish between the two product lines.” *Survivor Media*, 406 F.3d at 634 (internal citation omitted).

42.2 “Courts have found that the ordinary purchaser presumably takes more care in purchasing “expensive” items that she buys infrequently, than in buying everyday, relatively inexpensive items.” *Moroccanoil, Inc. v. Moroccan Gold, LLC*, 590 F.Supp.2d 1271, 1280 (C.D.Cal.2008) (citing *Sleekcraft*, 599 F.2d at 353). Vitamin supplements are relatively inexpensive items. The suggested retail price for the disputed products ranged from about \$12 to \$30.

42.3 But both parties sell their products at health and natural food stores, where consumers are more likely to pay attention to the types and quality of the supplements they purchase. This is particularly true for nutritional supplements that parents are selecting for their children.

Nutraceutical's witness testified that products sold at such stores are also typically more expensive than comparable products available in the mass market retail channels. Hero further testified that in some instances, consumers are aided by a knowledgeable sales associate when choosing which dietary supplement will best address their children's needs.

42.4 Such health-conscious, educated customers shopping in higher-priced stores for dietary supplements for the physical well-being of their children “would take the time to distinguish between the two product lines.” *Survivor Media*, 406 F.3d at 634 (internal citation omitted). Such customers are thus less likely to be confused between competing products. See, e.g., *Nature's Best, Inc. v. Ultimate Nutrition, Inc.*, 323 F.Supp.2d 429, 434 (E.D.N.Y.2004) (“[C]onsumers selecting products or treatments that affect their physical appearance and health are likely to exercise a great deal of care. .... Indeed, it seems highly unlikely that confusion between ... two nutritional supplements will occur[.]” (citation and quotations omitted). This is particularly so given Hero's witness's testimony that Hero's customers actually read the product label or do research before purchasing.

42.5 On balance, this factor weighs against a likelihood of confusion.

#### 43 *Defendant's Intent in Selecting the Mark*

43.1 “When the alleged infringer knowingly adopts a mark similar to another's, we must presume that the public will be deceived.” *M2 Software, Inc.*, 421 F.3d at 1085.

43.2 Nutraceutical was aware of Hero's use of the YUMMI and YUMMI BEARS marks when it began marketing and selling its Yummy Gummy products.

43.3 But Nutraceutical's use of “Yummy Gummy,” is not sufficiently similar to Hero's use of YUMMI and YUMMI BEARS to warrant a presumption that Nutraceutical chose its marks to deceive the public.

\*8 43.4 This factor is neutral.

#### 44 *Likelihood of Expansion of the Product Lines*

44.1 Where two companies are direct competitors, the “likelihood of expansion” factor is unimportant. See *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1153 (9th Cir.2011).



44.2 Here, the parties already directly compete, and thus this factor is neutral.

45 *Conclusion on Sleekcraft Factors*

45.1 The balance of the *Sleekcraft* factors does not demonstrate a likelihood of confusion between Hero's marks and Nutraceutical's use of "Yummy Gummy." Hero's marks are weak and entitled only to a narrow scope of protection. Although the words "Yummy" and "yummi" are similar, the overall impression of the marks, including the packaging, labeling, designs, and house marks, are dissimilar. Consumers of children's vitamins at health food stores tend to be more careful and discriminating than the average shopper. Despite years of coexistence in the market, there was no showing of actual confusion, nor has Hero offered a survey to show actual confusion. Other than knowledge of the YUMMI BEARS mark, Hero has made no showing that Nutraceutical's use of "Yummy Gummy" was done in bad faith with an intent to trade off of Hero's good will. Although the products at issue are competitive and are generally sold in the same trade channel, these factors do not outweigh the other considerations leading to the ultimate conclusion that there is no likelihood of confusion.

45.2 The Court concludes that Hero has not met its burden of proving a likelihood of confusion between its use of YUMMI BEARS and Nutraceutical's use of "Yummy Gummy."

46 Hero has similarly failed to show post-sale confusion. Hero has not shown that it has any rights to the shape,

size, color, and texture of the vitamins themselves, and the demonstrated similarities in those characteristics are insufficient to establish post-sale confusion.

47 In sum, Nutraceutical's use of "Yummy Gummy" was not "likely to confuse an appreciable number of people as to the source of the product." *M2 Software, Inc., a Delaware corporation v. Madacy Entm't, a corporation*, 421 F.3d 1073, 1085 (9th Cir.2005) (quoting *Entrepreneur Media, Inc.*, 279 F.3d at 1151.)

48 The Court further finds overall, after reviewing all relevant facts and law, and particularly reviewing the credibility of the witnesses, that Defendants presented a much stronger case.

**DISPOSITION**

The Court finds against Hero on its claims for trademark infringement and unfair competition and denies all of Hero's requested relief.

Nutraceutical's counsel is directed to prepare the judgment and promptly file and serve it on Hero. Hero shall have 14 days from the date of service of the proposed judgment to file any objections to the proposed judgment. If no objections are received within 14 days, the judgement will be entered immediately, and Federal Rule of Civil Procedure 52(b) will apply on entry of the judgment.

**\*9 IT IS SO ORDERED.**

**Reconsideration Request  
DERCars, LLC**

**Annex M**

*Peoples Fed. Sav. Bank v. Peoples United Bank,*  
672 F.3d 1, 12 (1st Cir. 2012)

672 F.3d 1  
United States Court of Appeals,  
First Circuit.

PEOPLES FEDERAL SAVINGS  
BANK, Plaintiff, Appellant,  
v.  
PEOPLE'S UNITED BANK, Defendant, Appellee.

No. 10-2053. | Heard May 4,  
2011. | Decided Feb. 10, 2012.

**Synopsis**

**Background:** Bank brought suit against competitor alleging trademark infringement. Bank moved for preliminary injunction and temporary restraining order. The United States District Court for the District of Massachusetts, Nathaniel M. Gorton, J., 750 F.Supp.2d 217, denied motion. Bank appealed.

**[Holding:]** The Court of Appeals, Torruella, Circuit Judge, held that bank failed to demonstrate likelihood of success on the merits.

Affirmed.

West Headnotes (21)

**[1] Trademarks**

☞ Indication of origin or ownership; identification

**Trademarks**

☞ Capacity to Distinguish or Signify; Distinctiveness

382T Trademarks

382TII Marks Protected

382Tk1028 Indication of origin or ownership; identification

382T Trademarks

382TII Marks Protected

382Tk1029 Capacity to Distinguish or Signify; Distinctiveness

382Tk1030 In general

In order for a mark to be eligible for trademark protection, it must qualify as distinctive, meaning that it is capable of functioning as a source-identifier of goods.

**[2] Trademarks**

☞ Levels or categories of distinctiveness in general; strength of marks in general

382T Trademarks

382TII Marks Protected

382Tk1033 Levels or categories of distinctiveness in general; strength of marks in general

Marks classified as suggestive, arbitrary or fanciful are considered inherently distinctive, whereas descriptive marks are tentatively considered non-distinctive and can only attain distinctive status upon an affirmative showing of secondary meaning.

**[3] Injunction**

☞ Extraordinary or unusual nature of remedy

212 Injunction

212II Preliminary, Temporary, and Interlocutory Injunctions in General

212II(A) Nature, Form, and Scope of Remedy

212k1075 Extraordinary or unusual nature of remedy

(Formerly 212k132)

A preliminary injunction is an extraordinary and drastic remedy that is never awarded as of right.

8 Cases that cite this headnote

**[4] Injunction**

☞ Grounds in general; multiple factors

212 Injunction

212II Preliminary, Temporary, and Interlocutory Injunctions in General

212II(B) Factors Considered in General

212k1092 Grounds in general; multiple factors (Formerly 212k138.1)

Order for a court to grant preliminary injunction, a plaintiff must establish: (1) that he is likely to succeed on the merits, (2) that he is likely to suffer irreparable harm in the absence of preliminary relief, (3) that the balance of equities

tips in his favor, and (4) that the injunction is in the public interest.

17 Cases that cite this headnote

[5] **Trademarks**

↔ Infringement in general

382T Trademarks

382TIX Actions and Proceedings

382TIX(F) Injunctions

382Tk1701 Preliminary or Temporary Injunctions

382Tk1704 Grounds and Subjects of Relief

382Tk1704(2) Infringement in general

In a trademark case, the importance of the inquiry as to preliminary injunction movant's likelihood of success on the merits is magnified because the resolution of the other three factors will depend in large part on whether the movant is likely to succeed in establishing infringement.

6 Cases that cite this headnote

[6] **Federal Courts**

↔ Preliminary injunction; temporary restraining order

170B Federal Courts

170BVIII Courts of Appeals

170BVIII(K) Scope, Standards, and Extent

170BVIII(K)4 Discretion of Lower Court

170Bk814 Injunction

170Bk815 Preliminary injunction; temporary restraining order

District court's conclusions regarding factors to be weighed to determine whether to grant preliminary injunction, and its determinations as to their relative weight, deserve considerable deference on appeal.

[7] **Federal Courts**

↔ Trial de novo

**Federal Courts**

↔ Preliminary injunction; temporary restraining order

**Federal Courts**

↔ Equity in general and injunction

170B Federal Courts

170BVIII Courts of Appeals

170BVIII(K) Scope, Standards, and Extent

170BVIII(K)1 In General

170Bk776 Trial de novo

170B Federal Courts

170BVIII Courts of Appeals

170BVIII(K) Scope, Standards, and Extent

170BVIII(K)4 Discretion of Lower Court

170Bk814 Injunction

170Bk815 Preliminary injunction; temporary restraining order

170B Federal Courts

170BVIII Courts of Appeals

170BVIII(K) Scope, Standards, and Extent

170BVIII(K)5 Questions of Fact, Verdicts and Findings

170Bk855 Particular Actions and Proceedings, Verdicts and Findings

170Bk862 Equity in general and injunction

The grant or denial of a preliminary injunction is reviewed for abuse of discretion; within that framework, findings of fact are reviewed for clear error and issues of law are reviewed de novo.

2 Cases that cite this headnote

[8] **Federal Courts**

↔ Preliminary injunction; temporary restraining order

170B Federal Courts

170BVIII Courts of Appeals

170BVIII(K) Scope, Standards, and Extent

170BVIII(K)4 Discretion of Lower Court

170Bk814 Injunction

170Bk815 Preliminary injunction; temporary restraining order

Court of Appeals will set aside a district court's ruling on a preliminary injunction motion only if the district court clearly erred in assessing the facts, misapprehended the applicable legal principles, or otherwise is shown to have abused its discretion.

1 Cases that cite this headnote

[9] **Trademarks**

↔ Infringement

382T Trademarks

382TVIII Violations of Rights

382TVIII(A) In General

382Tk1418 Practices or Conduct Prohibited in General; Elements

382Tk1421 Infringement

In order for a party to succeed on a claim of trademark infringement, it must demonstrate that (1) its mark merits protection and (2) the allegedly infringing use is likely to result in consumer confusion.

[10] Trademarks

↔ Extent or degree of confusion

Trademarks

↔ Persons confused; circumstances of sale

382T Trademarks

382TIII Similarity Between Marks; Likelihood of Confusion

382Tk1083 Nature of Confusion

382Tk1085 Extent or degree of confusion

382T Trademarks

382TIII Similarity Between Marks; Likelihood of Confusion

382Tk1112 Persons confused; circumstances of sale

For purposes of establishing trademark infringement, "likely confusion" means more than the theoretical possibility of confusion; allegedly infringing conduct must create a likelihood of confounding an appreciable number of reasonably prudent purchasers exercising ordinary care.

[11] Trademarks

↔ Factors considered in general

382T Trademarks

382TIII Similarity Between Marks; Likelihood of Confusion

382Tk1081 Factors considered in general

Eight factors guide the inquiry into likelihood of confusion in determining whether trademark infringement has occurred: (1) the similarity of the marks; (2) the similarity of the goods; (3) the relationship between the parties' channels of trade; (4) the relationship between the parties' advertising; (5) the classes of prospective purchasers; (6) evidence of actual confusion; (7) the defendant's intent in adopting its mark; (8) and the strength of the plaintiff's mark.

2 Cases that cite this headnote

[12] Federal Courts

↔ Copyrights, patents and trade regulation

170B Federal Courts

170BVIII Courts of Appeals

170BVIII(K) Scope, Standards, and Extent

170BVIII(K)5 Questions of Fact, Verdicts and Findings

170Bk855 Particular Actions and Proceedings, Verdicts and Findings

170Bk860 Copyrights, patents and trade regulation

Because likelihood of confusion in a trademark infringement case is a factbound inquiry, appellate review of a trial-level finding on that issue is for clear error.

[13] Trademarks

↔ Similarity; likelihood of confusion

382T Trademarks

382TIX Actions and Proceedings

382TIX(F) Injunctions

382Tk1701 Preliminary or Temporary Injunctions

382Tk1704 Grounds and Subjects of Relief

382Tk1704(9) Similarity; likelihood of confusion

Bank failed to adequately demonstrate that it was likely to succeed on the merits of its trademark claim pertaining to its "PEOPLES" mark, as required to obtain preliminary injunctive relief against rival bank; the dissimilarity between the parties' logos, consumers' tendency to perform research before selecting a bank, the absence of bad faith and the scarcity of evidence of actual confusion all weighed against a finding of likelihood of consumer confusion.

1 Cases that cite this headnote

[14] Trademarks

↔ Weight and sufficiency

382T Trademarks

382TIX Actions and Proceedings

382TIX(F) Injunctions

382Tk1701 Preliminary or Temporary Injunctions

382Tk1707 Proceedings

382Tk1707(6) Weight and sufficiency

While it is true that evidence of actual confusion is not a prerequisite for a finding of likelihood of confusion, as required to

establish entitlement to preliminary injunction in a trademark infringement action, courts may still weigh evidence presented on this factor as part of their balanced analysis.

**[15] Trademarks**

☞ Intent; knowledge of confusion or similarity

382T Trademarks

382TIII Similarity Between Marks; Likelihood of Confusion

382Tk1111 Intent; knowledge of confusion or similarity

Evidence of bad intent, while potentially probative of likelihood of confusion, is simply not required in a trademark infringement case; moreover, a finding of good faith is no answer if likelihood of confusion is otherwise established.

1 Cases that cite this headnote

**[16] Trademarks**

☞ Intent; knowledge of confusion or similarity

382T Trademarks

382TIII Similarity Between Marks; Likelihood of Confusion

382Tk1111 Intent; knowledge of confusion or similarity

For a finding of trademark infringement, the defendant's intent in adopting the mark is an appropriate consideration in the court's assessment of whether the public is likely to be confused about the actual source of the goods or services at issue.

1 Cases that cite this headnote

**[17] Trademarks**

☞ Examination and comparison; construction as entirety

382T Trademarks

382TIII Similarity Between Marks; Likelihood of Confusion

382Tk1093 Relationship Between Marks

382Tk1097 Examination and comparison; construction as entirety

Similarity of trademarks is determined on the basis of the total effect of the designation, rather than a comparison of the individual features.

**[18] Trademarks**

☞ Ownership; marks protected

**Trademarks**

☞ Similarity; likelihood of confusion

382T Trademarks

382TIX Actions and Proceedings

382TIX(F) Injunctions

382Tk1701 Preliminary or Temporary Injunctions

382Tk1704 Grounds and Subjects of Relief

382Tk1704(8) Ownership; marks protected

382T Trademarks

382TIX Actions and Proceedings

382TIX(F) Injunctions

382Tk1701 Preliminary or Temporary Injunctions

382Tk1704 Grounds and Subjects of Relief

382Tk1704(9) Similarity; likelihood of confusion

Fact that district court found bank's "PEOPLES" mark to be protectable in a particular trade area did not itself entitle bank to a preliminary injunction in trademark infringement action against rival bank, particularly when bank had not been able to prove a likelihood of confusion.

**[19] Federal Courts**

☞ Copyrights, patents and trade regulation

**Trademarks**

☞ Marks protected

**Trademarks**

☞ Secondary meaning

170B Federal Courts

170BVIII Courts of Appeals

170BVIII(K) Scope, Standards, and Extent

170BVIII(K)5 Questions of Fact, Verdicts and Findings

170Bk855 Particular Actions and Proceedings, Verdicts and Findings

170Bk860 Copyrights, patents and trade regulation

382T Trademarks

382TIX Actions and Proceedings

382TIX(E) Trial and Judgment

382Tk1682 Questions of Law or Fact

382Tk1689 Marks protected

382T Trademarks

382TIX Actions and Proceedings

382TIX(E) Trial and Judgment

382Tk1682 Questions of Law or Fact

382Tk1690 Secondary meaning

District court's determination in a trademark infringement action as to whether a term is generic, descriptive, or inherently distinctive is a question of fact, as is the question whether the mark has acquired secondary meaning; thus, the district court's findings on both of these questions are subject to review only for clear error.

## [20] Trademarks

↪ Levels or categories of distinctiveness in general; strength of marks in general

382T Trademarks

382TII Marks Protected

382Tk1033 Levels or categories of distinctiveness in general; strength of marks in general

In assessing the strength of a plaintiff's mark in a trademark infringement action, the district court may analyze both its conceptual and commercial strength.

<sup>1</sup> Cases that cite this headnote

## [21] Trademarks

↪ Alphabetical listing

382T Trademarks

382TXI Trademarks and Trade Names

Adjudicated

382Tk1800 Alphabetical listing

PEOPLES.

## Attorneys and Law Firms

\*<sup>3</sup> Lee Carl Bromberg, with whom Erik Paul Belt, Lori J. Shyavitz, and McCarter & English LLP, was on brief for appellant.

David H. Herrington, with whom Lawrence B. Friedman, Arminda B. Bepko, Cleary Gottlieb Steen & Hamilton LLP, Nicholas B. Carter, and Todd & Weld LLP, was on brief for appellee.

Before TORRUELLA, SELYA, and LIPEZ, Circuit Judges.

## Opinion

TORRUELLA, Circuit Judge.

Plaintiff–Appellant Peoples Federal Savings Bank (“Peoples Federal”) challenges an interlocutory order denying its motion to preliminarily enjoin defendant–appellee People's United Bank (“People's United”) from using the mark “PEOPLES” in the rebranding of several recently acquired banks in Eastern Massachusetts. After careful consideration, we conclude that Peoples Federal's motion for a preliminary injunction was properly denied. *Peoples Fed. Sav. Bank v. People's United Bank*, 750 F.Supp.2d 217 (D.Mass.2010). We therefore affirm the decision of the district court.

### I. Facts and Procedural History

#### A. Factual Background

Peoples Federal is a community bank that operates exclusively in Eastern Massachusetts.<sup>1</sup> It was chartered in 1888 and became a federally insured savings and loan institution in 1937. While its headquarters are in Brighton, it has grown over the years and now operates branches in Allston, Brookline, Jamaica Plain, Norwood, and West Roxbury.

<sup>1</sup> As used in this opinion, the term “Eastern Massachusetts” will refer to the counties of Suffolk, Norfolk, Middlesex, Plymouth, Barnstable, Bristol, Dukes, Nantucket, Essex, and Worcester east of the City of Worcester. This definition was provided by Peoples Federal in its briefing to the Court and used by the district court in reaching its determination.

Peoples Federal has been using the term “Peoples” in its name and service marks since 1937 and claims to be the only continuous user of the PEOPLES mark for banking services in Eastern Massachusetts since that time.<sup>2</sup> It owns six Massachusetts registrations for its marks, including PEOPLES, PEOPLES FEDERAL, and PEOPLES FEDERAL SAVINGS BANK, which were granted on June 15, 2010, the same day Peoples Federal filed suit in this case. It promotes its marks through advertising and marketing efforts, involvement in community activities, and charitable giving. The bank has attracted media attention and been portrayed favorably in the press.



2 People's United refutes this contention, asserting that at least four different banks that have names containing the word "People" have operated branches in the eastern part of the state during the same time period.

Defendant–Appellee People's United was founded in 1842 in Bridgeport, Connecticut, \*4 and has used the word "People" in its name for at least eighty years. The bank was called "People's Bank" until 2007, when it changed its name to "People's United Bank" in consideration of its plans to expand beyond Connecticut and distinguish itself from other banks that also use the word "People" in their titles. People's United is a full-service, regional bank with over \$22 billion in assets.

On April 16, 2010, as the result of a competitive bidding process, People's United acquired from the Federal Deposit Insurance Corporation ("FDIC") the deposits and banking operations of the failed Butler Bank, which had branches in north central Massachusetts, and Butler Bank's subsidiary, Marlborough Cooperative, which had branches in Marlborough (collectively, "Butler"). On the following day (April 17, 2010), People's United began rebranding all former Butler branches and re-opened them under its own name. Specifically, it covered or otherwise replaced exterior signs at the former Butler branches with signs bearing the name and logo of "People's United Bank." People's United also used its name and logo to replace the failed bank's interior posters and brochures, and to publish new marketing materials and newspaper advertisements for these branches. Butler's troubles were covered extensively in the press as the first Massachusetts bank to fail in sixteen years. The press also covered the related purchase and rebranding of all Butler branches by People's United.

### B. Procedural History

On June 15, 2010, Peoples Federal filed suit against People's United alleging trademark infringement, trademark dilution, and unfair competition in violation of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), as well as Massachusetts statutory and common law. One month later, on July 15, 2010, after unsuccessful negotiations with People's United, Peoples Federal presented its motion for preliminary injunction and temporary restraining order. Peoples Federal averred that People's United proposed to launch the rebranding of its former Butler branches on July 19, 2010 and that this would cause confusion among Peoples Federal's current and potential customers, damaging its goodwill and threatening irreparable harm to its name recognition in Eastern Massachusetts. It therefore sought to

enjoin People's United from rebranding its newly acquired Butler branches—and any other branches that it might procure in Eastern Massachusetts—with the People's United name, logo or other PEOPLES-formative marks, pending adjudication of the parties' rights in the instant suit.

At an emergency hearing convened on July 16, 2010, People's United informed the district court that the rebranding of the former Butler branches had already occurred and had been in place for the past three months. Regardless, it agreed to refrain from taking further action, *i.e.*, make any additional changes to branch facades or marketing or advertising materials, in the immediate future. People's United explained that the July 19 date must have been based on a misunderstanding because People's United had no plans to execute any further rebranding on that date.<sup>3</sup> Once satisfied that the status quo \*5 would be maintained, the district court scheduled a status conference and motion hearing for July 29, 2010. At the motion hearing, the court announced its preliminary findings and invited argument from the parties. On August 9, 2010, after considering the parties' written submissions and oral arguments, the district court issued a memorandum and order denying Peoples Federal's motion.

3 Peoples Federal alleges it first learned that People's United was moving into its trade area in April of 2010, when People's United acquired Butler. However, it claims that it was not until June of that year when it learned, through announcements in the media, that instead of operating these banks under their previous names, People's United was planning to convert all of its New England branches to the "People's United" brand. It made this averment, despite the fact that actual rebranding of the Butler branches had occurred in mid-April, immediately after acquisition.

### 1. Denial of Preliminary Injunctive Relief

In assessing Peoples Federal's motion, the district court weighed the four preliminary injunction factors: (1) the plaintiff's likelihood of success on the merits, (2) the likelihood of irreparable harm, (3) the balance of relevant equities, and (4) the effect of the court's action on the public interest. *See Voice of the Arab World, Inc. v. MDTV Med. News Now, Inc.*, 645 F.3d 26, 32 (1st Cir.2011). Ultimately, it found against Peoples Federal on each of these factors.

[1] As to likelihood of success on the merits, the district court first rejected Peoples Federal's argument that its PEOPLES mark was entitled to a presumption of

protectability, *i.e.*, inherent distinctiveness,<sup>4</sup> based on its six Massachusetts trademark registrations. *Peoples Fed. Sav. Bank*, 750 F.Supp.2d at 222. It so held in part because Peoples Federal's registration of the mark was filed on the same day that suit was brought in this case, and only after People's United had begun its rebranding process in Massachusetts. The court also considered as relevant the fact that another Massachusetts bank by the name of "PeoplesBank" had operated as a local bank in Massachusetts since 1885, and had registered a mark that included the dominant word "Peoples" prior to Peoples Federal.<sup>5</sup> The district court determined that this registration "substantially outdates Peoples Federal's recent, litigation-driven registrations." *Id.*

<sup>4</sup> In order for a mark to be eligible for trademark protection, it must qualify as distinctive, *Borinquen Biscuit Corp. v. M.V. Trading Corp.*, 443 F.3d 112, 116 (1st Cir.2006), meaning that "[the mark] is capable of functioning as a source-identifier of goods." *Boston Duck Tours, LP v. Super Duck Tours, LLC*, 531 F.3d 1, 12 (1st Cir.2008).

<sup>5</sup> On this point, the district court referenced an ongoing trademark dispute between PeoplesBank and the same defendant-appellee in this case, People's United. *People's United Bank v. PeoplesBank*, No. 08-cv-01858 (Dist.Conn. filed Dec. 8, 2008). PeoplesBank seeks to enjoin People's United from using its name in certain parts of Western Massachusetts. The district court denied preliminary injunctive relief in that case after a six-day evidentiary hearing, finding that PeoplesBank had failed to demonstrate a likelihood of consumer confusion. *See* 2010 WL 2521069 (D.Conn. June 17, 2010), *aff'd*, 401 Fed.Appx. 607 (2nd Cir.2010).

[2] The court nevertheless considered whether, independent of its Massachusetts registrations, the PEOPLES mark was inherently distinctive. It concluded that the PEOPLES mark is properly classified as "descriptive" rather than "suggestive" because it did not require a stretch of the imagination to associate the term "People" with banking services.<sup>6</sup> *Id.* at 223. In \*6 reaching this conclusion, which the district court characterized as "a close call," it distinguished another district court opinion, *Commerce Bank & Trust Co. v. TD Banknorth, Inc.*, 554 F.Supp.2d 77 (D.Mass.2008), in which the word "Commerce" was found to be suggestive in the banking context. The *Commerce Bank & Trust Co.* court had found that, unlike "Commerce," words such as "Community," "National," and "Mutual" are "descriptive of a specific characteristic" of a banking institution. *Id.* at 84. Similarly, the district court in this case concluded that "the

term 'Peoples' is a straightforward way to describe a bank as 'people-oriented.'" *Peoples Fed. Sav. Bank*, 750 F.Supp.2d at 223. The district court also concluded that the frequent use of the term "People" in connection with banking services cuts in favor of defining the mark as descriptive. *See id.* (noting that "people" ranks as the twelfth most commonly used word in bank names on the FDIC's website, appearing in the names of 159 banks in the United States).

<sup>6</sup> In assessing a mark's distinctiveness, proposed marks are categorized along a spectrum as "(1) generic (least distinctive), (2) descriptive, (3) suggestive, (4) arbitrary, or (5) fanciful (most distinctive)." *Boston Duck Tours, LP*, 531 F.3d at 12. Marks classified as suggestive, arbitrary or fanciful are considered inherently distinctive, whereas descriptive marks are tentatively considered non-distinctive and can only attain distinctive status "upon an affirmative showing of secondary meaning." *Borinquen Biscuit Corp.*, 443 F.3d at 116; *Equine Techs., Inc. v. Equitech, Inc.*, 68 F.3d 542, 544 (1st Cir.1995) (merely descriptive terms generally are not entitled to protection because "they are a poor means of distinguishing one source of services from another").

Having found the mark to be descriptive, the district court then determined whether the same had acquired secondary meaning sufficient to entitle it to protection. The court looked at the bank's advertising budget, the nature and extent of its promotion efforts, and evidence of the bank's growth, per this Court's guidance in *Boston Beer Company Limited Partnership v. Slesar Brothers Brewing Company*, 9 F.3d 175 (1st Cir.1993), in which we listed factors to be taken into account when assessing a showing of secondary meaning. *See Peoples Fed. Sav. Bank*, 750 F.Supp.2d at 223-24 (citing *Boston Beer Co.*, 9 F.3d at 181-82). The district court found that, although Peoples Federal had demonstrated that its mark had acquired secondary meaning within the neighborhoods where it has branches, it had not done so beyond those areas. Specifically, although it had developed plans to open branches in Suffolk, Middlesex, and Norfolk counties, Peoples Federal had not shown that a substantial portion of the consuming public in those areas recognized the PEOPLES mark. Its advertising efforts and community involvement, though significant, were found to be highly localized within the Boston city limits and nearby urban areas. Therefore, the district court concluded that Peoples Federal's mark was enforceable, but only "within Allston/Brighton, Brookline, Jamaica Plain, Norwood and West Roxbury ... [and] not throughout all of Eastern Massachusetts, or even the rest of Middlesex, Suffolk and Norfolk counties." *Id.* at 224.

The district court then evaluated whether People's United's alleged infringing use was likely to result in consumer confusion. In finding against Peoples Federal on this point, the court carefully weighed the eight likelihood-of-confusion factors established in *Pignons S.A. de Mecanique de Precision v. Polaroid Corp. (Pignons)*, 657 F.2d 482, 487 (1st Cir.1981) (the “Pignons factors” or “Pignons analysis”).<sup>7</sup> The court determined that, although the banks' marks contain the same dominant word, \*7 important differences between the marks, including additional essential words (such as “Federal” and “United”) and visual differences in their logos “undoubtedly help customers distinguish between the two banks, thus decreasing the chance of confusion.” *Peoples Fed. Sav. Bank*, 750 F.Supp.2d at 225.

<sup>7</sup> In *Pignons*, we stated that when determining whether a putative infringer's use of a mark is likely to cause consumer confusion, a court should examine the following factors: “the similarity of the marks; the similarity of the goods; the relationship between the parties' channels of trade; the relationship between the parties' advertising; the classes of prospective purchasers; evidence of actual confusion; the defendant's intent in adopting its mark; and the strength of the plaintiff's mark.” 657 F.2d at 487.

Although the district court considered the similarity of the services and found that this factor weighed in favor of Peoples Federal, it also weighed the parties' differing views on whether the two banks market to the same kinds of retail and commercial consumers. It noted that while Peoples Federal emphasizes its identity as a small neighborhood bank, People's United is a large, regional bank with numerous branches throughout New England. As to the similarity of their advertising, channels of trade and prospective customers, the court also determined that because banking customers “ordinarily gather information before choosing a bank and make their decision based on substantive factors (other than a bank's name),” the likelihood of confusion on those grounds was minimal, “particularly because the banks [in this case] do not operate branches in the same neighborhoods.” *Id.* at 226. Therefore, the balance of these three factors tipped slightly in favor of People's United.

The district court then considered two instances of alleged confusion cited by Peoples Federal in support of its motion, both of which stemmed from a Boston Globe article that discussed a merger between People's United and River Bank, an entity that operates branches in Essex County. Evidence

was presented that Thomas Leecht (“Leecht”), President and CEO of Peoples Federal, was asked on two separate occasions whether Peoples Federal (as opposed to People's United) was acquiring River Bank.<sup>8</sup> The district court stated that neither of the reported incidents involved confusion among current or prospective customers, which indicated “a paucity of evidence of actual consumer confusion.” *Id.*<sup>9</sup> Nonetheless, it found that because People's United entered Eastern Massachusetts only a few months prior, the lack of proof of actual confusion was less salient, and concluded that the scarcity of such evidence was not in itself dispositive of Peoples Federal's claim.

<sup>8</sup> Leecht stated in an affidavit that several days after the Boston Globe article appeared, a fellow rotary club member asked him whether Peoples Federal was purchasing River Bank. Leecht also reported that, during a sales pitch, a billboard vendor indicated that he had thought Peoples Federal was acquiring River Bank, but that he may have been confusing Peoples Federal with another bank. *Peoples Fed. Sav. Bank*, 750 F.Supp.2d at 226.

<sup>9</sup> In doing so, the district court distinguished the present case from the facts in *Commerce Bank & Trust Co.*, 554 F.Supp.2d at 86, where after a merger announcement in the Boston Globe involving the defendant in that case, the plaintiff received numerous calls and emails from *current customers* asking if they could begin depositing their paychecks at the new branches.

It next determined that Peoples Federal presented no compelling evidence that People's United acted in bad faith by adopting the mark “People's United Bank”, and that—to the contrary—it had used the word “People's” in its name for decades, asserting that “its decision to change its name from ‘Peoples Bank’ [sic] to ‘Peoples United Bank’ [sic] aimed to avoid, rather than create, confusion in the market place.”<sup>10</sup> *Id.* It further found credible People's United's contention that \*8 the rebranding of the acquired Butler branches was consistent with standard practice in FDIC-assisted acquisitions. The court perceived “no intent by Peoples [sic] United to get a free ride off the good will of plaintiff's mark or to confuse prospective customers,” thus the intent factor weighed in People's United's favor. *Id.* at 227.

<sup>10</sup> Throughout its opinion, the district court referred to People's United as “Peoples United.” Here we have used the phrasing of the bank's name in the possessive form, as reflected in the parties' briefs and the record on appeal.

Finally, the district court considered the strength of the marks. Per its discussion regarding the lack of inherent distinctiveness of Peoples Federal's mark, the court noted that "the conceptual strength of the PEOPLES mark is belied by the fact that 159 banks elsewhere around the country use that mark and many coexist in the same market areas." *Id.* Although the PEOPLES mark had developed secondary meaning in the specific neighborhoods in which Peoples Federal operates, the court found the term to be a common one in the banking industry as a whole. Thus, the mark's lack of inherent conceptual strength tilted this factor in favor of People's United. The district court concluded that the balance of the *Pignons* factors—particularly the dissimilarity between the parties' logos, consumers' tendency to perform research before selecting a bank, the absence of bad faith, and the scarcity of evidence of actual confusion—weighed against a finding of likelihood of consumer confusion. The court additionally noted that

at least at this stage of the proceedings, [Peoples Federal] has not adequately demonstrated that it is likely to succeed on the merits of its trademark claim. If, however, evidence is elicited that 1) [People's United] is deliberately encroaching into the specific neighborhoods in which [Peoples Federal] operates and/or promotes itself as "Peoples" (rather than "People's United") in an effort to divert [Peoples Federal's] customer base and 2) [People's United's] actions have caused actual confusion among [Peoples Federal's] clientele, the [c]ourt would entertain a renewed motion for injunctive relief.

*Id.*

The district court concluded its analysis by considering the other three preliminary injunction factors. It found that, because Peoples Federal had failed to make a showing of likelihood of consumer confusion, it was not at risk of continuing irreparable harm. Its finding that whatever harm incurred thus far was neither imminent nor irreparable was buttressed by the fact that People's United had been using its name to operate former Butler branches for more than three months with scant evidence of consumer confusion or Peoples Federal's awareness until June of 2010. The court concluded that, because Peoples Federal had failed to

show both likelihood of confusion and irreparable harm, the balance of the equities and the analysis of the public interest weighed against providing injunctive relief.

This interlocutory appeal ensued.

## II. Discussion

Peoples Federal challenges the district court's denial of a preliminary injunction on multiple grounds. The main thrust of its appeal is that the court imposed an impermissibly high standard for establishing a likelihood of success on the merits by improperly weighing the eight *Pignons* factors for likelihood of consumer confusion. As will be discussed below, we hold that the district court acted within its discretion when it denied injunctive relief based on its appraisal of the evidence and an accurate application of our case law.

### A. Preliminary Injunction Standard

[3] [4] [5] "A preliminary injunction is an extraordinary and drastic remedy that is \*9 never awarded as of right." *Voice of the Arab World, Inc.*, 645 F.3d at 32 (citations and internal quotation marks omitted). In order for a court to grant this type of relief, a plaintiff "must establish [1] that he is likely to succeed on the merits, [2] that he is likely to suffer irreparable harm in the absence of preliminary relief, [3] that the balance of equities tips in his favor, and [4] that the injunction is in the public interest." *Id.* (quoting *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 20, 129 S.Ct. 365, 172 L.Ed.2d 249 (2008)). Generally, "[w]hile all these factors must be weighed, the cynosure of this four-part test is ... the movant's likelihood of success on the merits." *Borinquen Biscuit Corp.*, 443 F.3d at 115. In a trademark case, "[t]he importance of that inquiry is magnified ... because the resolution of the other three factors will depend in large part on whether the movant is likely to succeed in establishing infringement." *Id.* ("This emphasis on likelihood of success is fully consistent with the tenet that, as a matter of public policy, trademarks should be protected against infringing uses.")<sup>11</sup>

<sup>11</sup> We recently noted that this Court has in the past employed a presumption that irreparable harm can be assumed "if a trademark holder demonstrates a likelihood of success in establishing infringement." *Mercado-Salinas v. Bart Enters. Int'l, Ltd.*, 671 F.3d

12, 19 n. 7 (1st Cir.2011). We reiterate here that there is a looming question as to whether this presumption can co-exist with the Supreme Court's recent holding in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 392–93, 394, 126 S.Ct. 1837, 164 L.Ed.2d 641 (2006) (holding in a patent case that district courts may not “replace traditional equitable considerations with a rule that an injunction automatically follows a determination that a copyright has been infringed,” and requiring courts to exercise their discretion “consistent with traditional principles of equity, in patent disputes no less than in other cases governed by such standards”). *See also Voice of the Arab World, Inc.*, 645 F.3d at 31 (concluding that the principles of *eBay* applied to a request to preliminarily enjoin alleged trademark infringement, but declining to decide whether such principles precluded the court of appeals from presuming irreparable harm). Since Peoples Federal was unable to establish a likelihood of consumer confusion, *i.e.*, a likelihood of success on the merits of its trademark infringement claim, the district court in this case did not reach the question whether it could presume irreparable harm, and we need not do so here.

[6] [7] [8] The district court's conclusions regarding these factors and its determinations as to their relative weight deserve considerable deference on appeal. *Id.* at 116. Accordingly, the grant or denial of a preliminary injunction is reviewed for abuse of discretion. *United States v. Weikert*, 504 F.3d 1, 6 (1st Cir.2007). “Within that framework, findings of fact are reviewed for clear error and issues of law are reviewed *de novo*.” *Boston Duck Tours, LP*, 531 F.3d at 11. In other words, the Court “will set aside a district court's ruling on a preliminary injunction motion only if the [district] court clearly erred in assessing the facts, misapprehended the applicable legal principles, or otherwise is shown to have abused its discretion.” *Id.* (quoting *Wine & Spirits Retailers, Inc. v. Rhode Island*, 418 F.3d 36, 46 (1st Cir.2005)).

We turn now to Peoples Federal's challenges on appeal, all of which center on the first factor in the preliminary injunction analysis: likelihood of success on the merits.

### B. Likelihood of Success on the Merits

[9] [10] In order for a party to succeed on a claim of trademark infringement, it must demonstrate that (1) its mark merits protection and (2) the allegedly infringing use is likely to result in consumer confusion. *Borinquen Biscuit Corp.*, 443 F.3d at 116. “We have interpreted ‘likely confusion’ to mean ‘more than the theoretical \*10 possibility of confusion.’” *Boston Duck Tours, LP*, 531 F.3d at 12 (quoting *Int'l Ass'n*

*of Machinists & Aerospace Workers, AFL–CIO v. Winship Green Nursing Ctr.*, 103 F.3d 196, 200 (1st Cir.1996)). This means “the allegedly infringing conduct must create ‘a likelihood of confounding an appreciable number of reasonably prudent purchasers exercising ordinary care.’” *Id.* (quoting *Int'l Ass'n of Machinists*, 103 F.3d at 201).

[11] [12] As conveyed by the district court, we have enumerated eight factors to guide the inquiry into likelihood of confusion:

- [1] the similarity of the marks;
- [2] the similarity of the goods;
- [3] the relationship between the parties' channels of trade;
- [4] the relationship between the parties' advertising;
- [5] the classes of prospective purchasers;
- [6] evidence of actual confusion;
- [7] the defendant's intent in adopting its mark;
- [8] and the strength of the plaintiff's mark.

*Pignons*, 657 F.2d at 487; accord *Astra Pharm. Prods., Inc. v. Beckman Instruments, Inc.*, 718 F.2d 1201, 1205 (1st Cir.1983). “A proper analysis takes cognizance of all eight factors but assigns no single factor dispositive weight.” *Borinquen Biscuit Corp.*, 443 F.3d at 120. *See also Beacon Mut. Ins. Co. v. OneBeacon Ins. Grp.*, 376 F.3d 8, 15 (1st Cir.2004) (“Courts may consider other factors and may accord little weight to factors that are not helpful on the particular facts of a case.”). Further, “[b]ecause likelihood of confusion is a factbound inquiry, appellate review of a trial-level finding on that issue is for clear error.” *Borinquen Biscuit Corp.*, 443 F.3d at 120.

[13] The court below applied this eight-factor test and concluded that, on the whole, the evidence weighed against a finding that People's United's use of the PEOPLES mark was likely to cause consumer confusion. Peoples Federal attacks the district court's determination on various grounds, all of which we find unpersuasive. We consider each in the order presented to us on appeal.

#### 1. Actual Confusion and the Defendant's Intent

We first evaluate Peoples Federal's related arguments as to the sixth and seventh factors in the *Pignons* analysis: evidence of actual confusion and the defendant's intent in adopting the PEOPLES mark.

### a. Actual Confusion

Peoples Federal argues that the district court erred by requiring proof of actual confusion. It posits that, “[w]hile evidence of actual confusion is ‘often deemed the best evidence of possible future confusion,’ proof of actual confusion is not essential to finding likelihood of confusion.” *Id.* (quoting *Attrezzi, LLC v. Maytag Corp.*, 436 F.3d 32, 40 (1st Cir.2006)). It also emphasizes that because People's United and Peoples Federal had only co-existed in Eastern Massachusetts for a short period of time, evidence of actual confusion could not be expected. *See id.* at 121 (“Historically, we have attached substantial weight to a trademark holder's failure to prove actual confusion only in instances in which the relevant products have coexisted on the market for a long period of time.”). Peoples Federal notes that the relevant injury in the likelihood of confusion analysis includes loss of goodwill and control of the mark, and is not limited to whether confusion caused an actual diversion of customers or lost sales. *See Beacon Mut. Ins. Co.*, 376 F.3d at 10, 15 (the relevant commercial injury for purposes of § 43(a) of the Lanham Act includes not only loss of sales to actual and prospective buyers, \*11 but also harm to the trademark owner's goodwill and reputation).

Peoples Federal's argument is a red herring. It is patently clear from a balanced reading of the district court's opinion that it only considered confusion regarding current or prospective buyers as one in a series of factors. Indeed, after noting that evidence of actual confusion was limited in this case, the court went on to state that “the scarcity of such evidence [was] not in itself dispositive of plaintiff's claim,” *Peoples Fed. Sav. Bank*, 750 F.Supp.2d at 226 (citing to relevant case law), and acknowledged that People's United had entered Eastern Massachusetts only a few months prior. The district court then continued to weigh the remaining *Pignons* factors before reaching its determination.

[14] While it is true that evidence of actual confusion is not a prerequisite for a finding of likelihood of confusion, courts may still weigh evidence presented on this factor as part of their balanced analysis. *See, e.g., Beacon Mut. Ins. Co.*, 376 F.3d at 16 (noting that, although “other persons might be relevant if their confusion threatens the commercial interests” of the mark's owner, “[a]ctual and potential customers ... are the most obvious ‘relevant persons’” in a likelihood of confusion analysis) (citation and quotation marks omitted).

There is no error of law here, and the court's assessment of the evidence was not clearly erroneous.<sup>12</sup>

<sup>12</sup> Notably, the only other evidence presented by Peoples Federal in support of a finding that actual confusion weighed in its favor was an online poll conducted by “Banker & Tradesman” related to the litigation between PeoplesBank and People's United. The poll was conducted over the course of a week and purportedly resulted in almost eighty percent of respondents choosing “Yes, the two banks names are too similar”, to the question “Will PeoplesBank be successful in its legal fight with People's United?” Peoples Federal contends that this shows the public would be confused by the presence of another “Peoples” bank in Massachusetts.

Putting aside the fact that the referenced poll used loaded questions to require predictions as to a litigation that is not related to the present case, thus undercutting its accuracy and relevance, we do not think the district court committed error, let alone clear error, by not referencing this poll in its opinion because its findings were adequately supported by other evidence. This “proof” of potential confusion is not strong enough that we would set aside the lower court's finding as clear error for failure to consider the same. *Cf. Boston Athletic Ass'n v. Sullivan*, 867 F.2d 22, 31 (1st Cir.1989) (where plaintiffs' other evidence of confusion was sufficiently strong, lack of survey data as to public knowledge regarding the source of the goods in question did not fatally undercut plaintiffs' claims, as “[they] were not bound to a particular form of evidence” to prove confusion).

### b. People's United's Intent in Adopting the Mark

[15] [16] Peoples Federal argues that the district court erred by requiring evidence of deliberate encroachment (or bad intent) to divert Peoples Federal's customers. It points out that “[e]vidence of bad intent, ... while potentially probative of likelihood of confusion, is simply not required in a trademark infringement case; moreover, ‘a finding of good faith is no answer if likelihood of confusion is otherwise established.’” *Star Fin. Servs., Inc. v. AASTAR Mortg. Corp.*, 89 F.3d 5, 11 (1st Cir.1996) (quoting *President & Trs. of Colby Coll. v. Colby Coll.-N.H.*, 508 F.2d 804, 811–12 (1st Cir.1975)). However, in this case—as noted throughout this opinion—likelihood of confusion was not “otherwise established.” In addition, although bad intent is “not required” for a finding of trademark infringement, the defendant's intent in adopting the mark is an appropriate



consideration in the court's assessment \*12 of whether the public is likely to be confused about the actual source of the goods or services at issue. *See, e.g., Boston Duck Tours, LP*, 531 F.3d at 30 (absence of bad faith weighed against a finding of infringement); *Volkswagenwerk Aktiengesellschaft v. Wheeler*, 814 F.2d 812, 819 (1st Cir.1987) (noting as relevant to infringement analysis that, while evidence did not indicate an intent to deceive customers, it did indicate that defendant chose "Beetle" mark "not independently, but with an intent to benefit from [the plaintiff's] reputation"). Here, the defendant created its mark and logo years before it entered the Eastern Massachusetts market.

### c. Application of a "Heightened" Standard for Likelihood of Confusion

Peoples Federal contends that the district court erred by requiring proof of actual confusion, actual loss of business, and bad intent, thereby applying an improperly high standard for likelihood of success on the merits. Peoples Federal points to the district court's statement at the end of its likelihood of success analysis to support its position. The district court indicated that "at least at this stage of the proceedings, the plaintiff ha[d] not adequately demonstrated it [would be] likely to succeed on the merits of its trademark claim." *Peoples Fed. Sav. Bank*, 750 F.Supp.2d at 227. In particular, the district court stated it "would entertain a renewed motion for injunctive relief" if evidence was elicited of (1) deliberate encroachment into specific neighborhoods where Peoples Federal operates and of (2) People's United's actions having caused actual confusion among Peoples Federal's clientele. *Id.* Peoples Federal argues this language confirms that the district court required more than a mere likelihood of confusion, and that it found against the grant of a preliminary injunction because Peoples Federal failed to present proof of these two factors. We are not persuaded.

Peoples Federal reads more into the district court's words than is warranted. The district court's findings as to likelihood of confusion were supported by the record before it, which included scant evidence of actual confusion, a proper consideration of People's United's intent in adopting the mark, and a thorough analysis of six other factors. These additional expressions were only an attempt to clarify to the parties the court's willingness to consider future motions for injunctive relief if it were given a more developed record.

We also reject Peoples Federal's related contention that the district court applied an improperly high standard as to likelihood of confusion because it indicated that in a trademark infringement case the plaintiff carries "a considerable burden" to show "not just a 'possibility of confusion' but rather a 'substantial likelihood of confusion.'" *Id.* at 224 (emphasis added) (quoting *Bear Republic Brewing Co. v. Cent. City Brewing Co.*, 716 F.Supp.2d 134, 140 (D.Mass.2010)). The district court's consideration of the actual confusion factor did not amount to a requirement "to prove an iron-clad, sure-bet likelihood of confusion," as characterized by Peoples Federal. The district court accurately framed the plaintiff's burden, *see, e.g., Star Fin. Servs., Inc.*, 89 F.3d at 10 ("We require evidence of a substantial likelihood of confusion—not a mere possibility ...") (internal quotation marks omitted), and—after an appraisal of Peoples Federal's slim proffer of evidence—determined, in its discretion, that the proffered evidence was insufficient to support a finding of likelihood of confusion.

### \*13 2. Similarity of the Marks

[17] Peoples Federal argues that the district court erred by engaging in a side-by-side comparison of the banks' respective logos, and that it gave too little weight to the use by both banks of the same dominant word in its similarity-of-the-marks analysis. However, as Peoples Federal recognizes, "[s]imilarity is determined on the basis of the total effect of the designation, rather than a comparison of the individual features." *Volkswagenwerk*, 814 F.2d at 817 (quoting *Pignons*, 657 F.2d at 487). Accordingly, the district court took a holistic approach in assessing the parties' marks, considering their "sight, sound and meaning," and finding important differences. *Peoples Fed. Sav. Bank*, 750 F.Supp.2d at 225 (quoting *Boustany v. Boston Dental Grp., Inc.*, 42 F.Supp.2d 100, 107 (D.Mass.1999)). Specifically, the district court noted that People's United's mark contains the equally prominent word "United" and that its logo uses a red and blue color scheme, as well as a red orbit icon that encircles both the words "People's" and "United." *Id.* Meanwhile, Peoples Federal uses a green color scheme, with a yellow horizontal line separating the word "Peoples" from "Federal Savings Bank." *Id.* The district court concluded that "[a]lthough the banks' marks contain the same dominant word, the visual differences in their logos neutralize[d] this factor." *Id.*

Contrary to Peoples Federal's contentions, the court's conclusion is supported by our case law. *See Int'l Ass'n of Machinists*, 103 F.3d at 204 ("otherwise similar marks are

not likely to be confused if they are used in conjunction with clearly displayed names, logos or other source-identifying designations”); *Pignons*, 657 F.2d at 487 (same); cf. *Beacon Mut. Ins. Co.*, 376 F.3d at 9–10, 18 (factfinder could reasonably find total effect of marks to be similar where, in addition to sharing “the[ir] most salient word”, marks also shared “the[ir] only pictorial element,” an image of a lighthouse).<sup>13</sup> In addition, as will be discussed in our assessment of the appellant’s strength-of-the-marks arguments *infra*, the district court did not commit error in determining that the word “Peoples” was descriptive, rather than suggestive, and that determination cuts in favor of its finding against Peoples Federal on the similarity factor. See, e.g., *Boston Duck Tours, LP*, 531 F.3d at 29 (finding “Boston Duck Tours” and “Super Duck Tours” dissimilar despite both parties’ use of same dominant word; emphasizing that “[e]ven if elements of each party’s mark overlap, or are visually similar, the marks as a whole may still create a distinct commercial impression, especially if the similarities are limited to generic or descriptive elements”); see also *First Sav. Bank, F.S.B. v. First Bank Sys., Inc.*, 101 F.3d 645, 655 (10th Cir.1996) (“When the primary \*14 term is weakly protected to begin with, minor alterations may effectively negate any confusing similarity between the two marks.”).

<sup>13</sup> On this ground we must reject the related contention by Peoples Federal that the district court abused its discretion or otherwise committed clear error because it did not give greater weight to its own finding that the banks’ marks were “often abbreviated” to simply “Peoples”. Evidence of name abbreviation by both banks was scant. The record reflects that most instances of curtailment occurred within contextual marketing materials where phrases such as “It’s Possible at Peoples’” were used in conjunction with the respective bank’s full name and logo.

We also reject the argument that a special rule should apply in cases involving banks where a dominant word is alleged to cause confusion. Peoples Federal provides no legal support for this proposition; it merely cites district court decisions involving banks where the facts supported a finding of likelihood of confusion. People’s United found just as many cases involving banks that reached the opposite outcome. The question is one of fact, *Borinquen Biscuit Corp.*, 443 F.3d at 120, and no clear error is displayed here.

### 3. Similarity of the Services

Peoples Federal contends that because the district court found that “[t]he parties offer essentially identical retail

and commercial banking services,” and this factor weighed in favor of Peoples Federal, *Peoples Fed. Sav. Bank*, 750 F.Supp.2d at 225, the court’s overall conclusion should have also cut in its favor. Once again, Peoples Federal misconstrues the applicable legal standard. A proper analysis of the eight elements that guide the likelihood of confusion inquiry “assigns no single factor dispositive weight.” *Borinquen Biscuit Corp.*, 443 F.3d at 120. The court committed no abuse of discretion by considering the evidence on each of the remaining factors as part of its overall determination.

### 4. Relationship Between the Parties’ Advertising and Channels of Trade, and the Classes of Prospective Customers

After considering these three interrelated factors together, see *Beacon Mut. Ins. Co.*, 376 F.3d at 19, the district court noted differences between the scope of the parties’ businesses and found that customers were unlikely to be confused because of the level of care they ordinarily would employ before choosing a bank. It ultimately decided that “even if the two banks attract the same clientele, the likelihood of confusion is minimal, particularly because the banks do not operate branches in the same neighborhoods.” *Peoples Fed. Sav. Bank*, 750 F.Supp.2d at 226.

Peoples Federal attacks this finding on the ground that the difference between the banks in this case—*i.e.*, the fact that Peoples Federal is a small, neighborhood bank, whereas People’s United is a large, regional bank—augments the likelihood of reverse confusion. See, e.g., *Visible Sys. Corp. v. Unisys Corp.*, 551 F.3d 65, 72 (1st Cir.2008) (explaining that “under a reverse confusion theory, customers purchase the senior user’s goods under the misimpression that the junior user is the source of the senior user’s goods” and that harm may occur if “the junior user saturates the market and overwhelms the senior user,” affecting the value of the trademark and the senior user’s business); see also *Attrezzi, LLC*, 436 F.3d at 40 (“[T]he relatively greater strength of a junior user ... may hurt, rather than help, its defense.”) (internal quotation marks omitted). Notwithstanding, we have held that “[t]here is no actionable reverse confusion in the absence of a showing of likely confusion as to source or sponsorship,” *Visible Sys. Corp.*, 551 F.3d at 72, and all of the other factors considered by the district court in this case weighed against such a finding.

In addition, contrary to the appellant’s contention, the district court’s conclusion that customers would not likely be confused between the banks because banking customers



“ordinarily gather information before choosing a bank and make their decision based on substantive factors (other than a bank’s name),” *Peoples Fed. Sav. Bank*, 750 F.Supp.2d at 226, is supported by expert testimony on the record, and Peoples Federal fails to articulate how this conclusion constitutes either a legal or a factual error. Our Circuit’s precedent indicates that “any meaningful inquiry into the likelihood of confusion necessarily must replicate the circumstances in which the ordinary consumer actually confronts (or probably will confront) the conflicting mark.” *Int’l Ass’n of Machinists*, 103 F.3d at 201. The parties have not pointed to, nor have we found, case law in our Circuit interpreting the level of care to \*15 which we may hold an ordinary consumer in the banking sector. However, other circuits examining the subject have reached conclusions similar to that reached by the district court in this case. *See, e.g., First Nat. Bank in Sioux Falls v. First Nat. Bank, S.D.*, 153 F.3d 885, 889–90 (8th Cir.1998) (validating lower court’s holding that “consumers tend to exercise a relatively high degree of care in selecting banking services” and recognizing that “other courts have determined there to be minimal or no likelihood of confusion even where the names of financial institutions share the same dominant terms”); *First Sav. Bank, F.S.B.*, 101 F.3d at 653 (no likelihood of confusion between “FirstBank” and “First Bank System” service marks where bank logos were visually distinct); *Sun Banks of Fla., Inc. v. Sun Fed. Sav. & Loan*, 651 F.2d 311, 319 (5th Cir.1981) (no likelihood of confusion between “Sun Federal Savings” and “SunBanks” service marks); *First Bank v. First Bank Sys., Inc.*, 909 F.Supp. 657, 661 (S.D.Iowa 1995) (confusion between names “First Bank” and “First Bank Iowa” is reasonably manageable such that equities weigh against permanent injunction), *aff’d*, 84 F.3d 1040 (8th Cir.1996). We do not in this case adopt a categorical rule for banking cases, but merely hold that the record supports the district court’s conclusion as to the level of care that could be presumed, and this was not in itself an abuse of discretion. *See Boston Athletic Ass’n*, 867 F.2d at 30 (noting that “[d]istinctions based on expertise can be useful in analyzing likelihood of confusion”); *Astra Pharm. Prods., Inc.*, 718 F.2d at 1206 (“[T]here is always less likelihood of confusion where goods are expensive and purchased after careful consideration.”).

### 5. Strength of the Marks

Peoples Federal argues that the district court erred by not enjoining People’s United’s use of the PEOPLES mark within the trade area when it concluded that the mark had acquired secondary meaning. Alternatively, Peoples Federal contends the court erred by classifying the PEOPLES mark

as descriptive rather than suggestive, and by not ascribing inherent distinctiveness to the mark by virtue of Peoples Federal’s trademark registrations.

[18] First, the fact that the district court found the mark to be protectable in a particular trade area (*i.e.*, within Allston/Brighton, Brookline, Jamaica Plain, Norwood and West Roxbury) does not itself entitle Peoples Federal to a preliminary injunction, particularly when it has not been able to prove a likelihood of confusion, *Borinquen Biscuit Corp.*, 443 F.3d at 116, and established the other three factors in the preliminary injunction analysis, *Voice of the Arab World, Inc.*, 645 F.3d at 32.

[19] Second, the district court’s determination as to whether a term is generic, descriptive, or inherently distinctive is a question of fact. *Boston Beer Co.*, 9 F.3d at 180. So is the question whether a mark has acquired secondary meaning. *Id.* “Accordingly, the district court’s findings on both of these questions are subject to review only for clear error,” a hurdle that is “quite high.” *Id.* (quoting *Lenn v. Portland Sch. Comm.*, 998 F.2d 1083, 1087 (1st Cir.1993)) (internal quotation marks omitted). Peoples Federal simply fails to overcome this obstacle on appeal; it offers nothing more than a difference of opinion as to the district court’s conclusions on the record, which we believe were reasonably reached.

Peoples Federal suggests that, in reaching its conclusion that the mark lacked inherent conceptual strength, the district court improperly relied on uses of the PEOPLES-formative mark which were \*16 outside of the relevant trade area. We hold that the district court did not commit legal error on this ground. As a threshold matter, the court found that “159 banks elsewhere around the country use [the PEOPLES mark] and many coexist in the same market areas.” *Peoples Fed. Sav. Bank*, 750 F.Supp.2d at 227 (emphasis added). Specifically, the district court found that “four other banks in Eastern Massachusetts have used marks which include the word ‘People’.” *Id.* at 222. “Although those banks were not located in the same neighborhoods as the Peoples Federal branches (which are primarily in Suffolk County),” the court found “their use of the mark casts doubt on its inherent distinctiveness.” *Id.* It is therefore misleading for Peoples Federal to contend that the district court went beyond the relevant market area in reaching its conclusions.

[20] Furthermore, in assessing the strength of the plaintiff’s mark, the district court may analyze both its conceptual and commercial strength. *Boston Duck Tours, LP*, 531 F.3d at

16–17. Accordingly, the district court here concluded that the mark was descriptive, in part because it was frequently used in the banking industry as a whole. *See Peoples Fed. Sav. Bank*, 750 F.Supp.2d at 227 (“Although the PEOPLES mark has developed a secondary meaning in the specific neighborhoods [where] Peoples Federal operates, the term is a common one in the banking industry as a whole.”). This is not an improper consideration in a distinctiveness analysis. *See* 2 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 11:69 (4th ed. 2011) [hereinafter, McCarthy] (“If others are in fact using the term to describe their goods or services, an inference of descriptiveness can be drawn.... ‘If [a word or syllable] has been frequently [used in similar merchandise], the inference is warranted that it is not purely arbitrary; that it would be likely to be understood by purchasers as identifying or describing the merchandise itself, rather than the source thereof and hence as having little or no trademark significance.’”) (quoting *Shoe Corp. of Am. v. Juvenile Shoe Corp.*, 46 CCPA 868, 266 F.2d 793, 796 (1959)).

Finally, Peoples Federal argues that the district court failed to give proper presumptive weight to its six Massachusetts trademark registrations. *See* Mass. Gen. Laws ch. 110H, § 5(b) (registration of a mark in Massachusetts is, “when introduced in any action, prima facie evidence of the registrant's exclusive right to use the registered mark in [the] commonwealth on goods or services specified in the registration”). Peoples Federal argues that this statutory provision shifted the burden to the accused infringer (here, People's United) to prove descriptiveness. *See* 3 McCarthy § 22:1 (where state law indicates registration is prima facie evidence of ownership and validity of the mark, “[t]he burden is on the challenger to rebut the presumption of validity”). However, even if such a presumption applies in these circumstances (a matter on which we take no view), a

fair reading of the record supports the district court's finding that there was sufficient evidence to rebut such a presumption. Principally, the fact that another Massachusetts bank (PeoplesBank) had already registered a mark that includes the dominant word “Peoples,” and which “substantially outdates” Peoples Federal's registrations, directly controverts the proposition that the registration is valid. This, in addition to other evidence that belied Peoples Federal's contention of senior usage, *i.e.*, prior use of the PEOPLES mark by other banks in the area, supported the district court's determination. There was therefore no clear error in the court's assessment that the state registration was not presumptively \*17 valid and, hence, that the mark was not inherently distinctive.

### III. Conclusion

We find that the district court did not err in its assessment of the record; nor did it misapprehend applicable legal principals or otherwise abuse its discretion. Because its determinations as to likelihood of success on the merits were correctly reached, we reject Peoples Federal's alternative argument that the district court's erroneous findings on the first preliminary injunction factor improperly colored its conclusions as to the other three.

For the foregoing reasons, we affirm the district court's denial of preliminary injunctive relief.

*Affirmed.*

### Parallel Citations

101 U.S.P.Q.2d 1663

**Reconsideration Request  
DERCars, LLC**

**Annex N**

Pew Internet & American Life Project, *Who's Online:  
Internet User Demographics*,  
[http://pewinternet.org/Trend-Data-\(Adults\)/Whos-  
Online.aspx](http://pewinternet.org/Trend-Data-(Adults)/Whos-Online.aspx)

## Trend Data (Adults)

## Demographics of internet users

% of adults in each group who use the internet (the number of respondents in each group listed as "n" for the group)

		Use the internet
<b>All adults (n=2,252)</b>		<b>85<sup>1</sup></b>
a	Men (n=1,029)	85
b	Women (n=1,223)	84
<b>Race/ethnicity</b>		
a	White, Non-Hispanic (n=1,571)	86
b	Black, Non-Hispanic (n=252)	85
c	Hispanic (n=249)	76
<b>Age</b>		
a	18-29 (n=404)	98 <sup>abcd</sup>
b	30-49 (n=577)	92 <sup>cd</sup>
c	50-64 (n=641)	83 <sup>cd</sup>
d	65+ (n=570)	56
<b>Education attainment</b>		
a	Less than high school (n=163)	59
b	High school grad (n=630)	78 <sup>a</sup>
c	Some College (n=588)	92 <sup>bc</sup>
d	College + (n=834)	96 <sup>cd</sup>
<b>Household income</b>		
a	Less than \$30,000/yr (n=590)	76
b	\$30,000-\$49,999 (n=374)	88 <sup>a</sup>
c	\$50,000-\$74,999 (n=298)	94 <sup>ab</sup>
d	\$75,000+ (n=582)	96 <sup>ab</sup>
<b>Urbanity</b>		
a	Urban (n=763)	86 <sup>c</sup>
b	Suburban (n=1,037)	86 <sup>c</sup>
c	Rural (n=450)	80

Source: Pew Research Center's Internet & American Life Project Spring Tracking Survey, April 17 – May 19, 2013. N=2,252 adults. Interviews were conducted in English and Spanish and on landline and cell phones. Margin of error is +/- 2.3 percentage points for results based on internet users.

Note: Percentages marked with a superscript letter (e.g., <sup>a</sup>) indicate a statistically significant difference between that row and the row designated by that superscript letter, among categories of each demographic characteristic (e.g. age).

The above table displays information about internet users (age 18 and older). For information about internet adoption among American teens (ages 12-17), please see our teen trend charts.

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The Pew Research Center's Internet & American Life Project is one of seven projects that make up the Pew Research Center. The Center is supported by The Pew Charitable Trust.

**Reconsideration Request  
DERCars, LLC**

**Annex O**

Internet Society, *Global Internet User Survey  
Summary Report*,  
[https://www.internetsociety.org/sites/default/files/rep-  
GIUS2012global-201211-en.pdf](https://www.internetsociety.org/sites/default/files/rep-GIUS2012global-201211-en.pdf)

# Global Internet User Survey Summary Report

## Background

The Internet Society is a trusted independent source of leadership for Internet policy, technology standards, and future development. More than simply advancing technology, we work to ensure the Internet continues to grow and evolve as a platform for innovation, economic development, and social progress for people around the world.

The Global Internet User Survey (GIUS) is a globally scoped survey developed by the Internet Society to provide reliable information relevant to issues important to the Internet's future. As an ongoing effort, the survey informs and supports the activities of the global Internet Society community. While other ICT surveys focus on economic, infrastructure, or other Internet use indicators, the GIUS focuses on users, which are the source of innovation that has driven the Internet's development, evolution and dramatic growth over the past four decades.

In 2012 the GIUS interviewed more than 10,000 Internet users in 20 countries. This report is intended to provide a general overview of the behaviors and opinions reported by Internet users on various topics. Thus, the data and this report aim to represent the views of the users surveyed rather than the positions or views of the Internet Society, or its global community.

The 2012 GIUS was conducted for the Internet Society by Redshift Research, a leading business market research firm. This report summarizes the global findings from the 2012 Global Internet User Survey. More information, further analysis, and the full data set from the 2012 GIUS are available at:

<http://www.internetsociety.org/survey>

## Methodology

The 2012 Global Internet User Survey was conducted via online panels comprised of a total of 10,789 Internet users across 20 countries. Because of differences in sample sizes, the margins of error in the results for each country vary between 3.10% and a 4.38% at the 95% confidence level. Further demographic information can be found in the tabular data summary available at: <http://www.internetsociety.org/survey>

Country	Respondents*
United States	1040
Argentina	521
Brazil	515
Chile	508
Peru	510
France	510
Germany	519
Italy	552
Poland	508
Russia	513
Spain	506
Kenya	510
Saudi Arabia	506
South Africa	502
UAE	482
China	508
India	535
Indonesia	512
Philippines	521
South Korea	511

The questionnaire was administered in the language of each country. Its length varied depending on the language, averaging 25 minutes.

\* Sample sizes for each country were established based on the penetration of Internet usage, each country's population, target confidence levels, as well as considerations such as available time.

## Key Findings

The 2012 Global Internet User Survey focused on issues such as of how users accessed the Internet, what applications they used, how they managed their personal information online, the Internet's relationship to human rights, and the effect of government regulation on the Internet. Key findings from this year's survey cover a broad range of topics.

### Internet Usage

- Internet users nearly universally (96 percent) indicated they accessed the Internet at least once a day.
- More than 90 percent of Internet users surveyed globally indicated they use social media, with a majority (60 percent) using it daily, an increase of 10 percent over 2011.
- Connection speed (73 percent) and reliability (69 percent) ranked slightly above more affordable monthly fees (68 percent) among factors that would increase usage. Other factors included more content in their local language (50 percent) and more online availability of government and/or community services (49 percent).

### Attitudes towards the Internet

- Ninety-eight percent of users agreed or strongly agreed the Internet is essential for their access to knowledge and education.
- More than 80 percent agreed or agreed strongly that the Internet plays a positive role for their individual lives as well as society at large.
- Nearly 75 percent of users strongly agreed that access to the Internet allows them to seek any information that interests them.

### The Internet and economic and societal issues

- Nearly two-thirds of respondents agreed or agreed strongly that the Internet would play a significant role in solving global problems, including reducing child mortality (63 percent), improving maternal health (65 percent), eliminating extreme poverty and hunger (61 percent), and preventing the trafficking of women and children (69 percent).
- An even higher percentage of respondents agreed or agreed strongly that the Internet would increase global trade and economic relationships (81 percent), improve the quality of education (80 percent), and improve emergency response during a natural disaster (77 percent).
- A majority of respondents felt strongly that the Internet plays a significant role in making improvements to business, science, and technology in areas such as: expanding the availability of goods and services (66 percent), allowing entrepreneurs to conduct business across all countries (65 percent), and advancing science and technology and creating a technologically recognized workforce (61 percent).



## **The Internet and Human Rights**

- Eighty-three percent of respondents agreed or agreed strongly that access to the Internet should be considered a basic human right.
- Eighty-nine percent agreed or agreed strongly that Internet access allows freedom of expression on all subjects, and 86 percent agreed or agreed strongly that freedom of expression should be guaranteed.
- Sixty percent of respondents agreed or agreed strongly that Internet access has contributed significantly to civil action and political awareness in their country

## **Internet censorship**

- Thirty percent of users agreed strongly that censorship currently exists on the Internet.
- Sixty-six percent of respondents agreed or agreed strongly that governments in countries with no Internet censorship have a responsibility to keep the Internet free of censorship in countries where the Internet is being censored/controlled/shut down.
- More than 70 percent of users agreed or agreed strongly that more government involvement would make the Internet too controlled or would limit content they can access.
- More than two-thirds agreed or agreed strongly that increased government control would inhibit the growth of the Internet and/or stifle innovation.

## **Online privacy and identity**

- 12 percent of respondents admitted that they never read privacy policies of websites or other services with which they share their personal data. Another 72% reported that they read privacy policies sometimes or most of the time. This means that, of this sample, more than 80% of users do not always read privacy policies even when they know they are sharing personal data with the site or service. Surprisingly, given the length and complexity of privacy policies for many popular sites, as many as 16% of respondents reported they always read the privacy policies. However, we do not know whether they read every clause and every word.
- Of those respondents who reported that they read privacy policies at least sometimes, less than 20% said they understood them completely. A relatively large percentage (46%) of respondents believes they understand them very well. Nonetheless, another large percentage (37%) only partially understand them or not at all.
- The principal reasons selected by respondents for why they do not read privacy policies were: too long; too many pages; insufficient time; no choice anyway; too many legal terms that they do not understand; too confusing; and a belief that the terms cannot be relied upon. Encouragingly, only a relatively small percentage of respondents (4%) selected "I can't find them" as a reason for why they do not read the privacy policies.
- Encouragingly, the majority of users surveyed report that they are using some form of privacy protection at least some of the time, indicating some degree of privacy awareness.
- A vast majority (84%) of respondents reported that they have at some times restricted the access of websites and/or apps to their location data. Again, this suggests some level of

privacy awareness. However, only 47% of the respondents reported that they always use separate passwords for sensitive data, and only 13% said they never share permissions with family or friends.

- More than 50% of respondents give incorrect personal data when creating an account at least some of the time. But, a large percentage (44%) report they always provide correct personal data.
- A total of 19% of the respondents are aware of circumstances where their personal data was used in a way that they did not expect. This could be neutral, positive or negative. However, irrespective of whether the outcome was well received by the user, his or her expectations were not met on at least one occasion. The most commonly reported consequences were: unsolicited communications; personal data was "stolen"; previously private data became public; impersonation and financial loss.

## Summary

This report provides a summary of global responses to the 2012 Global Internet User Survey. Key themes and findings have been identified in areas such as Internet usage, the attitudes of users towards the Internet, users' views of the Internet's role in providing access to education and in supporting social action. The survey results also highlight the actions users take, or fail to take, in ensuring they understand the consequences of sharing personal data online and in protecting their online identity. Further analysis—for example exploring differences in responses across regions or countries—will be explored in future reports.

Internet users are the source of innovation that has driven the Internet's development, evolution and dramatic growth over the past four decades, and they will continue to do so. Indeed, as the Internet continues to grow and evolve, the 5 billion people not connected today will play a significant role in shaping its path going forward. As part of its efforts to serve as a trusted, independent source for information about key issues facing the future of Internet, the Internet Society undertakes the Global Internet User Survey to provide the diverse Internet community, including Internet Society members, policy makers, and technologists, reliable information relevant to issues important to the Internet's future.

**Reconsideration Request  
DERCars, LLC**

**Annex P**

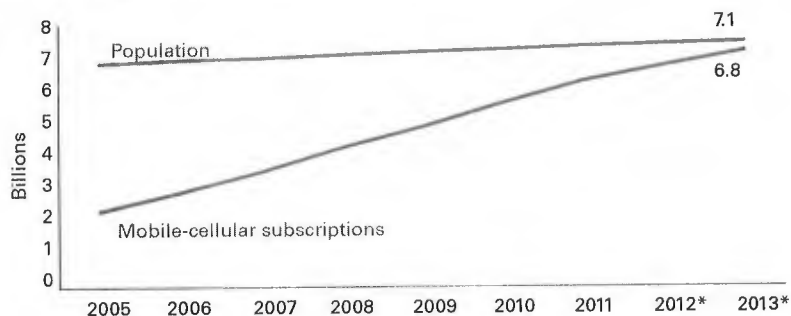
International Telecommunication Union, *The World  
in 2013: ICT Facts and Figures*,  
[http://www.itu.int/en/ITU-  
D/Statistics/Documents/facts/ICTFactsFigures2013.  
pdf](http://www.itu.int/en/ITU-D/Statistics/Documents/facts/ICTFactsFigures2013.pdf)



"I am pleased to present the latest ICT Facts and Figures which show continued and almost universal growth in ICT uptake. Every day we are moving closer to having almost as many mobile-cellular subscriptions as people on earth. This is exciting news. The mobile revolution is m-powering people in developing countries by delivering ICT applications in education, health, government, banking, environment and business. Let us all celebrate this mobile miracle that I have no doubt will hasten our pace towards sustainable development." Brahim Sanou, Director of the ITU Telecommunication Development Bureau

## 6.8 BILLION MOBILE-CELLULAR SUBSCRIPTIONS

As the number of subscriptions approaches global population figures mobile-cellular growth slows



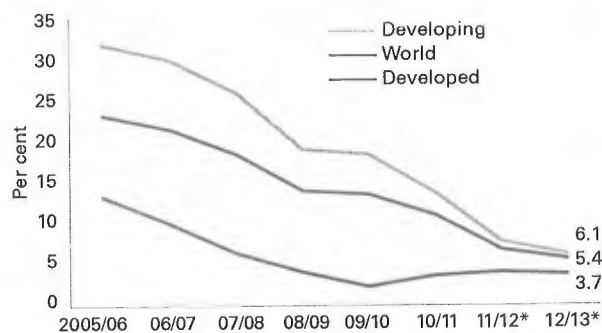
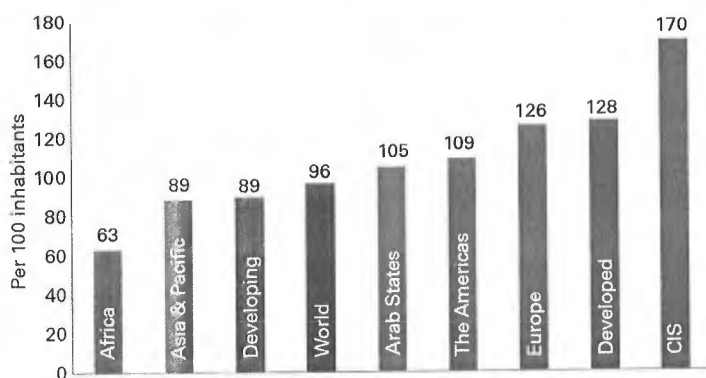
Source: ITU World Telecommunication /ICT Indicators database  
Note: \* Estimate

In 2013, there are almost as many mobile-cellular subscriptions as people in the world, with more than half in the Asia-Pacific region (3.5 billion out of 6.8 billion total subscriptions).

As global mobile-cellular penetration approaches 100% and market saturation is reached, growth rates have fallen to their lowest levels in both developed and developing countries.

Mobile-cellular penetration rates stand at 96% globally; 128% in developed countries; and 89% in developing countries.

### Mobile-cellular penetration, 2013\*, and mobile-cellular subscription growth rates, 2005-2013\*

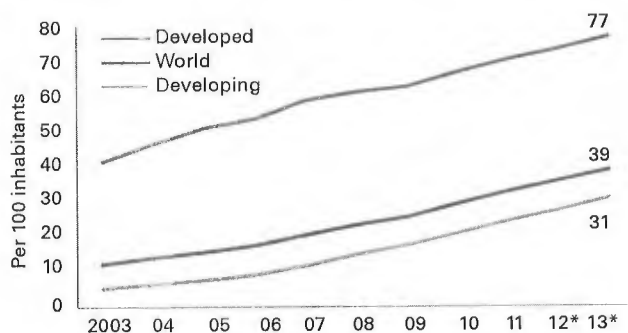


Source: ITU World Telecommunication /ICT Indicators database  
Note: \* Estimate

## 2.7 BILLION PEOPLE – ALMOST 40% OF THE WORLD’S POPULATION – ARE ONLINE

In developing countries, 16% fewer women than men use the Internet

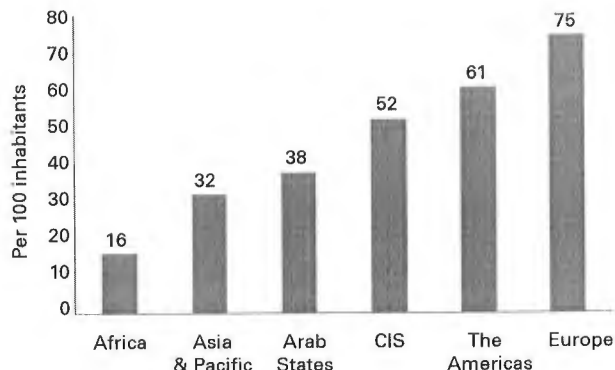
### Internet users by development level, 2003-2013\*, and by region, 2013\*



Source: ITU World Telecommunication /ICT Indicators database  
Note: \* Estimate

In 2013, over 2.7 billion people are using the Internet, which corresponds to 39% of the world’s population.

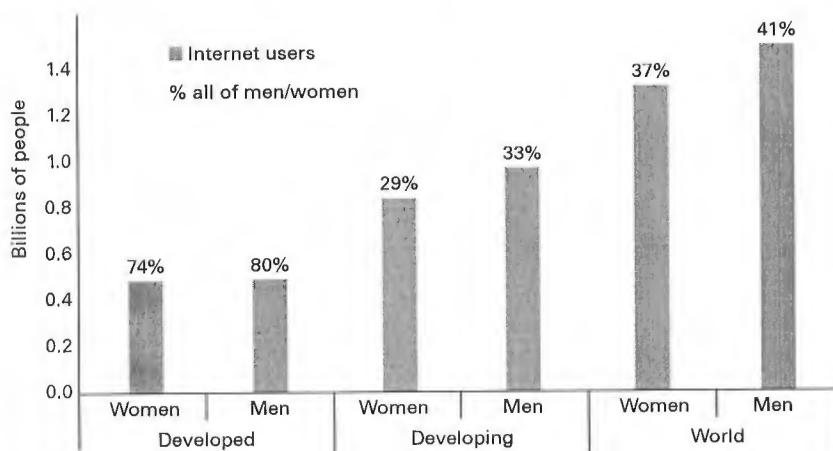
In the developing world, 31% of the population is online, compared with 77% in the developed world.



Europe is the region with the highest Internet penetration rate in the world (75%), followed by the Americas (61%).

In Africa, 16% of people are using the Internet – only half the penetration rate of Asia and the Pacific.

### The gender gap: men and women online, totals and penetration rates, 2013\*



Source: ITU World Telecommunication /ICT Indicators database  
Note: \* Estimate

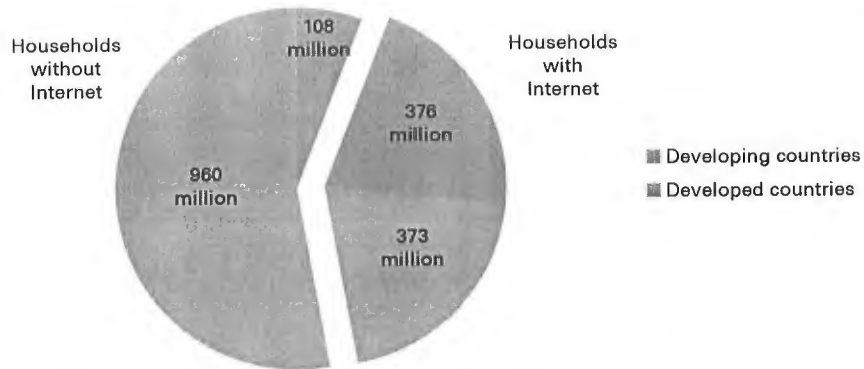
More men than women use the Internet: globally, 37% of all women are online, compared with 41% of all men. This corresponds to 1.3 billion women and 1.5 billion men.

The developing world is home to about 826 million female Internet users and 980 million male Internet users. The developed world is home to about 475 million female Internet users and 483 million male Internet users.

The gender gap is more pronounced in the developing world, where 16% fewer women than men use the Internet, compared with only 2% fewer women than men in the developed world.

# 750 MILLION HOUSEHOLDS – 41% GLOBALLY – CONNECTED TO THE INTERNET

## Households with Internet access, 2013\*



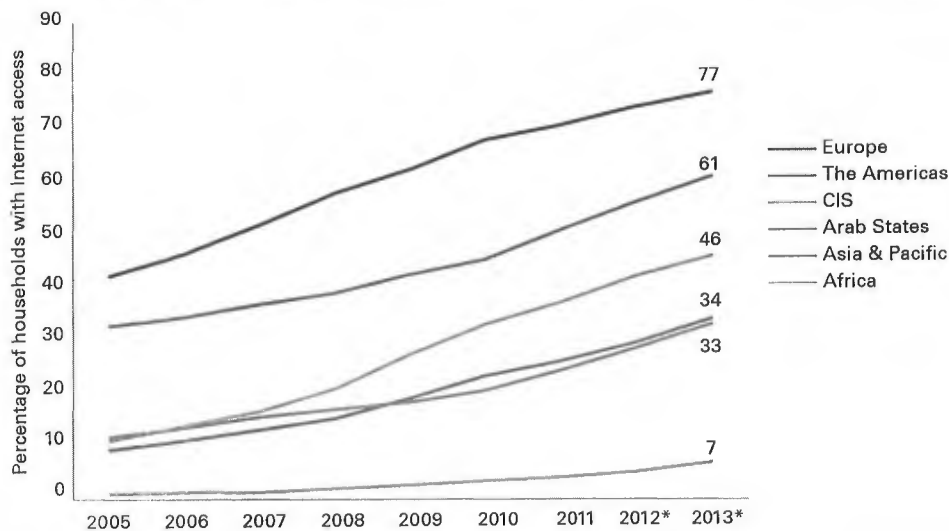
Source: ITU World Telecommunication /ICT Indicators database  
Note: \* Estimate

In 2013, 41% of the world's households are connected to the Internet. Half of them are in the developing world, where household Internet penetration has reached 28%.

In the developed world, 78% of all households are connected to the Internet.

90% of the 1.1 billion households not connected to the Internet are in the developing world.

## Households with Internet access, by region



Source: ITU World Telecommunication /ICT Indicators database  
Note: \* Estimate

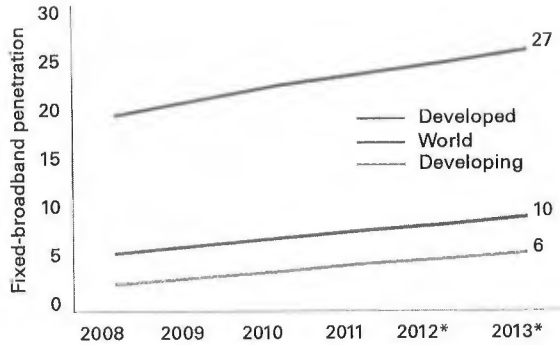
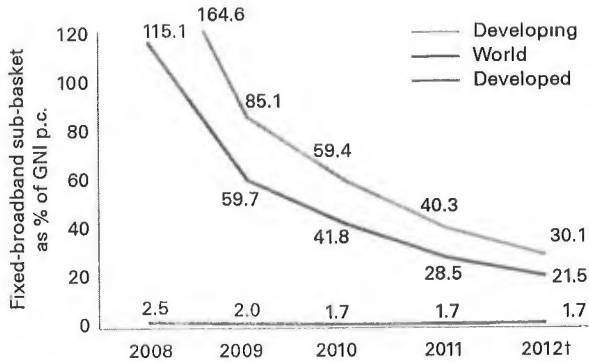
Europe and Africa are the regions with the highest and the lowest levels of household Internet penetration respectively: 77% in Europe, compared with 7% in Africa.

The majority of households in the Americas are online (61%), compared with around one third of households in the Arab States and Asia and the Pacific.

Between 2009 and 2013, Internet penetration in households has grown fastest in Africa, with annual growth of 27%, followed by 15% annual growth in Asia and the Pacific, the Arab States and the CIS.

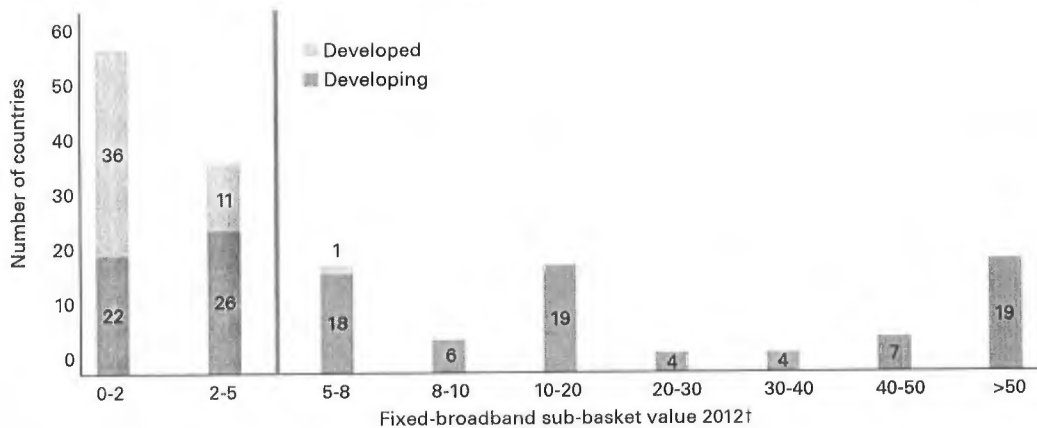
# FIXED-BROADBAND PRICES DROP BY 82% BETWEEN 2008 AND 2012

As fixed-broadband services become more affordable, penetration increases



Source: ITU World Telecommunication /ICT Indicators database  
 Note: Simple averages. † Preliminary result. \* Estimate

By 2012, the majority of countries have reached the Broadband Commission target of offering basic fixed-broadband services at below 5% of monthly GNI p.c.



Source: ITU World Telecommunication /ICT Indicators database  
 Note: † Preliminary result, based on 173 countries

Over the past five years, fixed-broadband prices as a share of GNI per capita dropped by 82%. By 2012, fixed-broadband prices represented 1.7% of monthly GNI p.c. in developed countries. In developing countries, fixed-broadband services remain expensive, accounting for 30.1% of average monthly incomes.

In 95 countries – including 48 developing countries – the price of a monthly fixed-broadband subscription represented 5% or less of monthly GNI p.c. in 2012.

As services are becoming more affordable, fixed-broadband uptake has shown strong growth and by 2013, there are almost 700 million fixed-broadband subscriptions, corresponding to a global penetration rate of 9.8%.

In 2013, the total number of fixed-broadband subscriptions in developing countries surpasses those in developed countries. But there is still a wide gap when it comes to fixed-broadband penetration rates, with 6.1% in developing countries (and less than 1% in Sub-Saharan Africa), compared with 27.2% in developed countries.

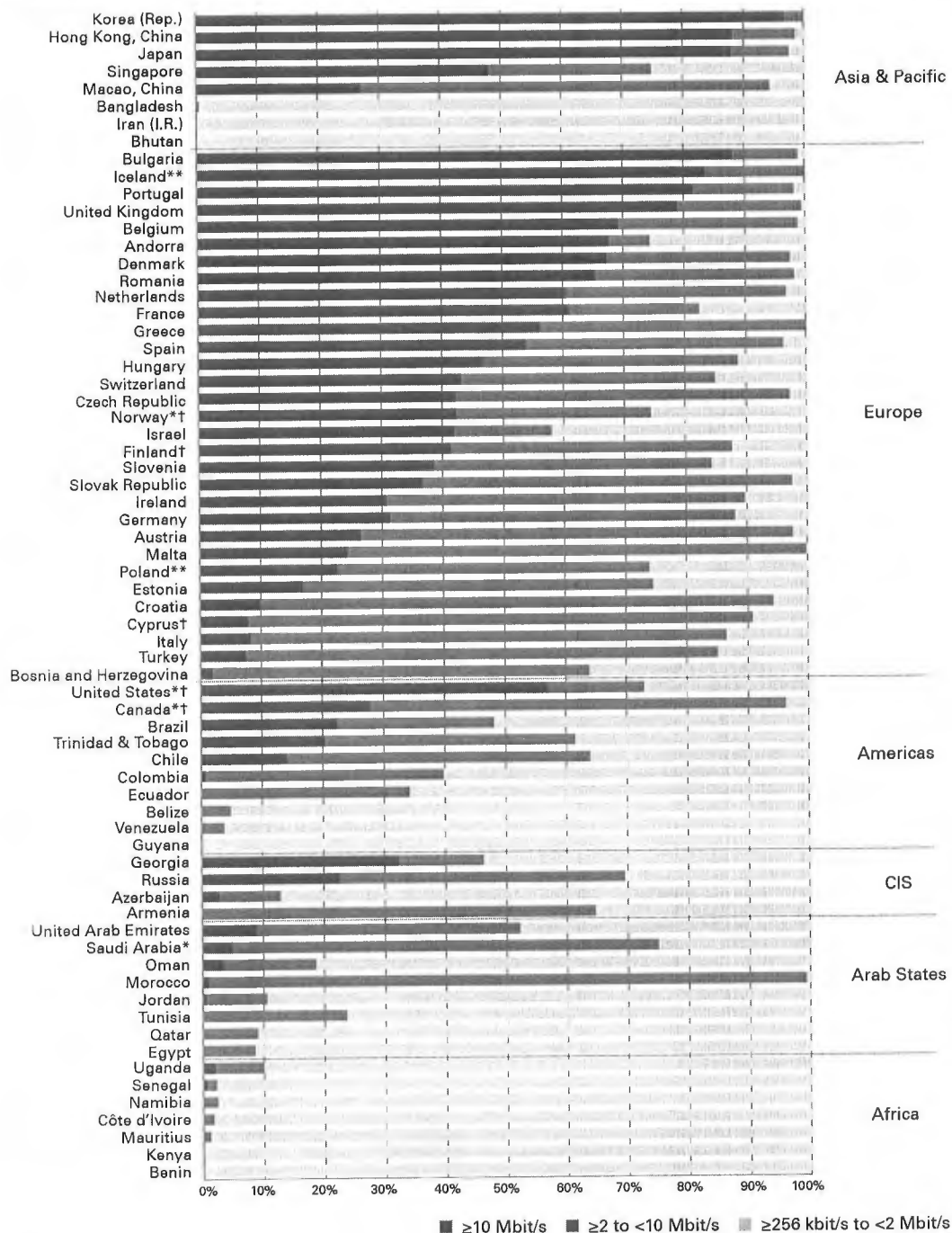
# HIGH-SPEED ACCESS TO THE INTERNET

## Differences in broadband speed persist

Uptake of high-speed broadband (at least 10 Mbit/s) is highest in some Asian economies, including the Republic of Korea, Hong Kong (China) and Japan, and in several European countries, such as Bulgaria, Iceland and Portugal.

In Africa, less than 10% of fixed (wired) broadband subscriptions offer speeds of at least 2 Mbit/s. This is also the case of several countries in Asia and the Pacific, the Americas and some Arab States.

Fixed-broadband subscriptions, by speed, early 2012



Source: ITU World Telecommunication/ICT Indicators database

Note: Refers to advertised speeds. \* Data correspond to speed intervals slightly different from the ones defined by ITU. \*\* Breakdown by speed available only for a part of the total fixed (wired)-broadband subscriptions. † Data include fixed wireless broadband subscriptions



# CONTINUOUS HIGH GROWTH OF MOBILE BROADBAND

More than 2 billion subscriptions worldwide by end 2013\*

## Americas

460 million subscriptions

48% penetration

28% CAGR (2010-2013)

## Europe

422 million subscriptions

68% penetration

33% CAGR (2010-2013)

## CIS

129 million subscriptions

46% penetration

27% CAGR (2010-2013)



## Arab States

71 million subscriptions

19% penetration

55% CAGR (2010-2013)

## Africa

93 million subscriptions

11% penetration

82% CAGR (2010-2013)

## Asia-Pacific

895 million subscriptions

22% penetration

45% CAGR (2010-2013)

Source: ITU World Telecommunication /ICT Indicators database

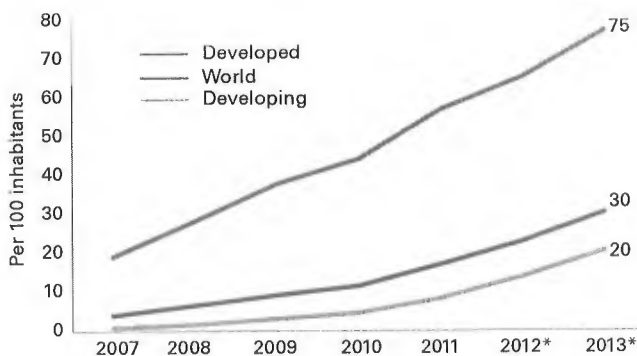
Note: \* Estimate

## Active mobile-broadband subscriptions, 2007-2013\*

Mobile-broadband subscriptions have climbed from 268 million in 2007 to 2.1 billion in 2013. This reflects an average annual growth rate of 40%, making mobile broadband the most dynamic ICT market.

In developing countries, the number of mobile-broadband subscriptions more than doubled from 2011 to 2013 (from 472 million to 1.16 billion) and surpassed those in developed countries in 2013.

Africa is the region with the highest growth rates over the past three years and mobile-broadband penetration has increased from 2% in 2010 to 11% in 2013.



Source: ITU World Telecommunication /ICT Indicators database

Note: \* Estimate

# MOBILE BROADBAND MUCH MORE EXPENSIVE IN DEVELOPING COUNTRIES

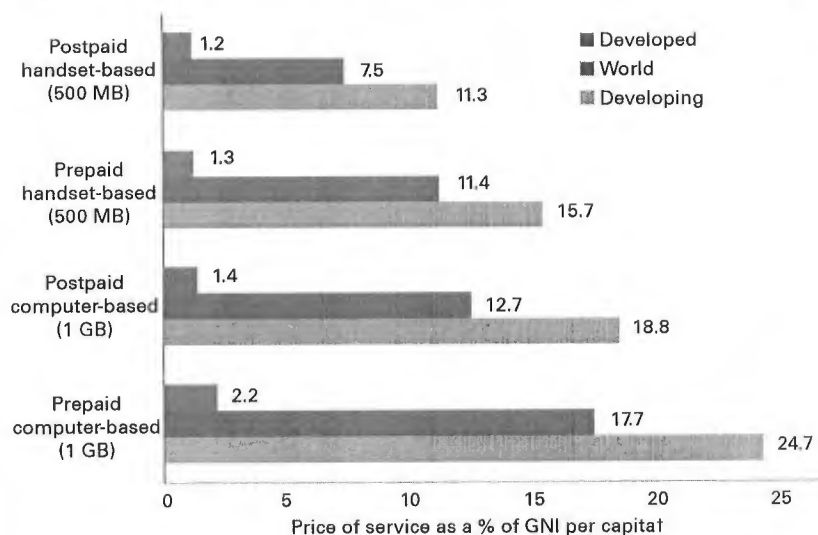
But considerably cheaper than fixed-broadband services

By early 2013, the price of an entry-level mobile-broadband plan represents between 1.2-2.2% of monthly GNI p.c. in developed countries and between 11.3-24.7% in developing countries, depending on the type of service.

However, in developing countries, mobile-broadband services cost considerably less than fixed-broadband services: 18.8% of monthly GNI p.c. for a 1 GB postpaid computer-based mobile-broadband plan compared to 30.1% of monthly GNI p.c. for a postpaid fixed-broadband plan with 1 GB of data volume.

Among the four typical mobile-broadband plans offered in the market, postpaid handset-based services are the cheapest and prepaid computer-based services are the most expensive, across all regions.

Price of mobile-broadband services, early 2013<sup>†</sup>



Source: ITU World Telecommunication /ICT Indicators database  
Note: Simple averages. † Preliminary result

Price of mobile-broadband services by region, early 2013<sup>†</sup>

	% of GNI per capita					
	Europe	Arab States	CIS	The Americas	Asia & the Pacific	Africa
Prepaid handset-based (500 MB)	1.1	5.7	5.7	5.9	5.9	38.8
Postpaid handset-based (500 MB)	1.1	2.2	5.6	5.0	3.5	36.2
Prepaid computer-based (1 GB)	1.9	7.4	7.6	11.1	12.6	58.3
Postpaid computer-based (1 GB)	1.2	2.5	7.4	8.0	10.6	54.6

Source: ITU World Telecommunication /ICT Indicators database  
Note: Simple averages. † Preliminary result

A regional comparison highlights that mobile-broadband services remain largely unaffordable in Africa, where the price of a computer-based plan with 1GB of data volume represents on average more than 50% of GNI p.c.

Services are most affordable in Europe, where they represent on average less than 2% of GNI p.c.

In the Arab States and Asia and the Pacific region, postpaid handset-based services are relatively affordable, accounting for 2.2% and 3.5% of monthly GNI per capita, respectively; prices in the Americas and CIS remain relatively high (5% or above of monthly GNI p.c.) for all mobile-broadband services.

For more information:

ICT Data and Statistics Division  
Telecommunication Development Bureau  
International Telecommunication Union

Place des Nations  
1211 Geneva 20 - Switzerland

indicators@itu.int  
www.itu.int/ict



Printed in Switzerland  
Geneva, February 2013

© International Telecommunication Union

**Reconsideration Request  
DERCars, LLC**

**Annex Q**

Internet World Stats, *World Internet Users*,  
<http://www.internetworldstats.com/stats.htm>

# Internet World Stats

## Usage and Population Statistics

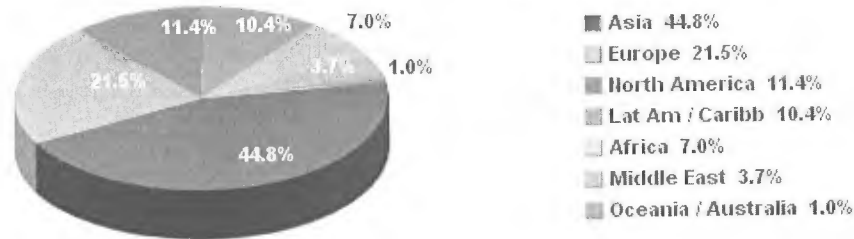
2,251

**Facebook**  
**Growth**  
**Stats**

Tweet

[World Stats](#) | [Africa Stats](#) | [America Stats](#) | [Asia Stats](#) | [Europe Stats](#) | [EU Stats](#) | [Mid East Stats](#) | [Oceania Stats](#) | [Links](#)

### Internet Users in the World Distribution by World Regions - 2012 Q2



Source: Internet World Stats - [www.internetworldstats.com/stats.htm](http://www.internetworldstats.com/stats.htm)  
Basis: 2,405,518,376 Internet users on June 30, 2012  
Copyright © 2012, Miniwatts Marketing Group

## INTERNET USAGE STATISTICS

### The Internet Big Picture

#### World Internet Users and Population Stats

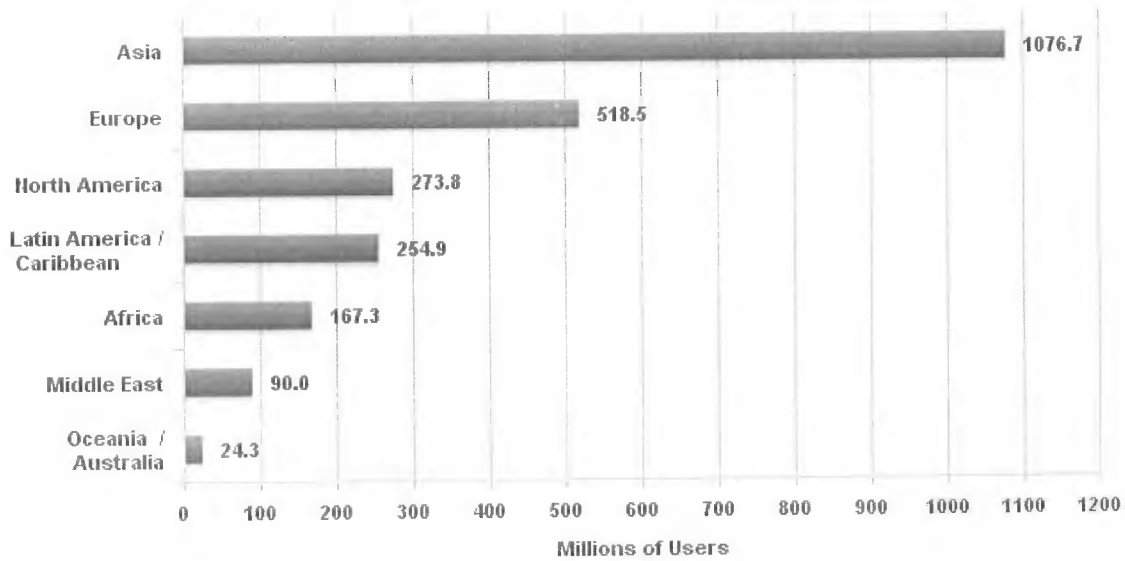
#### WORLD INTERNET USAGE AND POPULATION STATISTICS June 30, 2012

World Regions	Population (2012 Est.)	Internet Users Dec. 31, 2000	Internet Users Latest Data	Penetration (% Population)	Growth 2000-2012	Users % of Table
<u><a href="#">Africa</a></u>	1,073,380,925	4,514,400	<b>167,335,676</b>	15.6 %	3,606.7 %	7.0 %
<u><a href="#">Asia</a></u>	3,922,066,987	114,304,000	<b>1,076,681,059</b>	27.5 %	841.9 %	44.8 %
<u><a href="#">Europe</a></u>	820,918,446	105,096,093	<b>518,512,109</b>	63.2 %	393.4 %	21.5 %
<u><a href="#">Middle East</a></u>	223,608,203	3,284,800	<b>90,000,455</b>	40.2 %	2,639.9 %	3.7 %
<u><a href="#">North America</a></u>	348,280,154	108,096,800	<b>273,785,413</b>	78.6 %	153.3 %	11.4 %
<u><a href="#">Latin America / Caribbean</a></u>	593,688,638	18,068,919	<b>254,915,745</b>	42.9 %	1,310.8 %	10.6 %
<u><a href="#">Oceania / Australia</a></u>	35,903,569	7,620,480	<b>24,287,919</b>	67.6 %	218.7 %	1.0 %
<b><u>WORLD TOTAL</u></b>	<b>7,017,846,922</b>	<b>360,985,492</b>	<b>2,405,518,376</b>	<b>34.3 %</b>	<b>566.4 %</b>	<b>100.0 %</b>

NOTES: (1) Internet Usage and World Population Statistics are for June 30, 2012. (2) CLICK on each world region name for detailed regional usage information. (3) Demographic (Population) numbers are based on data from the [US Census Bureau](#) and

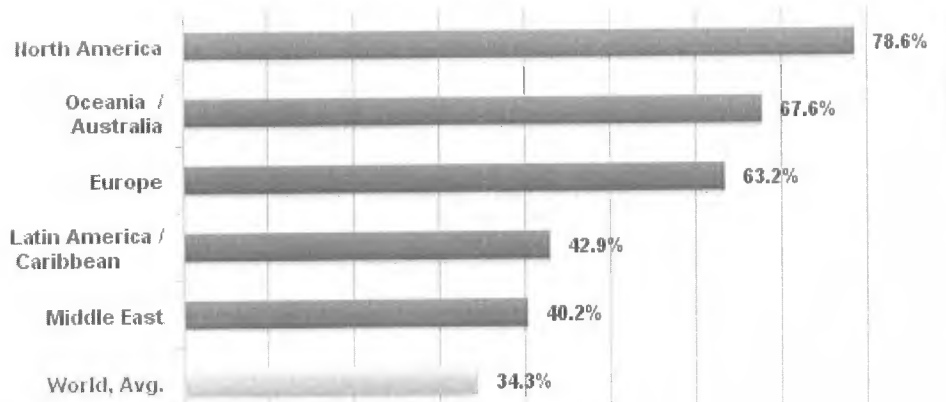
local census agencies. (4) Internet usage information comes from data published by [Nielsen Online](#), by the [International Telecommunications Union](#), by [GfK](#), local ICT Regulators and other reliable sources. (5) For definitions, disclaimers, navigation help and methodology, please refer to the [Site Surfing Guide](#). (6) Information in this site may be cited, giving the due credit to [www.internetworldstats.com](http://www.internetworldstats.com). Copyright © 2001 - 2013, Miniwatts Marketing Group. All rights reserved worldwide.

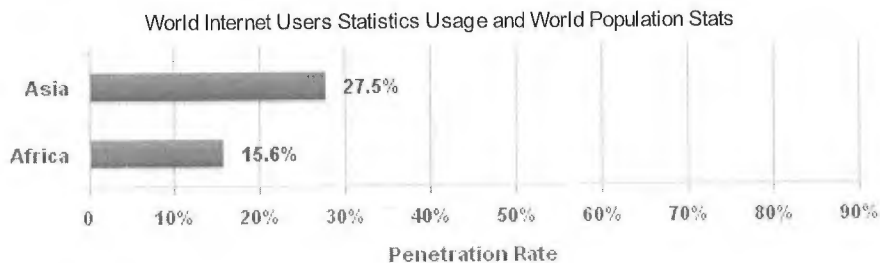
### Internet Users in the World by Geographic Regions - 2012 Q2



Source: Internet World Stats - [www.internetworldstats.com/stats.htm](http://www.internetworldstats.com/stats.htm)  
 2,405,518,376 Internet users estimated for June 30, 2012  
 Copyright © 2012, Miniwatts Marketing Group

### World Internet Penetration Rates by Geographic Regions - 2012 Q2





Source: Internet World Stats - [www.internetworldstats.com/stats.htm](http://www.internetworldstats.com/stats.htm)  
 Penetration Rates are based on a world population of 7,017,846,922  
 and 2,405,518,376 estimated Internet users on June 30, 2012.  
 Copyright © 2012, Miniwatts Marketing Group

## More Internet Information Sources and Usage Statistics

- **Internet**  
 Internet description from Wikipedia, history, creation, growth, structure, uses and other basic data.
- **Internet Traffic Report**  
 The Internet Traffic Report monitors the flow of data around the world. It then displays a value between zero and 100. Higher values indicate faster and more reliable connections.
- **The CAIDA Web Site**  
 CAIDA, the Cooperative Association for Internet Data Analysis, provides tools and analyses promoting the engineering and maintenance of a robust, scalable global Internet infrastructure.
- **Internet News**  
 Internet dot com provides enterprise IT and Internet Industry professionals with the news, information resources and community they need to succeed in today's rapidly evolving IT and business environment.
- **Renesys**  
 The Internet Intelligence Authority, Renesys® is the leading provider of objective, critical intelligence on the worldwide state of the Internet. Intensive data collection on every continent with innovative, proprietary software. Optimized algorithms gather real-time data from the Internet backbone, around-the-clock.
- **ICANN**  
 The Internet Corporation for Assigned Names and Numbers, better known as ICANN, is responsible for managing and coordinating the Domain Name System (DNS) to ensure that every address is unique and that all users of the Internet can find all valid addresses. It also ensures that each domain name maps to the correct IP address. ICANN is also responsible for accrediting the domain name registrars.
- **Internet Domain Survey**  
 The Domain Survey attempts to discover every host on the Internet by doing a complete search of the Domain Name System.
- **RIPE NCC** One of the four Regional Internet Registries (RIRs) providing Internet resource allocations, registration services and co-ordination activities that support the operation of the Internet globally.
- **APNIC**  
 One of the four Regional Internet Registries (RIRs) APNIC provides allocation and registration services which support the Asia Pacific region.
- **ARIN**  
 One of the four Regional Internet Registries (RIRs), ARIN - the American Registry for Internet Numbers - manage the Internet numbering resources for North America, a portion of the



- **Detailed Domain Count**  
Statistics on the number of active domains and those deleted from the Internet each day.
- **Web Browser Statistics**  
Statistics and trends in browser usage, operating systems and screen resolution.
- **Top Level Domain Count**  
Statistics on distribution of Top-Level Domain Names by Host Count.
- **ClickZ Stats**  
ClickZ Stats is a guide to Internet statistics, Internet marketing demographics, Internet advertising research, e-commerce trends.
- **RefDesk**  
  
Reference source to Internet Usage.
- **Net Craft**  
Netcraft provides network security services, and market research on many aspects of the Internet.
- **Internet History**  
The Living Internet is recommended reading as a general reference to Internet history.
- **Caribbean, and sub-equatorial Africa.**
- **LACNIC**  
One of the four Regional Internet Registries (RIRs), LANIC- The Latin American and Caribbean Internet Addresses Registry - is the organization that administrates IP addresses space, Autonomous System Numbers (ASN), reverse resolution and other resources of the Latin American and Caribbean region (LAC).
- **AfriNIC**  
AfriNIC (in formation) for the purpose of managing the IP addressing in the African continent. In the future it is expected that African organizations that presently obtain IP address space from RIPE or ARIN will obtain the IP addresses space from the AfriNIC.
- **Network Startup Resource Center**  
The NSRC provides technical and engineering assistance to international networking initiatives building access to the public Internet, especially to academic/research institutions and non-governmental organizations (NGOs).
- **W3C - World Wide Web Consortium**  
The World Wide Web Consortium (W3C) develops interoperable technologies (specifications, guidelines, software, and tools) to lead the Web to its full potential. W3C is a forum for information, commerce, communication, and collective understanding.

[^ top of page](#)

## Premium Telecommunications Market Reports:

- **Internet World Overview Reports**

The Internet is still growing at a good rate, but the **The Global Internet of Things Report**



growth rate is not the same all over the world. The growth rate will not increase again until broadband is further developed, and its price rates reduced. Revenues and language statistics are also discussed.

- **[African Telecommunications Overview](#)**

A large amount of telecommunications and Internet reports for the African Region, including telecom profiles, table of contents and summaries available.

- **[Asian Telecommunications Markets](#)**

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- **[Latin America Telecom Market Overview](#)**

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This site has DNS and networking tools for network administrators, domain owners, users of DNS hosting services, whois, and other Internet research resources.

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**Reconsideration Request  
DERCars, LLC**

**Annex R**

Verisign, *The Domain Name Industry Brief*  
(Dec. 2012)



VERISIGN™



# THE DOMAIN NAME INDUSTRY BRIEF

VOLUME 9 - ISSUE 4 - DECEMBER 2012

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## THE VERISIGN DOMAIN REPORT

AS THE GLOBAL REGISTRY OPERATOR FOR .COM AND .NET, VERISIGN REVIEWS THE STATE OF THE DOMAIN NAME INDUSTRY THROUGH A VARIETY OF STATISTICAL AND ANALYTICAL RESEARCH. AS THE TRUSTED PROVIDER OF INTERNET INFRASTRUCTURE SERVICES FOR THE NETWORKED WORLD, VERISIGN PROVIDES THIS BRIEFING TO HIGHLIGHT IMPORTANT TRENDS IN DOMAIN NAME REGISTRATION, INCLUDING KEY PERFORMANCE INDICATORS AND GROWTH OPPORTUNITIES, TO INDUSTRY ANALYSTS, MEDIA AND BUSINESSES.

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**EXECUTIVE SUMMARY**

The third quarter of 2012 closed with a base of more than 246 million domain name registrations across all Top-Level Domains (TLDs), an increase of 5.7 million domain names, or 2.4 percent over the second quarter of 2012. Registrations have grown by 26.4 million, or 12 percent, year over year.<sup>1,2</sup>

The base of Country Code Top-Level Domains (ccTLDs) was 104.9 million domain names, a 4.6 percent increase quarter over quarter, and a 20.7 percent increase year over year in the base.<sup>1,2</sup>

The .com and .net TLDs experienced aggregate growth, reaching a combined total of approximately 119.9 million domain names in the adjusted zone in the third quarter of 2012. This represents a 1 percent increase in the base over the second quarter of 2012 and a 7.1 percent increase over the third quarter of 2011. As of Sept. 30, 2012, the base of registered names in .com equaled 105 million names, while .net equaled 14.9 million names.

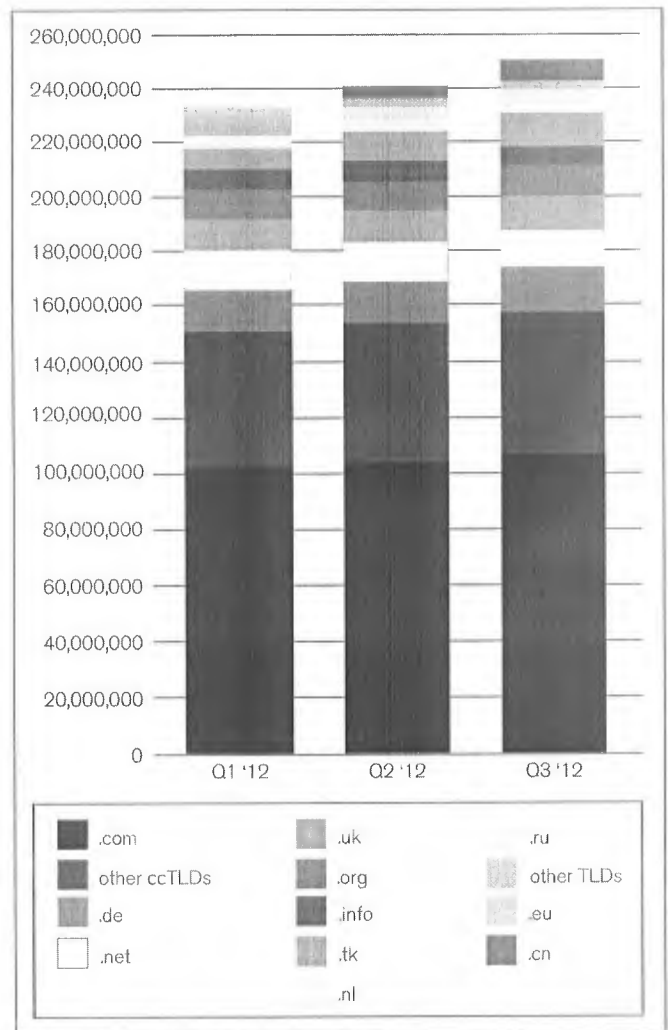
New .com and .net registrations totaled 7.8 million during the third quarter of 2012. This reflects a 1.1 percent year-over-year decrease in new registrations.

The order of the top TLDs in terms of zone size changed slightly when compared to the second quarter, as .cn (China) moved up two rankings from the tenth largest TLD to the eighth largest TLD, resulting in .nl (Netherlands) and .ru (Russian Federation) moving down one ranking each, respectively. All other TLDs in the top 10 maintained their rankings.

The largest TLDs in order by base size were .com, .de (Germany), .net, .tk (Tokelau), .uk (United Kingdom), .org, .info, .cn (China), .nl (Netherlands) and .ru (Russian Federation).

**Top TLDs by Zone Size**

Source: Zooknic, October 2012; Verisign, October 2012



1 The gTLD and ccTLD data cited in this report are estimates as of the time of this report and subject to change as more complete data is received.  
 2 Total includes additional tracking of ccTLD Internationalized Domain Names.



### CCTLD BREAKDOWN OF ZONE SIZE

Total ccTLD registrations were approximately 104.9 million in the third quarter of 2012 with the addition of 4.6 million domain names, or a 4.6 percent increase compared to the second quarter. This is an increase of almost 18 million domain names, or 20.7 percent from a year ago.

Among the 20 largest ccTLDs, three exceeded 4 percent overall quarter-over-quarter growth: China, Tokelau and Colombia. This marks back-to-back quarters where China (43 percent) and Tokelau (14 percent) have exceeded 4 percent growth.

As of Sept. 30, 2012, there are 280 ccTLD extensions globally that are delegated in the root (including Internationalized Domain Names), with the top 10 ccTLDs comprising 62 percent of all ccTLD registrations.<sup>3</sup>

#### Top ccTLD Registries by Domain Name Base, Third Quarter 2012

Source: Zooknic, October 2012

- |                         |                             |
|-------------------------|-----------------------------|
| 1. .de (Germany)        | 6. .ru (Russian Federation) |
| 2. .tk (Tokelau)        | 7. .eu (European Union)     |
| 3. .uk (United Kingdom) | 8. .br (Brazil)             |
| 4. .cn (China)          | 9. .au (Australia)          |
| 5. .nl (Netherlands)    | 10. .ar (Argentina)         |

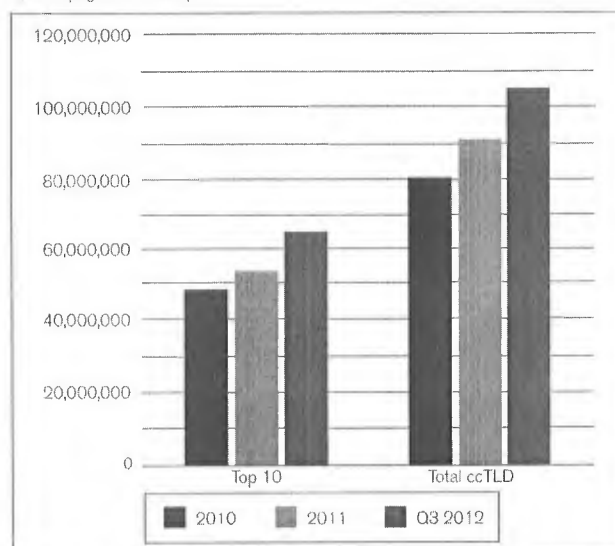
### .COM/.NET DYNAMICS

The .com/.net renewal rate for the third quarter of 2012 was 72.5 percent, slightly down from 72.9 percent in the second quarter of 2012. Renewal rates vary quarter over quarter based on the composition of the expiring name base and the contribution of specific registrars.

Whether a domain name resolves to a website is a key factor in determining the renewal rate since domain names that resolve to websites are more likely to be renewed. Verisign estimates that 87 percent of .com and .net domain names in the active zone resolve to a website, meaning that an end user visiting that domain name would find a website. These websites can be further described as those having multiple pages or as one-page websites. One-page websites include under-construction, brochure-ware and parked pages in addition to online advertising revenue generating parked pages.

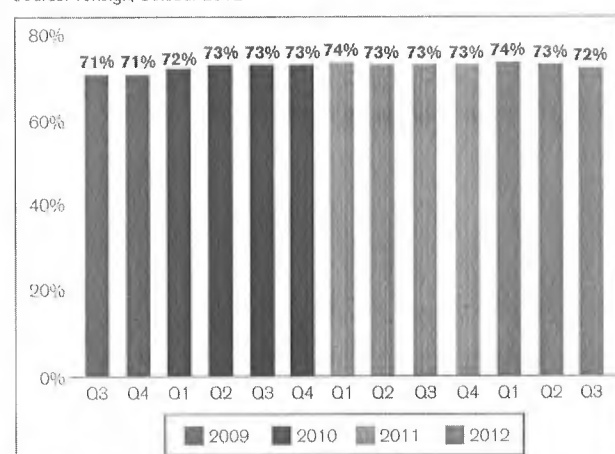
### ccTLD Breakdown

Source: Zooknic, October 2012  
For further information on the Domain Name Industry Brief methodology, please refer to page 5 of the report



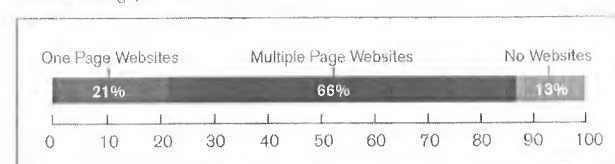
### .com/.net Registry Renewal Rates

Source: Verisign, October 2012



### .com/.net Websites

Source: Verisign, October 2012



3 The number of ccTLD extensions cited in this report is published by IANA.



Verisign's average daily Domain Name System (DNS) query load during the third quarter of 2012 was 67 billion, with a peak of 102 billion. Compared to the previous quarter, the daily average decreased 1.3 percent and the peak increased 14.1 percent. Year over year, the daily average increased 12.8 percent and the peak increased 31.8 percent.

### COMBATING DDOS ATTACKS IN THE CLOUD

Security professionals in the enterprise today face a new world order. The growth of the cloud in the enterprise has expanded the information technology ecosystem beyond on-premise technologies and compelled IT and security teams to reconsider established architectures and internal policies.<sup>4</sup> At the same time, the rise of larger and more complex Distributed Denial of Service (DDoS) attacks is contributing to an ever more sophisticated threat landscape.<sup>5</sup> Defending against DDoS in the cloud requires understanding the scope of the threat and the foundation for mitigation.

As more endpoints, systems and data converge on the cloud, security practitioners are left with a greater attack surface to defend. Additionally, the maturing malware-as-a-service industry has made it easier for motivated individuals to coordinate larger and ever-increasing attacks. The frequency and sophistication of attacks has caused the business world to take notice. For those keeping score, that's several macro-trends in favor of organizations launching these attacks. But an informed mitigation plan can even the score and tip the balance.

As an enterprise, the goal should be to block harmful traffic before it reaches the network or application. To do this, speed and scale for detecting then mitigating an incoming attack are vital. As traditional approaches of over-provisioning bandwidth and firewalls have proved costly and ineffective, enterprises are increasingly turning to two types of cloud-based services, managed DNS and DDoS protection services. Verisign believes both services enable rapid deployment and eliminate the need for significant investments in equipment, infrastructure and subject matter expertise. Taking the cloud approach allows businesses to trim operational costs while hardening their defenses to thwart even the largest of DDoS attacks.<sup>6</sup>

While there are several steps in the DDoS mitigation journey, below are some key elements to consider.

1. **Centralize Data Gathering and Understand Trends:** At the most basic level, successful DDoS protection involves knowing what to watch for. DDoS mitigation monitors for unusual traffic patterns and activities that may identify and validate potential/emerging attacks. Enterprises should complement these tactics with in-house and third-party cyber intelligence capabilities for a more complete view of the threat landscape.
2. **Define a Clear Escalation Path:** Systematic processes and methodology are essential for effective DDoS attack mitigation. This includes putting defined standard operating procedures and incident response teams in place. To prepare for downtime, identify critical systems and develop/test contingency plans for short-term (e.g., one hour), medium-term (e.g., 24 hours), and long-term (e.g., multiple-day) network or service outages.
3. **Use Layered Filtering:** The goal of DDoS mitigation is to exclude only unwanted traffic while allowing legitimate traffic to enter the network with minimal delay. The most effective means to accomplish this is to use a multi-layered verification process.
4. **Review and Optimize DNS Performance:** Recent and high profile DDoS-based DNS outages have shed light on the expanding attack surface of DDoS and about the importance of DNS as a critical yet complex IT function. As DNS continues to be a prime target for DDoS attacks, support for DNS availability and security becomes an important step in proactive protection.
5. **Address Application and Configuration Issues:** DDoS attacks have evolved from brute force attacks at the network layer to more sophisticated, difficult-to-detect attacks at the application layer. Attackers can learn the acceptable threshold of a strategic application or service and launch a larger scale attack to cripple the technology.

4 Are You Opportunistic or Strategic with Your Cloud Investments?, James Staten, Forrester Research blog, July 18, 2012

5 Gartner, Cool Vendors in Infrastructure Protection, Ray Wagner, Joseph Feiman, Lawrence Orans, John Pescatore, Neil MacDonald, Peter Firstbrook, and Greg Young, April 21, 2011

6 CIO: 5 Key Interop 2012 Takeaways for CIOs and Other IT Pros (May 14, 2012)



DDoS attacks traditionally targeted e-commerce websites but have now moved up to the application stack for maximum business disruption. The elevated dangers posed by this next generation of DDoS attacks are compelling companies of all sizes, across all industries, to protect their assets. Defending against these attacks will require covering the basics, some of which are above, and tailoring additional steps and precautions to the needs of each enterprise's unique infrastructure set-up.

### LEARN MORE

To subscribe or access the archives for the Domain Name Industry Brief, please go to [www.VerisignInc.com/DNIB](http://www.VerisignInc.com/DNIB). Email your comments or questions to [domainbrief@verisign.com](mailto:domainbrief@verisign.com).

### ABOUT VERISIGN

VeriSign, Inc. (NASDAQ: VRSN) is the trusted provider of Internet infrastructure services for the networked world. Billions of times each day, Verisign helps companies and consumers all over the world connect between the dots. Additional news and information about the company is available at [www.VerisignInc.com](http://www.VerisignInc.com).

### METHODOLOGY

The data presented in this report for ccTLDs, including quarter-over-quarter and year-over-year metrics, reflects the information available to Verisign at the time of this report and may incorporate changes and adjustments to previously reported periods based on additional information received since the date of such prior reports, so as to more accurately reflect the growth rate of the ccTLDs. In addition, the data available for this report may not include data for the 280 ccTLD extensions that are delegated to the root, and includes only the data available at the time of the preparation of this report.

For gTLD and ccTLD data cited with Zooknic as a source, the Zooknic analysis uses a comparison of domain name root zone file changes supplemented with Whois data on a statistical sample of domain names which lists the registrar responsible for a particular domain name and the location of the registrant. The data has a margin of error based on the sample size and market size. The ccTLD data is based on analysis of root zone files. For more information, see [www.ZookNIC.com](http://www.ZookNIC.com). Information on or accessible through this website is not part of this report.

The Internet Corporation for Assigned Names and Numbers' IDN ccTLD Fast Track Process enables countries and territories that use languages based on scripts other than Latin to offer users domain names in non-Latin characters. The first quarter of 2012 was the first quarter that Verisign reported on these TLDs that have been delegated into the root zone, including Russian Federation, Thailand, Jordan, Palestinian Territories, Saudi Arabia, Serbia and Sri Lanka.

Recognizing that this growth did not all occur in the first quarter of 2012, the changes in domain name registrations for each new TLD were phased in beginning with the quarter that the IDN.IDN variants were initially launched, in order to more closely model the changes in the worldwide domain name growth. Following the initial launch, the quarterly growth rate for previous TLD launches was applied to determine the domain base. These adjustments resulted in a growth curve for each TLD that is typical of historic TLD introduction lifecycles.





Statements in this announcement other than historical data and information constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 as amended and Section 21E of the Securities Exchange Act of 1934 as amended. These statements involve risks and uncertainties that could cause Verisign's actual results to differ materially from those stated or implied by such forward-looking statements. The potential risks and uncertainties include, among others, the uncertainty of whether the Company will be able to exercise its right, under certain circumstances, to increase the price per domain name registration, whether the Department of Commerce will approve any exercise by the Company of the right and whether the Company will be able to demonstrate to the Department of Commerce that market conditions warrant removal of the pricing restrictions; the uncertainty of future revenue and profitability and potential fluctuations in quarterly operating results due to such factors as restrictions on increasing prices under the 2012 .com Registry Agreement, increasing competition, pricing pressure from competing services offered at prices below our prices and changes in marketing and advertising practices, including those of third-party registrars; changes in search engine algorithms and advertising payment practices; challenging global economic conditions; challenges to ongoing privatization of Internet administration; the outcome of legal or other challenges resulting from our activities or the activities of registrars or registrants, or litigation generally; new or existing governmental laws and regulations; changes in customer behavior, Internet platforms and web-browsing patterns; the uncertainty of whether Verisign will successfully develop and market new services; the uncertainty of whether our new services will achieve market acceptance or result in any revenues; system interruptions; security breaches; attacks on the Internet by hackers, viruses, or intentional acts of vandalism; whether Verisign will be able to continue to expand its infrastructure to meet demand; the uncertainty of the expense and timing of requests for indemnification, if any, relating to completed divestitures; and the impact of the introduction of new gTLDs, any delays in their introduction and whether our gTLD applications or the applicants' gTLD applications for which we have contracted to provide back-end registry services will be successful. More information about potential factors that could affect the Company's business and financial results is included in Verisign's filings with the Securities and Exchange Commission, including in the Company's Annual Report on Form 10-K for the year ended December 31, 2011, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Verisign undertakes no obligation to update any of the forward-looking statements after the date of this report.



VerisignInc.com

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**Reconsideration Request  
DERCars, LLC**

**Annex S**

Letter from Johannes Lenz-Hawliczek, Managing  
Director, dothotel, to ICANN BGC at 11  
(26 Sept. 2013)

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ICANN Board Governance Committee  
Delivered by email to reconsider@icann.org

Luxembourg, September 26, 2013

Dear Members of the Board Governance Committee,

we respectfully submit the attached Survey of String Confusion Objections with an analysis of conflicting principles for your consideration.

Sincerely



Johannes Lenz-Hawliczek  
Managing Director

# Survey of String Confusion Objections

Analysis of conflicting principles

## Introduction

This memo will present a survey of the String Confusion Objections for New gTLDs published by the International Center for Dispute Resolution (ICDR) as of August 29.<sup>1</sup> Many journalistic articles have been written about the outcome of these objections and how the decisions are confusingly *dis*-similar. This memo is not an objection to any single finding or determination. Instead, it is a collection of the considerations relied on or rejected by the panelists in reaching their decisions.

This survey categorizes the considerations in each case as 1) **standards** and 2) **principles**. Every panelist must ultimately make a single determination: confusingly similar or not. It is an either/or decision; either the strings are placed in the same contention set or they are not. The final decision is to be based on a well-established process of judicial reasoning. The panelist must make findings, to which standards are applied. (Applicant Guidebook, Expert Determination, Section 3.4.6)

Before deciding that two strings are confusingly similar in a String Contention Objection, the panelist must first find, at the very least, that the two strings are similar. The Applicant Guidebook suggests finding in which way they are similar (i.e. visually, aurally, in meaning, etc.). The panelist must then apply a **standard** in judging whether the *similarity* rises to the level of *confusion*. An important standard in String Confusion Objections is that confusion must be probable, not simply possible. (Applicant Guidebook, String Confusion Objection, Section 3.5.1) Another standard explicit in the Guidebook is that the confusion of the *average* Internet user—not just *any* Internet user—is the danger to be avoided. Id. Applying appropriate standards to intermediate findings is the essence of adjudication and should be expected in every case.

In addition to pre-defined standards, an arbitrator is able to draw on other **principles**. The Applicant Guidebook calls for this:

Each panel will use appropriate general principles (standards) to evaluate the merits of each objection. The principles for adjudication on each type of objection are specified in the paragraphs that follow. The panel may also refer to *other relevant rules of international law* in connection with the standards.

(Applicant Guidebook, Dispute Resolution Principles (Standards), Section 3.5) (emphasis added) Both Objectors and Applicants took full advantage of this liberty in presenting a wide range of arguments referring to principles of law and reasoning not specified in the Guidebook. All quotes from cases in this memo are taken from sections presenting the reasoning or principles of law adopted by the *panelist*, and not from sections that presented the arguments of the *parties*.

---

<sup>1</sup> Published decisions available at <http://go.adr.org/ICANNgTLD>. The PDF located at this URL contains hypertext links to individual decisions. There were 31 decisions available at the time of this survey, listed in Table 1.

## Conflicting Principles

The String Contention Objection opinions, as a group, apply many principles beyond the core standards, as the Guidebook prescribes. Most of these general principles were discussed in several Objections by more than one panelist. However, many panelists expressed conflicting positions on the relevance of a non-core principle or how it should be applied in a String Contention Objection. This survey identifies a large group of principles that were applied in a conflicting manner. For example, there is significant disagreement about the consideration of UDRP decisions as precedent. Some panelists considered UDRP decisions, other panelists ignored them, and some panelists refuted them as inappropriate and irrelevant. Inconsistency between how a relevant principle is applied—or whether it should be applied at all—destroys the precedential value of any decision on which that principle was based.

More than 12 principles beyond the Applicant Guidebook standards were discussed by the String Contention Objection panelists in a manner that reveals substantial disagreement. The principles fit broadly into 3 categories, which will be labeled (for organization in this memo) as Precedent, Context, and String Analysis. Principles used as precedent on which panelists disagree about the value or application of are: trademark law and UDRP decisions, the ICANN String Similarity Panel, expert opinions, and second-level names (both general trends and the co-existence of specific strings at the second level). The principles relevant to user or market context are: the marketing intentions of the Applicant, the likelihood of abusive names, the relevance of competition, Internet searches, and the capitalization of the string. String analysis principles on which there appears to be clear disagreement are pluralization, and the number of letters in the string or the number of letters changed.

## Approach

Not every consideration can be cleanly broken into these categories, but most of these principles do fall primarily under a single label. For example, a clear mention of an international trademark decision can easily be classified as precedent. Further, panelists considered the marketing plans of the Applicant, which will affect the context in which the string may be seen by Internet users. Finally, some principles were used in an attempt to objectively analyze the string itself, such as a comparison of the number of letters in the competing strings. One notable exception to schema used in this survey is the consideration of language. Language is an inherent part of the string analysis as well as a dominant factor in the context in which it will be used.

The level of conflict between panelists' positions can be viewed as occurring on two levels. On some principles, such as the application of trademark law, some panelists have made statements that directly contradict statements made by other panelists. This is patent<sup>2</sup> disagreement. On other principles, one panelist may have expressed a clear position while another panelist, not explicitly disagreeing, applied the principle in a contradictory manner. This is latent<sup>3</sup> disagreement. Latent conflicts are naturally less significant because they can likely be reconciled in the future. Therefore, this survey will focus on those principles on which the panelists' opinions are in direct conflict with each other. Nevertheless, the entire spectrum of contradiction will be presented for every principle.

---

<sup>2</sup> In the sense of "obvious or clear" (<http://www.merriam-webster.com/dictionary/patent>).

<sup>3</sup> In the sense of "capable of emerging or developing but not now visible, obvious" (<http://www.merriam-webster.com/dictionary/latent>).

## Precedent

### Trademark law and UDRP decisions

The application of trademark law or UDRP decisions to the String Confusion Objections is probably the most controversial issue that has emerged from this survey. Several cases applied trademark law directly, other cases found trademark law very helpful, others considered it reluctantly, and more than one case clearly implied that it is inappropriate as precedent.

The .TVS case adopted the thirteen factors from the well-known DuPont trademark case. "Given the analysis of the thirteen factors cited by Applicant derived from the DuPont case cited above, I find that Objector has failed to meet its burden of proof regarding the probability of such confusion." .TVS This seems appropriate for a case involving a well-known trademark.

However, trademark cases were cited and their rulings applied in .COMPANY, and .BOM, neither of which involved a trademark in the string.

Objector concedes that in trademark law visual similarity is not a binary factor but is a matter of degree (In re Coors Brewing Co., 343 F.3d 1340, 1344 [Fed. Cir. 2003]), and that a "spelling variation will not prevent a finding of confusing similarity" (McCarthy).

### .COMPANY

[T]he Panel must not overlook the fact that, if no one factor can be said to be decisive, it must take into account all factors relevant to the circumstances (Sabel BB v Puma AG 1998 RPG 199, 1998 ETMR 1 (1997); Canon Kabushiki Kaisha v Metro-Goldwyn-Mayer Inc [1998] ECR 1-5507 paragraph 16). In so doing, and where appropriate, the Panel may have to evaluate the importance to be attached to each of those different factors or elements (Lloyd Schushfabrik Meyer & Co GmbH supra paragraph 27).

### .BOM

Two other examples of direct application of trademark precedent are .PETS (AFILIAS) and .CAM (UNITED). In the .PETS (AFILIAS) case, the panelist was clearly persuaded by a set of trademark case precedent. "Objector's use of examples from various jurisdictions has demonstrated with overwhelming evidence that the plural "s" does not avoid confusing similarity." PETS (AFILIAS) In the .CAM (UNITED) case, the panelist directly applied the trademark law principles that were not in dispute by the arguments of the two parties: "the parties are correct in assessing the lack of protection for generic terms: this would apply to both 'cam' and 'com'." .CAM (UNITED) and "Applicant shares the same general view that courts evaluating trademark infringement find that goods marketed in similar channels of trade are more likely to be confused." .CAM (UNITED)

Many cases considered trademark law precedent as presented by the parties. The opinions on this, as expressed by the panelists, ranged from acceptance to reluctance. Contrast .GBIZ, .PET (GOOGLE), .VET "Since both parties are from the United States, it would not be inappropriate to consider U.S. law, particularly trademark law, as a point of legal reference." with .CAM (UNITED), .COMPANY, .ECOM (VERISIGN) "Objector treats trademark law as applicable law. This is incorrect. The correct standard is

the one mentioned above and below stemming from the ICANN rules. The panel allows trademark law as analogous only; it is not controlling.”

A helpful distinction would be between trademark law principles and trademark law cases. For example, The .PETS (AFILIAS) panelist was highly persuaded by a body of decisions that addressed the factual issue at hand. On the other hand, the panelist’s stated opinion about the underlying legal principles leading to those decisions was that “Trademark law, including in re E.I. du Pont de Nemours & Co, may be cited analogously.” .PETS (AFILIAS) The distinction between the legal principles and the case decisions, which can be culled from the .PETS (AFILIAS) case, is not apparent in other String Confusion Objections discussing trademark law.

The argument that trademark principles of law are relevant is easily made. See .BOM “the definition of String Confusion...is clearly an adoption virtually verbatim of the general principles applicable in trademark law.” On the other hand, whether trademark principles are persuasive or not is a point of contention within the growing body of String Confusion Objections.

The standards articulated in the ICANN Dispute Resolution Procedures reflect and parallel long-established standards governing likelihood of confusion that have developed under U.S. trademark law and trademark law more broadly...The well-established trademark law tests for determining similarity and likelihood of confusion are persuasive in assessing string confusion.

.TVS

In deciding this case I am not assisted in any measurable way by references to United States trademark jurisprudence. This is not a case in which I am asked to consider the difference for example between Col. Sanders and Col. Saunders.

.MEME

The opinions about the proper weight to give trademark precedent could be not have a more striking contrast. One panelist believes that it is persuasive. Another panelist claims that it is not helpful at all.

The arguments against the relevance of trademark law to a Sting Confusion Objection have been articulated more than once. First, UDRP cases should not be allowed because the element of bad faith has been omitted from the String Confusion Objection. “UDRP cases involve rights of trademark holders and also contain obligatory elements of bad faith by domain name registrant respondents. None of these aspects are present in New gTLD String Confusion cases.” .CARS, .PET (GOOGLE), .VET, .GBIZ Second, how should a panelist deal with generic strings, when trademark law offers no protection for generic terms? “Trademark law standards do not entirely fit here either, because the Objector’s string [] is generic and hence ineligible for trademark protection.” .CARS, .PET (GOOGLE), .VET, .GBIZ And third, the “burden of proof,” so to speak, is higher for a String Confusion Objection than for a trademark infringement case. “Without knowledge of how stringent were the standards for determining name confusing in the precedents cited by Objector, such precedents are not persuasive in deciding this case, particularly in light of the Probability Standard that is applicable to this case.” .EMERCK

For these reasons, and others, some panelists clearly dismissed trademark and UDRP precedent in arriving at their findings. “It should be noted that there is nothing in the record to suggest that any trademark is involved in this case. Thus, since the WIPO cases cited by the Objector all involved well-established trademarks and the <.com> top-level domain name, they are of little relevance in this case.” .HOTEIS, .HOTELIS These decisions take the position that one of the strings at issue must be a trademark before trademark precedent be considered at all. An even stronger position was taken by .TOURS. “Similarly, the existence of numerous concurrent trademarks and/or domain names based on the same root word should not be determinative of the outcome in this case. Similar trademarks can be granted in difference classes of use.” TOURS This statement implies more than that trademark precedent is not useful; it can have a misleading effect. Clearly, some String Confusion Objection cases stand for a position strongly against the application of trademark law entirely.

The panelist in .ECOM (VERISIGN) took a different approach by distinguishing the trademark cases cited, rather than broad statements about trademark precedent in general. For example, “The pre-Internet Sleekcraft case is not helpful to Applicant; the criteria that prompted the 9th Circuit to allow both ‘Slickcraft’ and ‘Sleekcraft’ for boats may not survive in light of the mentioned ICANN rules.” .ECOM (VERISIGN) This implies that the relevance of any particular trademark precedent may depend on where it falls on the timeline of Internet development. As a further example, the panelist dismissed certain “[d]efunct” cases from the National Arbitration Forum. .ECOM (VERISIGN)

Should it matter whether the strings are generic or that one has trademark rights? Should trademark or UDRP decisions be persuasive at all? Unfortunately, these cases do not provide the answer. A clear majority or minority view cannot be discerned. As stated in the .GBIZ case: “The legal arguments [] cover both sides of the fence.”

Unfortunately, this creates—rather than resolves—confusion, especially for a party filing an Objection in the future. Within the limited space of an Objection filing, should a party focus on trademark precedent or discard it completely. The choice may lead to a completely different outcome, depending only on which of these two positions the panelist has adopted. Yet, the parties do not know at the time of filing who their panelist will be.

#### ICANN String Similarity Panel

Another important area of disagreement is how to consider the precedent of the ICANN String Similarity Panel. Before any String Confusion Objections were able to be filed, ICANN took a first “quick look” for any pairs of strings that had a high probability of visual confusion. The String Contention Objection was then available for other parties, such as Applicants or existing TLDs, to claim confusing similarity between strings based on visual or any other type of similarity. How much weight should the String Contention Objection panelist should give the precedential fact that ICANN’s panel had not found visual similarity?

More than one String Contention Objection panelist considered ICANN’s first look to be very persuasive. One statement seems to indicate that ICANN’s panel had already done the majority of the work for the Objection panelist. “I find persuasive...that ICANN did not put the applications...in the same contention set...” .HOTELS Another panelist found the ICANN panel’s determination sufficient for an intermediate conclusion of no visual similarity. “The visual similarity of the [strings] was not sufficient to raise any concerns when the ICANN algorithm was applied.” .NUMBERONESTORE (CHINESE IDN)



In contrast, other panelists gave ICANN's panel very little weight. "Only small comfort can be taken from the point put forward by Applicant that ICANN did not initially put [] applicants in the same string contention set..." .BUY "Applicant mentions the 'visual similarity check' of ICANN, but the fact that 'company' passed that threshold is not sufficient in itself to overcome the present objection." .COMPANY These panelists apparently felt the need to revisit the issue of similarity, including visual similarity, *de novo*. In one extreme case, the panelist ignored the ICANN panel completely. "[T]he Expert finds that it is not necessary to address...the String Similarity Panel's finding of no similarity or the Similarity Assessment Tool." .SHOP (CHINESE IDN)

The Similarity Assessment Tool, or SWORD algorithm, created a percentage score of visual similarity. Because the ICANN panel set a very high percentage threshold for visual similarity, panelists were also confused about what to do with scores below that threshold. This was clearly true for scores in the 70's. Compare "since algorithms designed to focus only on 'visual similarity' found the two gTLDs to be '75% similar,' the average, reasonable Internet user would perceive a significant difference" .EPOST with "The SWORD algorithm score between the two strings in question here, 72%, is high." .PETS (AFILIAS) Therefore, 72% is high while 75% means a significant difference. A third case that discussed the SWORD score chose to remain agnostic. "[T]he Panel is not satisfied that the mere rating alone suffices." .BOM Indifference to the SWORD score is a reasonable approach in the face of conflicting precedent. However, some Objectors and Applicants have already received a determination that was influenced by it, even though it is unclear how the percentage score relates to a finding of visual confusion.

The precedential relevance of ICANN's first look at string similarity remains in question. The cases that review visual similarity independently from it contrast with those that find it persuasive. Or should the results of ICANN's String Similarity panel be ignored when deciding a String Confusion Objection? If not, how persuasive should the score from the Similarity Assessment Tool be? Or should it be considered precedent at all? The current body of String Confusion Objections cannot settle these questions.

#### Expert Opinions

The clear majority view is that outside experts are helpful. Of course this is not surprising. However, there is clear disagreement about how much weight to give the opinion of an outside expert. One opinion went as far as saying that the String Confusion Objection panelist cannot break the tie between two outside experts whose opinions differ. In .BOM, the panelist "cannot prefer one above the other." This contrasts with the approach that the panelist should choose which outside study was more persuasive. "I prefer the survey conducted by..." .CAM (AC)

The issue of weight or persuasiveness has an important effect on the process a panelist follows in reaching the decision. In one case, the opinion of a hired expert was sufficient to shift the burden to the Applicant respondent. "Analysis of the two opposite experts (Walsh, Butters) shows that Butters has not successfully rebutted Walsh's report." .ECOM (Verisign) And "However, neither they [the utterances of 45 men, 48 women, 46 children, and acoustic frequencies articulated by 76 speakers and 140 speakers] nor figure 5 and accompanying text manage to rebut the Stygall evidence." .CAM (UNITED) When an objector's expert is able to establish a prima facie probability, the Applicant must overcome the shifted burden, presumably with an equal or superior outside expert.

The ability of an outside expert to shift the burden to the Applicant is surprising. And in one of these opinions, the same panelist recognized the care that must be taken when accepting a hired opinion.

Applicant labeled its expert review and expert survey as "independent" and Objector's expert report as "biased" and methodologically flawed. The expert surveys and reports of both sides seem to have been commissioned—there were no truly neutral expert reports submitted. Hence, all the reports and annexes shall be taken with the proper grain of salt.

.CAM (UNITED) This panelist's reasoning implies that expert opinions should not be given much weight. At the other extreme, however, is the .BOM position, in which outside expert opinions are so persuasive that they essentially cancel each other.

The Panel is also aware that when dealing with expert evidence, experts very often differ, and, even though one may be considered to be an expert whose views are supported by the majority in the field, there can still be a respectable minority to which the other expert belongs. In the absence of sufficient reasoning in favour of one view and negating or weakening the logic and reasoning of the other, the Panel is left in the situation that it cannot prefer one above the other.

.BOM In other words, if the Objector's expert has a reasonable argument, and the Applicant replies with a reasonable argument from its expert, the panelist will need to decide the case on other grounds. The majority of cases, however, approached the opinions of the experts carefully and weighed them against each other. No burden-shifting from Objector to Applicant was involved. "[H]is survey indeed does reveal a level of confusion that raises some concern but I prefer the survey conducted by..." .CAM (AC)

Although most accepted the value that outside experts bring to the proceeding, panelists were sometimes unclear on what the outside expert is expected to comment on: intermediate issues or the determination of the case. Compare "Stygall's representations...are too thin and not sufficiently founded. Her argument that the linguistic similarities lead to probable confusion, appears conclusionary." .COMPANY with "Objector's Expert IGail Stygall found linguistic similarities between .pet and .net in appearance and sound, but not conceptual similarities but concluded that based on her experience, internet users who encounter .pet would probably be confused." .PET (AFILIAS) One panelist seemed to accept the idea that the outside expert can do the work for the expert panelist. "I find persuasive...the analysis and conclusions of the independent expert retained by Applicant." .HOTELS

Can a panelist accept without question both "analysis and conclusions" from an expert, .HOTELS, or should the panelist review the expert's data "with the proper grain of salt." .CAM (UNITED) The only settled precedent is that Objection parties will invest in outside experts to review their strings for the expert panelist. Whether the investment is worth making will depend simply on which panelist is chosen.

### Second Level Names

Panelists in String Confusion Objections occasionally applied not only the reasoning of others but also examples from the second-level environment. At first glance, this appears to be a reasonable analogy, but there is—as usual—differing opinions on whether it should apply.

Applying the precedent from second-level domain names was obviously an important consideration in the cases of .GBIZ and .EPOST. See .GBIZ "this Panel finds that the prefix letter "g" may impart the

suggestion of Google applications when used in an online context because addresses such as someone@gmail.com are very well-known.” And .EPOST “the average, reasonable Internet user would see the same difference that he or she would notice between <.mail> and <.email>.” Because the average internet user can distinguish between mail and gmail, it can distinguish between biz and gbiz. Because the average internet user can distinguish between mail and email, it can distinguish between post and epost.

What is interesting about this position is that the panelists are not referring to the specific TLD strings at hand but rather to pairs of words believed to be analogous. In sum, since the word “mail” and one-letter prefixes with it exist at the second level, any word and one letter prefix variations can exist at the top-level. The disagreement with this reasoning is apparent in at least one decision, in which com and ecom were found confusingly. “Applicant ignores the substantial difference between a top level and a second level domain.” .ECOM (VERISIGN)

Another panelist chose to heighten the scrutiny against confusion on the top-level when compared to the second-level.

Applicant aptly emphasizes that users look primarily to the left of the “dot” and not to the TLD. (quoting Ostberg and *Advertise.com v. AOL Advertising, Inc.*, 616 F.3d 974, 981 [9th Cir. 2010]). This lessens the attention paid to one vowel within a 3-letter string on the right; this will increase, not decrease the potential for confusion.

.CAM (UNITED) This panelist is arguing that names that co-exist comfortably at the second-level could easily be found confusing at the top level. In .TOURS, the panelist clearly adopted this view.

Similarly, the existence of numerous concurrent trademarks and/or domain names based on the same root word should not be determinative of the outcome in this case...This is a different purpose and accordingly calls for a different standard from what is used in reviewing...the allocation of standard internet domain names.

.TOURS These panelists imply that, as a starting point, second-level names could almost be ignored. Evidence from the second level is almost irrelevant as a category.

A slightly different approach would be to consider the second level names presented and question whether the specific names were relevant. However, one panelist who considered closely-related second-level strings also dismissed them as irrelevant. “Particularly unhelpful to Respondent are “prettypet.com” and “prettypets.com”, etc. as they concern second level domain names which are a truly different animal (pun unintended).” .PETS (AFILIAS) Opinions on the precedential value of the second-level, therefore, range from considering it convincing to humorously dismissing it as unhelpful.

## Context

Just as precedent is a consideration external to the case at hand, so is the environment in which Internet users may be confused. Many panelists considered how external variables should affect their findings, and disagreement resulted over a few of these principles as well. “Context” is the label for these considerations in the organization of this memo. They are not about the string itself, and they do not relate to analogous situations.

There are two different types of context referenced by panelists in the String Confusion Objections: 1) market context, and 2) user context. Market context refers to the general environment in which the top-level domain will be used. For example, a closed business model will affect the context in which the string may be encountered generally. Another example could be a TLD that is expected to be marketed to a particular area of the world (although language issues will be discussed in a separate section). As one should now expect, the panelists disagree on several issues regarding how the top-level domain market should influence the Objection decisions. On the other hand, Internet users have some control over the environment in which they will encounter a TLD. The Internet user context is another external factor on which panelists have some disagreement.

#### Abusive Names

An important market context for the strings in a String Confusion Objection is the likelihood that second level names in one TLD will be intentionally identical to the same second level name in a different TLD. Indeed, this is obviously the primary purpose for having the String Confusion Objection. It is not hard to imagine, given the amount of phishing and fraud attempted already across existing TLDs, that the similarity of two new TLDs could increase the likelihood of fraud within their domains. Whether this should impact the decision in an Objection is a point on which there is dramatic inconsistency.

The panelists can speak for themselves:

Objector's many references to possible fraud, deceit, cybersquatting or other type of abuse through the use of the gTLD proposed by Applicant are in the nature of legal rights objections, are mere speculation, and are unworthy of any consideration by an Expert in a string confusion analysis.

#### .SPORTS

The effects of typos will be significant. The operators of ".ecom's" would disproportionately benefit from the confusion resulting from typos. The two strings are so close that this practice would border on a deceptive practice which the law shall not endorse.

#### .ECOM (VERISIGN)

Abusive registrations are "mere speculation" while the "effects of typos will be significant." The issue is "unworthy of any consideration," but the "the law shall not endorse" it. These may be the two most irreconcilable positions observed in the body of cases so far.

A third position on the likelihood of abuse, taken in the .HOTELES and .HOTEIS decisions, is that it may be relevant, but that it depends on the case. "Both parties have addressed the likelihood of misuse...the Panel finds that these considerations are not directly germane to the determination required here." .HOTELES, .HOTEIS The middle-of-the-road approach seems reasonable. It contrasts, however, with the language of the Applicant Guidebook, which defines string confusion as a string that resembles another string so much "that it is likely to deceive." How could a TLD be deceptive if not second-level names that intentionally imitate second-level names in another TLD?

Therefore, completely unresolved is the question of whether the panelist should consider the likelihood of abusive registrations. Are abusive names only a speculative concern, or are they the very reason for the Objection in the first place?

### Marketing Intent

Whether a String Confusion panelist should consider the business model for a TLD is another controversial, contextual consideration. Whether the string itself should be the only evidence evaluated or whether the marketing intent is critical cannot be resolved by the current body of String Confusion cases.

One panelist believed that how domain names are marketed is an essential part of the decision. “[I]n the absence of some other external information (such as an index or guidebook) would have to guess which of the two strings contains the information the user is looking to view.” .TOURS Another panelist believed this to be tangential. “The fact that two gTLDs are competitive in a certain industry or area of information is not a concern...” .EPOST

Multiple panelists cannot resolve the divide on how the Applicant’s marketing should affect their decision. In .BOM, it was ignored. “overlapping marketing channels [] are not of such a nature as to significantly increase the likelihood of confusion.” .BOM In .CAM (UNITED), it heightened the scrutiny. “[C]ourts evaluating trademark infringement find that goods marketed in similar channels of trade are more likely to be confused.” .CAM (UNITED) And in at least one decision, the marketing channel seemed to be determinative. “.shop’ is directed at English-speaking users, while .购 is directed at Chinese-speaking users. While there is some potential overlap between these two markets, they are largely distinct. .SHOP (CHINESE IDN) Therefore, some decisions stand for the principle that how a TLD will be marketed should not affect whether confusion should be found, while other decisions argue for the opposite.

An even more significant factor might be whether the TLD will be marketed at all. In the .TVS, .ITV, and .NEC decisions, the .brands were found to not be confusingly similar with open TLDs, in part because they would be closed. “I was persuaded, in part, by...the limited nature of the gTLD's intended use.” .TVS “that ITV has represented in its application that “the ITV registry will be stringently controlled and used only by authorized ITV personnel.” .ITV

A small amount of residual confusion from these decisions could be caused by a point made in the .BOM case. The panelist in .NEC was apt to find no aural confusion because the TLD would be closed. “I also find no likelihood of aural confusion in light of NEC's announced intention to operate the .NEC TLD as a closed (as opposed to 'open' like .net) single-registrant model, so that the .NEC TLD will only be used by NEC and its controlled licensees...The record clearly, in my judgment, establishes that the NEC brand is recognized in the marketplace as a three-letter acronym commonly pronounced ‘en ee see,’ and not ‘neck.’” .NEC The .BOM panelist points out, though, that “it may not be possible for a trademark owner to control how purchasers will vocalise the mark...” .BOM The closed nature of a TLD may not be sufficient to avoid aural confusion, although it seems persuasive as to similarity as a whole. Marketing intent is not the same as marketing effect.

Sufficiently similar and open TLDs have a different problem. The likelihood of confusion is a possibility from the outset. However, an open TLD does not necessarily mean that it attracts second level names of all types. The panelist in .CAM (AC) saw less chance for confusion with .COM by assuming the .CAM TLD

would be oriented towards camera-related domains. “a consumer would quickly realize that a .cam website is likely associated with photography or camera use and is different than a .com website in use generally by a myriad of commercial entities.” .CAM (AC) In the .CAM (UNITED) case, the panelist assumed that open TLDs all have inherently the same business model. “While Applicant is invited and welcomed to enter the market with a *truly new and innovative* gTLD, the proposed “.cam” is just too close to the existing “.com”. .CAM (UNITED) (emphasis added)<sup>4</sup> Confusion as to the target market of the Applicant can cause the panelist to be confused about the level of similarity between the strings.

In conclusion, how distinctly must a TLD be marketed in order to gain distinction in the mind of the average, Internet user is yet another principle for which String Confusion Objections create conflicting precedent. Should the same marketing channel impact the final determination, as it clearly did in .CAM (UNITED), or should it be an incidental consideration, as it was in .BOM?

### Competition

Competition between Applicants is another factor considered by panelists in the context of String Confusion. And like most of the general principles applied by String Confusion panelists, there is a range of disagreement. The potential effects that competition should have on a decision, according to a survey of panelists’ statements, include: 1) no impact, 2) a higher threshold, and 3) a lower threshold.

Some panelists considered competition between Applicants to be irrelevant to the issue of whether the strings themselves are confusingly similar. “The parties’ arguments and contentions regarding alleged business motives and/or attempts to limit competition...are not addressed herein as they are deemed irrelevant to the task of the expert panel.” .HOTELS See .EPOST (“The fact that two gTLDs are competitive in a certain industry or area of information is not a concern.”) Some panelists seem to believe that competition should favor a higher threshold for similarity. “It is correct that the law does not support monopoly over domain name uses such that the first-comer takes all. New domain names, including new TLD strings, should be given a chance.” .COMPANY Giving a chance to new TLD strings implies that few strings should be found to be confusing. It is essentially a policy position that interprets the standards for String Confusion according to the overall purpose of the new TLD program.

One panelist argued that competition leads to confusion by itself, which favors a finding of confusion.

The adopters of the applicable standard of review for string confusion hypothetically could have allowed an unlimited number of top level domain names using the same root, and simply differentiate them by numbers, e.g., <.shop1>, <.shop2>, <.shop3>, etc., or other modifiers, including pluralization, or other similar variations of a root word, or other modifiers before or after the root word. While that might allow for increased competition, as argued by Applicant, it would only lead to a greater level of confusion and uncertainty among average, reasonable Internet users. Accordingly, the Applicant’s argument that the concurrent use of a root word and its participle version in a string increases competition is not persuasive in this context, and is rejected.

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<sup>4</sup> In a surprising departure from judicial objectivity, the panelist in .CAM (UNITED) seems to be saying not that the string is too confusing to be allowed but rather that it is not creative enough to be approved.



.ONLINESHOPPING (CHINESE IDN) This is another policy statement, but this policy statement contradicts the policy that String Confusion Objections should stay focused on ICANN's goal of increasing competition. The argument is that if ICANN wanted simply to increase competition, it would not have implemented this Objection at all.

Other panelists chose to consider the effect of competition on the present case with a balanced attitude toward the principle. "A goal of the new gTLD program is to open up and create more markets and competition. However, this has to occur in orderly channels and may not be based on a distortion of the market." .CAM (UNITED) "There is an ICANN policy not to allow confusingly similar gTLDs to be registered. But there is also an ICANN policy to encourage such registrations to widen the scope of internet use." .GBIZ

Yet again, a reader of Objections is left to wonder where consensus could be reached on another principle. As the panelist in .GBIZ stated, "The policy arguments cut both ways." Whether the competition between Applicants is a factor to consider, should heighten the scrutiny in an Objection, or should have no effect at all is not clear from the already released cases.

### Capitalization

The capitalization of a string stands out as one of the most unusual considerations in the string similarity objections because the domain name system ("dns") is NOT case-sensitive. However, this consideration is mentioned explicitly in one case and appears by mistake in another.

In the .TVS case, the panelist said, "In considering the parties' arguments, I was persuaded, in part, by...the fact that TVS's brand is associated with capital letters (whereas Objector's .tv is in lower case)..." .TVS The fact that a logo uses capital letters is, at first, an interesting and unique insight into the difficulty of determining the probability that a .brand could be confused with an open TLD. The fact that the panelist used it as a rationale, though, opens a Pandora's box of difficult to answer questions. First, did the panelist know that domain names are not case-sensitive? Second, is the panelist referring to how .TV has been marketed? If so, how much impact does the Registry Operator's capitalization of a TLD have on capitalization by Registrars in their marketing? Also, Registrants may or may not choose to advertise their domain name in upper or lower case letters. Finally (and perhaps most importantly), does capitalization even affect whether one string could be confused with another?

The last question raised by .TVS may have been answered inadvertently in another case. The panelist in an analogous case, .NET, reached the following conclusion: ".net and .NET [sic] are not confusingly similar." Of course, .net and .NET are not confusingly similar. But it is obvious from the paragraph in which this statement was made that the panelist meant to say ".net and .NET" are not confusingly similar. The irony is that confusion occurred within the very statement that the two strings are not confusing. It appears that the attempt to capitalize NET, the brand, led to string confusion with .net, the objecting TLD. The decision was published by the ICDR with the error uncorrected (and likely unnoticed).

In sum, another contextual consideration is how the strings will be written. This is a difficult factor to include in a determination, as evidenced by the two cases that address the issue. The TVS brand is normally capitalized, so the brand owner is more likely to capitalize the TLD in its advertising. However, the lower- or upper-case rendering of an open TLD would tend to be inconsistent and often-changing as registrants use the designation in printed material for their URLs. The use of upper case letters will probably lead to more confusion between two strings. But how this should impact a String Confusion

Objection is an unclear contextual principle that was in fact adopted by a panelist and unknowingly supported by another.

### Search Results

A final contextual principle is one that focuses exclusively on the Internet user. Domain names provide a system for direct navigation on the Internet, escalating the need to avoid confusion. On the other hand, most Internet users navigate by search. Does this lessen the need to distinguish between similar strings, thus heightening the standard? Or is this consideration irrelevant because the panelist should focus on the non-search context? String Confusion Objection panelists clearly disagree.

Two decisions that mentioned the context of Internet searches found it irrelevant. "Most adult Internet users may find websites through search engines, however, this does not prevent the confusion at issue here." .CAM (UNITED) and "In the context of internet searches, confusion can arise if the user is unable to differentiate between top level domain names." .ONLINESHOPPING (CHINESE IDN) The contrast comes from one panelist in two decisions who decided that Internet searching makes it much less likely that strings could be confused. "the 'average, responsible Internet user' uses search engines...and has the opportunity to refine, broaden or narrow the search parameters. Thus, it seems unlikely that somewhat similar but still distinct top-level domain names by themselves will affect Internet use, including searches, to the extent of causing user confusion." .HOTEIS, .HOTELES Here, the cases present another striking difference of opinion. In the minds of some, Internet searches do not prevent confusion. And another believes that search engines prevent confusion.

In neither HOTEIS nor HOTELES was confusing similarity found, and these were the decisions that expected searching to lessen confusion. In .CAM (UNITED) and .ONLINESHOPPING (CHINESE IDN), the panelists believed confusion could occur during a search and both found the strings confusingly similar. This simple correlation tends to indicate that a panelist's position on this issue of context has an impact on the final determination.

### String Analysis

Little needs to be said regarding a panelist's discretion regarding the comparison between two new gTLD strings when no precedential or contextual factors are involved. Discussing the properties of the character strings relative to each other is precisely what is imagined by most when they learn about the String Confusion Objection. There are, however, two considerations debated between panelists that seem implicit in an analysis of the strings in dispute: 1) Plurals, and 2) Length of the strings.

#### Plurals

Whether a string and its plural version should both be allowed to delegate is a controversial issue and one that has been treated differently by different panelists. On the issue of plurals, there is no direct contention between panelists' positions, but statements made by some lead to confusion about how the issue should be considered in a String Confusion Objection.

First, the idea of a bright line test was rejected in .SPORTS. "It has been argued that there should be a bright line test regarding singular and plural new gTLDs...the NGPC saw no need to make any changes...allowing singular and plural versions of the same strings." SPORTS This panelist implies that the policy direction given by the New gTLD Program Committee was to not create a special category for plurals. However, a bright line test could be argued by the words of a different panelist, who also interprets policy from the actions of ICANN (although this leads him to a different conclusion).



“The adopters of the applicable standard of review for string confusion hypothetically could have allowed an unlimited number of top level domain names using the same root [word], and simply differentiate them by...pluralization...While that might allow for increased competition, as argued by Applicant, it would only lead to a greater level of confusion.”

.ONLINESHOPPING (CHINESE IDN). The same panelist went on to imply a potential bright line test in a different case by saying, “Here, the concurrent use of ‘tours’, the plural version of the root word ‘tour’, in a gTLD string will result in probable confusion by the average, reasonable Internet user.” TOURS.

While one panelist rejects a bright-line test for confusion between plurals and another implies one, there is also a sense of presumption concerning plurals and confusion created by the findings of two separate cases. In .SPORTS, the panelist states: “it is difficult to imagine many monosyllabic words, at least in the English language, whose plural and singular versions would not be similar visually and aurally.” Visual and aural are two of the three types of similarity mentioned for consideration in the Guidebook. The third type of similarity mentioned is meaning. On this point, a different case finds:

The “pluralization” of a word does not significantly change its meaning. Words with the same meaning, albeit distinct in number are easy to confuse: their signs are conceptually very similar, if not identical. In general, two grammatical versions of a word do not change their meaning nor heighten their distinguishability.

.PETS (AFILIAS) Therefore, it is hard to imagine a plural that is not confusing visually, aurally, and in meaning. The precedential effect of these decisions would be, therefore, that between a string and its plural, confusingly similar is the starting point for the decision. With this method, considering the distinction of plural versus singular to the intermediate findings does not automatically clear up the confusion about the standard that should be applied to plurals. See also .SPORTS “It is true that the two are visually different...The proposed gTLDs are visually similar.” (acknowledging the difficulty of the intermediate determination when the only difference is the letter “s”)

#### Number of letters

The other point of disagreement between panelists when analyzing the string itself is how the length of the strings affects the likelihood of confusion. This is a principle that has ample precedent in trademark disputes. However, these panelists’ statements will be compared with each other as if the issue of proper precedence has not been settled.

In two cases, the addition of a single letter was considered likely to lead to confusion. “the difference of only one out of 4 letters is slight...The likelihood that the one letter could be overlooked (missed) is great.” .ECOM (VERISIGN) “The likelihood of visual similarity seems high, as “pet” is included in “pets”, it differs only in one more letter, and the first three letters are identical, which is the portion that users most focus on.” .PETS (AFILIAS) In .ITV, the panelist reached the opposite conclusion. “It is quite likely that the average, reasonable internet user will be able to distinguish between a two-letter TLD and a three-letter TLD and therefore will not be confused.” .ITV See also HOTEIS, (finding two strings “sufficiently different...in length” although they differ by only one letter). Does adding one more letter to a short word clearly lead to confusion, or is it clear that adding one more letter is such a change that

no confusion should be expected? Panelists are confused, then, about whether a one-letter addition, as a principle, leads to confusion or prevents it.

When one letter is changed, rather than added, the length of a word also seems to impact the determinations, albeit in opposing directions. One panelist believed that a change of one letter in a short word “lessens the attention paid to one vowel within a 3-letter string on the right” .CAM (UNITED) (finding confusion between .CAM and .COM) And in a different decision between 3 letter strings, “one out of 3 letters is indeed only 33 1/3 % of the word.” .NEW (not finding confusion between .NEW and .NET) But see HOTEIS, HOTELES (speculating that <.hotels> and <.hoteis> were placed in contention by the ICANN String Similarity Panel because the two words “are the same length.”)

The length of the strings in a String Confusion Objection is probably a significant consideration given that all of the original top level domains consisted of three letters. Yet panelists and their cases are divided on whether this increases or decreases the likelihood of confusion.

All things considered, the textual analysis of a string is where there is less confusion between panelists. This is likely because analyzing the words themselves was always an expected part of the determination and precisely why discretion was left to the panelists. More consistency on this level, though, would be helpful, as it has been in trademark cases.

## Language

The consideration of language spans all three categories: Precedent, Context, and String Analysis. Language has been considered by numerous trademark cases, although the application of language to confusingly similar may depend on the jurisdiction. A non-English TLD may be marketed primarily in a place in the world where the slightest difference in letters will stand out. Finally, some strings are unique to a specific language, making confusion less likely. This assumes, though, that the average Internet user is familiar with that language. Only considerations colored by language differences where panelists have taken contradictory positions are presented.

## Precedent

Issues with multilingual TLDs have not split the panelists in String Confusion Objections, but there is some latent disagreement on which international system is more appropriate for resolving the question. Put simply, should precedent relating to confusion across different languages come from the European Union or the United States? The .BOM decision looked primarily to trademark cases from the European Court where the mark was in a different language than that of the infringer. In .NUMBERONESTORE (CHINESE IDN), the panelist applied the US Doctrine of Foreign Equivalents. Harmonization between the two is likely, but one system on some issues extends further than the other. The Guidebook suggests applying relevant rules of international law, but when two rules from different international systems are both relevant must the panelist decide which rule is more international? String Confusion Objections do not yet bridge the potential divide.

## Context

The language that an Internet user speaks (or is familiar with) is a contextual consideration of profound importance. The distinction between panelists in this regard is the amount of importance to give to any one language. In .HOTEIS, the panelist narrowed his focus to the Portuguese-speaking user “or users having a familiarity with Portuguese.” (“common Portuguese word constitutes sufficient independent

status as to render confusion even less likely”). Is the average, reasonable Internet user familiar with Portuguese? The panelist assumed without deciding.

The approach in .HOTEIS subtly differs from the .SPORT decision. In .SPORT, the panelist determined that French has significance because “for many people around the globe French is their primary written or spoken language.” If French should be considered because it is a common language around the globe, can languages less global be used to find a similarity that leads to confusion? The .HOTEIS panelist found no such justification, but he considered the impact that a lesser-known language could have anyway. Therefore, the language context appropriate for String Confusion Objections remains a latent point of contention between opinions.

### String Analysis

By far the most confusing of differences on the principle of language is whether one string in the different script eliminates the possibility of confusion. The .SHOP (CHINESE IDN) case relied on the fact that “The two strings are in different languages, written in different scripts that look very different...” .SHOP (CHINESE IDN). The two strings at issue were .SHOP, in Latin script and .SHOP, translated into Chinese script. While this panelist relied on the difference in script, another panelist chose to ignore it:

Finally, the Applicant has not persuaded the panel that simply using a foreign language or foreign characters in a gTLD string is a sufficient basis to differentiate two strings with essentially the same meaning when the string is translated from one language to the other. Many Internet users speak more than one language, including English. The use of essentially the same word in two different languages is sufficient to cause string confusion among the average, reasonable Internet user.

.ONLINESHOPPING (CHINESE IDN) The difference between the cases is about the starting point for the decision. A String Confusion panelist must find similarity before confusing similarity could be decided. Can two strings in completely different scripts be considered similar? Yes, but in the .SHOP (CHINESE IDN) case the burden that must be overcome by the Objector is significantly higher than in .ONLINESHOPPING (CHINESE IDN).

### Variance from Standards

The guidebook left open a very wide door regarding outside principles. On the other hand, it did spell out explicit standards that must be applied. Departure from these standards is unacceptable. Fortunately, there are very limited number of instances of this. On the whole, panelists were careful to quote the appropriate standard and apply it. In other words, where guidance was given, it was followed. There are two exceptions.

#### Internet user

In the HOTEIS and HOTELES decisions, the panelist changed the type of average Internet user for which confusion must be avoided. “Similarly, while there may be some aural similarity and similarity of meaning in a general sense with the words ‘hotel’ and ‘hoteis,’ [or ‘hoteles’] neither seems likely to be the basis for confusion for an ‘average, **responsible** Internet user.’ .HOTEIS (emphasis added) Switching the word to “responsible” from “reasonable” in the .HOTEIS and the .HOTELES decision is a change to the standard.

## Weight to factors

The guidebook standard outlines various types of similarity that could rise to the level of confusion. Some panelists have speculated—and in some cases relied on—that different weight should be given to certain types of similarity. Other panelists sharply disagree. Specifically, should visual similarity receive more attention in a String Confusion Objection, or should all types of similarity be granted equal opportunity?

In .EPOST, .IMMOBILIEN, .SPORTS, “The test is primarily a visual one...” This position was also taken in another pair of cases:

[W]hile the limitation to "visual" confusion is removed in the DRSP appeal process, nevertheless, unlike an objection based on legal rights, the Panel is of the opinion that *the primary area* for likely string confusion for a gTLD string is *visual confusion*.

.HOTELES, .HOTEIS (emphasis added) The panelist here is inferring that additional weight should be given to one type of similarity listed in the Guidebook. Other panelists disagree. In .VET, .CARS, .GBIZ, .PET (GOOGLE), the panelist explained that “it does not logically follow that any one of these grounds of similarity alone would automatically result in having such an objection granted.” See also .CAM (AC) (“The visual similarity of the two strings does not allow a conclusion that confusion would result.”) Whether one type of similarity should receive greater weight than the other types mentioned in the Guidebook is an obvious difference of opinion on the standard itself.

## Conclusion

The Applicant Guidebook mandated certain standards to be applied in a String Confusion Objection. (Applicant Guidebook, String Confusion Objection, Section 3.5.1) The Guidebook also allows additional relevant principles of international law to be applied. (Applicant Guidebook, Dispute Resolution Principles (Standards), Section 3.5) While the Guidebook standards were followed in almost all cases, String Confusion Objection panelists have taken divergent positions on many general principles in reaching their determinations on whether two TLD strings are confusingly similar or not. There are more than twelve general principles applied to String Confusion Objections on which panelists have spoken and on which the panelists do not necessarily agree with one another. For many of these principles, the division of opinion is patently clear. Other principles create latent confusion that may need harmonization before consistent decisions could be reached.

## Opinion

The conflicting positions taken by panelists could be dismissed as the natural level of disagreement present in case law. However, on the whole, there is a surprising level of contradiction. These contradictions about which considerations should be permitted and how they should be applied seem to exceed an acceptable level of disagreement that is common in the development of a new area of law.

The lack of consistency among String Confusion Objections is unique to this type of Objection. For example, many Legal Rights Objection decisions contain quotes from other Legal Rights Objections. The judicial reasoning of other panelists is often referenced in the body of decisions in Legal Rights

Objection. In the String Confusion Objections, though, there is no such effect. Identical wording in two cases is always the effect of a panelist quoting him or herself in another case.

The panelists, as a group, appear to disagree with each other so much on so many key issues that the precedential value of String Confusion Objections is severely impaired. Comparing String Confusion Objections to Federal Court litigation in the United States, a Circuit split on a single issue is not unusual. It would be unusual, however, to have an overwhelming number of splits within the same area of law left unresolved. The String Confusion Objections released so far present this unusual situation. This survey concludes that reconciliation between the wide range of conflicting positions and inconsistent application on the questions of permissible precedent, appropriate context, and presumptive string analysis is desperately needed.

**Reconsideration Request  
DERCars, LLC**

**Annex T**

*Commercial Connect, LLC v. Top Level Domain Holdings Ltd.*, ICDR Case No. 50 504 258 13, at 7  
(Aug. 8, 2013)

**International Centre for Dispute Resolution**

**New gTLD String Confusion Panel**

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**In the Matter Between:**

Re: 50 504 T 00258 13

Commercial Connect, LLC, OBJECTOR

and

Top Level Domain Holdings Limited, APPLICANT

String: <.购物>

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**EXPERT DETERMINATION**

**1. The Parties**

The Objector is Commercial Connect, LLC (“Objector” or “Commercial Connect”), located at 1418 South 3rd Street, Louisville, Kentucky, United States of America.

The Applicant is Top Level Domain Holdings Limited (“Applicant” or “Top Level Domain Holdings”), located at Cragmuir Chambers Road Town, Tortola, 1110 VG, British Virgin Islands, and is represented by Reg Levy, United States of America.

**2. The Opposed New gTLD String**

The new gTLD string applied for and objected to is: <.购物>, which is an Internationalized Domain Name (“IDN”) consisting of the simplified Chinese characters for “shop” (“gòuwù” in the pinyin system of romanization).

**3. Prevailing Party**

The Applicant has prevailed and the Objection is dismissed.

**4. The New gTLD String Confusion Process**

This Expert Determination arises from a string confusion objection to an application for a new generic top-level domain (“gTLD”) as a part of the New gTLD Program (the “Program”) of the Internet Corporation for Assigned Names and Numbers (“ICANN”). To put this objection in context, an understanding of the overall procedures for the Program and for resolving string confusion objections is helpful.

The ICANN gTLD Applicant Guidebook (the “Guidebook”) established several phases for obtaining a new gTLD. The first phase is the application submission period, which opened on January 12, 2012 and closed on April 12, 2012, with no limit on the overall number of gTLD applications.

Second, after a gTLD application passes the Administrative Completeness Check, an Initial Evaluation of the application is conducted by independent evaluation panels in various categories, including string similarity and technical and operational capability. If the String Similarity Panel finds the applied-for gTLD string to be confusingly similar to the gTLD string in another application, the two strings will be placed in a contention set. Section 2.2.1.1.2 of the Guidebook states that, during this Initial Evaluation, “[s]tring confusion exists where a string so nearly resembles another visually that it is likely to deceive or cause confusion.”

Third, even if an application is not placed in a contention set during the Initial Evaluation, a third party may object to the application on several grounds, one of which is string confusion. Module 3 of the Guidebook contains Objection Procedures and the New gTLD Dispute Resolution Procedure (the “Procedure”). Article 1(b) of the Procedure states that “[t]he new gTLD program includes a dispute resolution procedure, pursuant to which disputes between a person or entity who applies for a new gTLD and a person or entity who objects to that gTLD are resolved in accordance with this New gTLD Dispute Resolution Procedure.”

Article 1(c) of the Procedure states that “[d]ispute resolution proceedings shall be administered by a Dispute Resolution Service Provider (‘DRSP’) in accordance with this Procedure and the applicable DRSP Rules that are identified in Article 4(b).” Pursuant to Article 3(a) of the Procedure, string confusion objections shall be administered by the International Centre for Dispute Resolution (“ICDR”). The ICDR has duly adopted “Supplementary Procedures for ICANN’s New gTLD Program” (“ICDR Supplementary Procedures”), which govern this proceeding pursuant to Article 4(b)(i) of the Procedure. The ruling on a string confusion objection is called an “Expert Determination,” pursuant to Articles 2(d) and 4(a) of the Procedure.

Pursuant to Section 3.2.2.1 of the Guidebook, if a gTLD applicant successfully asserts a string confusion objection against another applicant, the two applied-for strings will be considered to be in direct contention. Both applications will be placed in a contention set; the contention resolution procedure described in Module 4 of the Guidebook results in only one application from the contention set moving forward in the process. On the other hand, if a string confusion objection is rejected, both applications may move forward in the process without being considered in direct contention with one another.

## **5. Procedural History of this Case**

The Objection was filed with the ICDR on March 13, 2013, in the form of a “Dispute Resolution Objection” (the “Objection”), and an “Online Filing Demand for Arbitration/Mediation Form” (“Online Filing Demand”). The ICDR notified the parties of its receipt of the Objection on March 18, 2013, and proceeded to conduct an administrative review of the Objection.



On April 4, 2013, ICDR notified the parties that the Objection did not comply with Articles 5-8 of the Procedure and the applicable DRSP Rules. ICDR requested that the Objector, within five days from the date of the notification, provide proof or statement that copies of the Objection had been sent to the Applicant.

On April 11, 2013, ICDR notified the parties that the deficiencies had been corrected, so the Objection now complied with Articles 5-8 of the Procedure and the applicable DRSP Rules, and should be registered for processing.

On April 17, 2013, ICDR notified the parties that ICANN had published its Dispute Announcement of all admissible objections filed. ICDR also informed the parties that, in accordance with Article 11 of the Procedure, the Applicant should file a Response to the Objection within 30 days.

The Applicant filed a Response with the ICDR dated May 17, 2013. On May 24, 2013, the ICDR notified the parties that the Response complied with Article 11 of the Procedure and the applicable DRSP Rules.

On June 17, 2013, ICDR notified the parties that Grant L. Kim had been appointed to serve as the Expert, and requested that the parties review the Expert's resume and submit any comments or challenges regarding the appointment by no later than June 20, 2013. The parties did not submit any comments or challenges within this period.

## **6. Basis for Objector's Standing to Object Based on String Confusion**

Section 3.2.2.1 of the Guidebook states that "any gTLD applicant in this application round may file a string confusion objection to assert string confusion between an applied-for gTLD and the gTLD for which it has applied, where string confusion between the two applicants has not already been found in the Initial Evaluation."

The Objector meets these requirements. The Objector is a gTLD applicant in the current application round, having filed an application for the string ".shop". The Objector asserts string confusion between ".shop" and a string applied for by the Applicant, ".购物". Further, no string confusion between ".shop" and ".购物" was found in the Initial Evaluation. Accordingly, the Objector has standing to object based on string confusion.

## **7. Factual Background**

The Objector Commercial Connect states that it is a company established in 2000. The Objector filed a gTLD application for the string ".shop" on January 13, 2012. As a result of the Initial Evaluation, the Objector's application for ".shop" has been placed into a string contention set with eight other gTLD applications for ".shop". The Initial Evaluation determined that the Objector's application is "Eligible for Extended Evaluation" because the application did not receive a passing score in the category of Technical & Operational Capability.

The Applicant Top Level Domain Holdings filed a gTLD application for the string ".购物" after the application window for the New gTLD Program opened on January 12, 2012. As a result of

the Initial Evaluation, Top Level Domain Holding's application received a passing score, and was not placed in a string contention set with any other application.

## 8. Parties' Contentions

### 8.1. Commercial Connect's Objection

The Objector Commercial Connect states that it was established in 2000 for the specific purpose of bringing the ".shop" gTLD to the Internet. The Objector alleges that, when ICANN opened an application round for new gTLDs in 2000, the Objector was the only applicant for the ".shop" gTLD that had made it completely through the approval process. The Objector further alleges that, although it did not receive delegation for the ".shop" gTLD in 2000, ICANN invited the Objector to resubmit its application and stated that ICANN would give preferential consideration to the application.

The Objector alleges that in 2004 ICANN opened another application round for new gTLDs, but made the requirement so strict by concentrating on sponsored domains that the Objector could not apply. The Objector alleges that, as a result, the Objector was instrumental in helping to establish eCWR, which was an eCommerce Trade Union that helped to open communication channels and educate potential new eCommerce merchants.

The Objector alleges that during ICANN's development of the Guidebook in 2008, it was discussed that the Objector should receive preferential treatment as the original applicant for the ".shop" gTLD. Objector maintains that since then it has been active in obtaining supporters for its cause to provide a safe and secure eCommerce experience, and that there are over currently 15,000 supporters for the Objector's application for the ".shop" gTLD.

The Objector proceeds in the Objection to discuss the rules in the Guidebook regarding string confusion, as well as the interpretation of these rules based on the drafting history of the Guidebook. The Objector concludes that "all similar string[s] including visually, aurally, and same meaning should be in the same contention set."

The "Dispute Resolution Objection" submitted by the Objector does not specify ".购物" as the string at issue or make specific arguments as to why ".购物" is confusingly similar to ".shop." Instead, the Objection states:

The gTLD filed by \_\_\_\_\_, so nearly resembles the .shop TLD that it is probable that confusion will arise in the mind of the average, reasonable internet user because the \_\_\_\_\_ gTLD application is similar either visually, aurally, or has a similar meaning.

The blanks in this sentence are presumably intended to refer to Applicant Top Level Domain Holdings and ".购物," but the Objector did not fill in those blanks. The only place where the Objector mentioned the Applicant is its Online Filing Demand, which states that "[t]he gTLD filed by Top Level Domain Holdings, so nearly resembles the .shop TLD that it is probable that confusion will arise in the mind of the average, reasonable internet user because the IDN for shopping gTLD application is similar either visually, aurally, or has a similar meaning."

## **8.2. Top Level Domain Holding's Response**

The Applicant Top Level Domain Holdings contends that the Objection should be dismissed because “no part of either string is similar to the other.” The Applicant asserts that whether two strings are “so similar that they create a probability of user confusion” depends on visual similarity, citing Section 2.2.1.1 of the Guidebook. The Applicant notes that “.shop” and “.购物” have no visual similarity, since they are written in two different languages with completely different characters.

The Applicant further contends that the strings have no similar sounds, citing the International Phonetic Alphabet (“IPA”) for the two strings: kou u for 购物, and ʃap for shop.

The Applicant concedes that the strings may have comparable meanings, but notes that the strings are in different languages, so “.shop” would be meaningless to a person who does not know English, and “.购物” would be meaningless to a person who does not know Chinese. The Applicant asserts that a person who knows both English and Chinese would “be easily able to tell the difference” between the strings based on their visual and aural differences.

The Applicant further asserts that the two strings are aimed at distinct markets, as evidenced by the descriptions in the two applications. According to the Objector’s application, “.shop” will be marketed to “the global ecosystem of e-commerce,” with “a strict verification process where Commercial Connect researches the identity of that applicant and [the] business.” In contrast, “.购物” is directed to “Chinese-language vendors,” and requires no such pre-verification. The Applicant notes that these markets may overlap to some extent, but that one is global and restricted, while the other is language-specific and open.

The Applicant also notes that the String Similarity Panel found no similarity between “.购物” and “.shop” as it did not place them together in a string contention set. Additionally, the String Similarity Assessment Tool found a 0% similarity between “.购物” and “.shop.” Applicant notes that while this is not determinative, the Panel’s findings tend to show that there is no similarity between “.购物” and “.shop.” Applicant alleges that the String Similarity Assessment Tool found forty-eight (48) strings with a 30% to 50% similarity to Objector’s string.

Finally, Applicant states that the Objection is deficient because it does not provide concrete evidence that there is a likelihood of confusion between “.购物” and “.shop.”

## **9. Discussion and Findings**

### **9.1. Jurisdiction**

The Expert finds that he has been properly appointed pursuant to the Procedure and the ICDR Supplementary Procedures, and has jurisdiction to decide this dispute. The Applicant has accepted the applicability of the Procedure and the ICDR Supplementary Procedures by applying for a new gTLD pursuant to Article 1(d) of the Procedure. The Objector has likewise accepted the applicability of the Procedure and the ICDR Supplementary Procedures by filing an objection to a new gTLD pursuant to Article 1(d) of the Procedure.

## 9.2. Legal Standard for String Confusion

Article 2(e)(i) of the Procedure defines a string confusion objection as referring to an objection that “the string comprising the potential gTLD is confusingly similar to an existing top-level domain or another string applied for in the same round of applications.” Article 2(e) notes that the grounds for this objection are “set out in full” in Module 3 of the Guidebook.

Section 3.5.1 of the Guidebook explains the string confusion standard as follows:

A DRSP panel hearing a string confusion case objection will consider whether the applied-for gTLD string is likely to result in string confusion. String confusion exists where a string so nearly resembles another that it is likely to deceive or cause confusion. For a likelihood of confusion to exist, it must be probable, not merely possible that confusion will arise in the mind of the average, reasonable Internet user. Mere association, in the sense that the string brings another string to mind, is insufficient to find a likelihood of confusion.

As the Applicant has noted, Section 2.2.1.1 of the Guidebook refers to visual similarity. However, that provision explains that “[t]he visual similarity check that occurs during the Initial Evaluation is intended to augment the objection and dispute resolution process ... that addresses all types of similarity.” Similarly, Section 2.2.1.1.3 of the Guidebook clarifies that a third party string confusion objection “is not limited to visual similarity”; rather, confusion “may be based on any type of similarity (including visual, aural, or similarity of meaning).”

Section 3.5 of the Guidebook states that “[t]he objector has the burden of proof.” Section 3.5 further states that the panel “will use appropriate general principles (standards) to evaluate the merits of each objection” and “may also refer to other relevant rules of international law in connection with the standards.”

The plain language of Section 3.5.1 makes clear that string confusion is a high standard. In addition to requiring “a likelihood of confusion,” Section 3.5.1 emphasizes that “mere association” is insufficient, and that confusion must be “probable, not merely possible.” Section 3.5.1 also refers to “so nearly resembles,” indicating that the resemblance between the two strings should be quite close.

Imposing a high standard for string confusion is consistent with the purpose of the new gTLD program. As explained the Preamble of the Guidebook, “[t]he new gTLD program will open up the top level of the Internet’s namespace to foster diversity, encourage competition, and enhance the utility of the DNS” [Domain Name System]. While there are currently 22 gTLDs (as well as over 250 country code top-level domains), “[t]he new gTLD program will create a means for prospective registry operators to apply for new gTLDs, and create new options for consumers in the market.” To this end, ICANN did not limit the number of gTLDs applications in the current application round, because this would “severely limit the anticipated benefits of the Program: innovation, choice, and competition.” New gTLDs Applicant Guidebook April 2011 Discussion Draft Public Comment Summary and Analysis, page 5, <http://archive.icann.org/en/topics/new-gtlds/summary-analysis-agv6-30may11-en.pdf> (hereafter “Draft Summary and Analysis”).

The New gTLD Program expressly contemplates the establishment of new Internationalized Domain Names (“IDNs”) that are written in a script other than the standard ASCII Roman characters and Arabic numbers. The Preamble of the Guidebook states that “ICANN expects a diverse set of applications for new gTLDs, *including IDNs*, creating significant potential for new uses and benefit to Internet users across the globe” (emphasis added). Consistent with this expectation, Section 1.3 of the Guidebook sets forth special requirements for Internationalized Domain Name applications.

### **9.3. Findings**

#### **9.3.1. String Confusion**

The Expert finds that the Objector has failed to meet its burden of proving that “.购物” so nearly resembles “.shop” as to cause probable confusion in the mind of the average, reasonable Internet user. The two strings indisputably have no visual or aural similarity. The two strings are in different languages, written in different scripts that look very different, and have different phonetic spellings and pronunciations.

The only sense in which “.shop” and “.购物” are similar is their meaning. However, this similarity in meaning is apparent only to individuals who read and understand both Chinese and English. Moreover, a person who can read both languages would understand that “.shop” is directed at English-speaking users, while “.购物” is directed at Chinese-speaking users. While there is some potential overlap between these two markets, they are largely distinct. Therefore, there is little likelihood that a bilingual user would be deceived or confused.

Furthermore, as noted above, the New gTLD Program expressly contemplated the creation of new Internationalized Domain Names written in non-Roman scripts. If similarity in meaning between gTLDs written in two different scripts were deemed sufficient, by itself, to result in confusing similarity, then all Internationalized Domain Name applications with the same meaning would need to be put in the same contention set with each other and with any Roman gTLD applications with the same meaning. This would mean that only one application in any script could be registered, which would conflict with the basic purpose of encouraging “a diverse set of applications for new gTLDs, including IDNs, creating significant potential for new uses and benefit to Internet users across the globe.” Preamble to the Guidebook.

For the above reasons, the Expert concludes that “.购物” and “.shop” are not confusingly similar to the average, reasonable Internet user under the standard set forth in the Procedure and the Guidebook. In view of this conclusion, the Expert finds that it is not necessary to address the Applicant’s arguments regarding the String Similarity Panel’s finding of no similarity or the Similarity Assessment Tool. The Expert notes, however, that the String Similarity Panel’s finding at the Initial Evaluation phase is not dispositive, since Section 2.2.1.1.2 of the Guidebook limited the String Similarity Panel’s review to visual similarity. In contrast, under Section 2.2.1.1.3 of the Guidebook, a third party string confusion objection “is not limited to visual similarity,” but “may be based on any type of similarity (including visual, aural, or similarity of meaning).”

### 9.3.2. Other Issues

As noted above, the Objector has alleged that ICANN agreed to give it preferential treatment as the initial applicant for the “.shop” gTLD. The Objector has not argued, however, that this alleged preference has any bearing on the merits of its Objection. In any event, the Expert finds that the Objector’s alleged discussions with ICANN are irrelevant to this case. Whether the Objection has merit depends on whether it meets the criteria set forth in the Procedure and the Guidebook. Moreover, ICANN has stated that “[t]here should be a level playing field for the introduction of new gTLDs, with no privileged treatment for potential applicants.” New gTLD Draft Applicant Guidebook Version 4 Public Comment Summary and Analysis, page 90, <http://archive.icann.org/en/topics/new-gtlds/summary-analysis-agv4-12nov10-en.pdf>.

#### **Determination**

For the following reasons, the Expert finds that the Applicant has prevailed and the Objection is dismissed.

Dated: August 8, 2013

A handwritten signature in cursive script, appearing to read "Grant L. Kim", is written over a horizontal line.

Grant L. Kim

Sole Expert Panelist