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Trademark Law - Determining a Likelihood of Confusion - The Southern District of New York Improperly Denies Preliminary Injunction Due to Its Misconstruction of the Relevant Standard and Misapplication of the Polaroid Factors

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**TRADEMARK LAW—DETERMINING A LIKELIHOOD OF
CONFUSION—THE SOUTHERN DISTRICT OF NEW
YORK IMPROPERLY DENIES PRELIMINARY INJUNCTION
DUE TO ITS MISCONSTRUCTION OF THE RELEVANT
STANDARD AND MISAPPLICATION
OF THE *POLAROID*¹ FACTORS**

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FOR MORE than half a century, the name “Pan Am” has been associated with major strides in the aviation industry.² Although the original Pan American World Airways, Inc. (“original Pan Am”) endured financial woes ultimately resulting in bankruptcy in the early 1990s, the company is still affectionately remembered as an innovator in the airline industry spanning advancements in international, transoceanic, and domestic air travel.³ Arguably, as a result of its pervasive pioneering efforts and its impact on worldwide air travel, the original Pan Am generated strong goodwill in connection with its name, marks, and logos.⁴ Despite the original company’s demise, its valuable trademarks⁵ were acquired, following a series of transfers and assignments, by another company operating under the same name, Pan American World Airways, Inc. (“Pan Am”).⁶

¹ See *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961).

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² Pan American Worldwide Airways, History, <http://www.panam.org/new/hist1.asp> (last visited Mar. 19, 2008).

³ *Id.*; *Pan Am. World Airways, Inc. v. Flight 001, Inc.*, No. 06 Civ. 14442(CSH), 2007 WL 2040588, at *1 (S.D.N.Y. July 13, 2007). See also *Pan Am, Pan Am Firsts*, <http://www.panamair.org/OLDSITE/History/firsts.htm> (last visited Mar. 19, 2008).

⁴ See *Flight 001, Inc.*, 2007 WL 2040588, at *1–2.

⁵ See, e.g., *Pan Am air.org, Pan Am History Logos*, <http://panamair.org/History/logos.htm> (last visited Mar. 18, 2008).

⁶ *Flight 001, Inc.*, 2007 WL 2040588, at *2.

Recently, in *Pan American World Airways, Inc. v. Flight 001, Inc.*, the United States District Court for the Southern District of New York rejected Pan Am's motion for preliminary injunction in an action against Flight 001 for trademark infringement, unfair competition, and trademark dilution with respect to a number of those trademarks.⁷ The court erroneously denied Pan Am's motion for preliminary injunction first by holding that Pan Am was required to demonstrate that Flight 001 is likely to resume certain alleged infringing conduct in light of its voluntary cessation of such activities, and second, in finding that the likelihood of confusion factors do not indicate a probability that Pan Am is likely to succeed on the merits of its claims in regard to the remaining marks.⁸ Further, these errors are likely to have serious implications on how other district courts, both in the Second Circuit and beyond, evaluate trademark infringement, unfair competition, and trademark dilution claims.

The incident case arises in the context of Flight 001's business model.⁹ In particular, Flight 001 chose to federally register the mark FLIGHT 001 in order to invoke the memory of the world's first transcontinental carrier.¹⁰ Further, the company operated retail stores that engaged in the sale of travel products ranging from luggage to cosmetics, and employed a meridian globe logo and a light blue and white color combination in connection with its retail offerings.¹¹ Additionally, Flight 001's website featured the original Pan Am Globe logo, trade name, and past advertisements and offered Pan Am merchandise for sale.¹² After Pan Am contacted Flight 001, it voluntarily withdrew from using these marks on its website and also stopped selling Pan Am merchandise.¹³

Pan Am subsequently instituted an action in the United States District Court for the Eastern District of Virginia claiming *inter alia*, trademark infringement, unfair competition, and dilution and soon thereafter filed a motion for preliminary injunction, as is common in trademark cases.¹⁴ With the motion for preliminary injunction still pending, the case was transferred to the

⁷ *Id.* at *20.

⁸ *See id.* at *6, *19-20.

⁹ *Id.* at *3-4.

¹⁰ *Id.* at *3.

¹¹ *Id.*

¹² *Id.* at *4.

¹³ *Id.*

¹⁴ *Id.*

United States District Court for the Southern District of New York.¹⁵ After finding that Pan Am's marks were valid and warranted trademark protection, the court denied Pan Am's motion for preliminary injunction.¹⁶ In particular, the district court held that Pan Am failed to show that resumption of the alleged infringing activities that Flight 001 had since voluntarily ceased was likely, and that the factors established in *Polaroid Corp. v. Polarad Electronics Corp.* did not demonstrate a likelihood that Pan Am would successfully establish a likelihood of confusion as to the remaining marks.¹⁷

A party who seeks a preliminary injunction is required to show a "probability of irreparable harm in the absence of injunctive relief and either a likelihood that it will succeed on the merits of its claim, or a serious question going to the merits and a balance of hardships tipping decidedly in its favor."¹⁸ Notably, however, in a trademark infringement or an unfair competition action, establishing a likelihood of confusion for a mark that deserves trademark protection, in turn, establishes both irreparable harm and a likelihood of success on the merits requirements.¹⁹ Although the First Circuit has demanded that a movant must additionally demonstrate that resumption of alleged infringing conduct is likely, where the alleged infringer has voluntarily ceased such activity, to invoke the remedy of preliminary injunction,²⁰ a number of district courts in the Second Circuit have ruled that an alleged infringer's termination of contested conduct does not alter the preliminary injunction analysis at all, for a movant "is not required to rest upon [alleged infringer's] assurances that it will not in the future [resume the contested activity]."²¹

Establishing trademark infringement or unfair competition requires a showing that (1) the "mark merits protection" and (2) "the [alleged infringer's] use of a similar mark is likely to cause consumer confusion [as to the origin, sponsorship, or af-

¹⁵ *Id.*

¹⁶ *Id.* at *11, *20.

¹⁷ *Id.* at *6, *12, *19-20 (citing *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961)).

¹⁸ *Virgin Enters. Ltd. v. Nawab*, 335 F.3d 141, 145 (2d Cir. 2003).

¹⁹ *Brennan's Inc. v. Brennan's Rest., L.L.C.*, 360 F.3d 125, 129 (2d Cir. 2004).

²⁰ *Am. Bd. of Psychiatry & Neurology, Inc. v. Johnson-Powell*, 129 F.3d 1, 4 (1st Cir. 1997).

²¹ *See, e.g., Consumers Union of the United States, Inc. v. Admiral Corp.*, 186 F. Supp. 800, 801 (S.D.N.Y. 1960); *see also Consumers Union of the United States, Inc. v. Theodore Hamm Brewing Co.*, 314 F. Supp. 697, 701 (D. Conn. 1970).

filiation of the goods at issue].”²² In determining whether a mark merits protection, federally registered trademarks are presumed to merit protection while unregistered marks warrant protection only if they are “sufficiently ‘distinctive’” in avoiding consumer confusion by distinguishing the source of relevant goods.²³ Distinctiveness either can be inherently established by the intrinsic quality of the mark or can be acquired through “secondary meaning” created in the minds of the consuming public between the source of the goods and the goods themselves.²⁴

The Second Circuit has established that determining a likelihood of confusion demands an evaluation of eight non-exclusive factors collectively known as the *Polaroid* factors which are:

- (1) the strength of the mark;
- (2) the degree of similarity between the two marks;
- (3) the competitive proximity of the products;
- (4) actual confusion;
- (5) the likelihood the plaintiff will bridge the gap;
- (6) the defendant’s good faith in adopting its mark;
- (7) the quality of the defendant’s products; and
- (8) the sophistication of the purchasers.²⁵

Notably, none of these factors are dispositive on the issue of trademark infringement, nor are these factors to be mechanically tallied to determine a winning side.²⁶ Rather, the *Polaroid* factors are merely instructive in answering the critical question of whether the consuming public is likely to be confused.²⁷ The factors of particular relevance to this discussion are (2) and (6). While the degree of similarity between two marks is determined by an evaluation of all factors that could create consumer confusion within the limited context in which the marks themselves are found,²⁸ the factor addressing the good faith intent of the defendant questions the motivation of the second user in using the contested marks, asking specifically whether there was an

²² *Brennan’s Inc.*, 360 F.3d at 128–30 (citations omitted).

²³ *Star Indus. Inc. v. Bacardi & Co.*, 412 F.3d 373, 381 (2d Cir. 2005).

²⁴ *See id.*

²⁵ *Brennan’s, Inc.*, 360 F.3d at 130 (citing *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961)).

²⁶ *See Paddington Corp. v. Attiki Imps. & Distributions, Inc.*, 996 F.2d 577, 584 (2d Cir. 1993) (citations omitted); *see also Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872 (2d Cir. 1986).

²⁷ *See, e.g., Lois Sportswear, U.S.A., Inc.*, 799 F.2d at 872.

²⁸ *See Star Indus., Inc.*, 412 F.3d at 386.

intentional effort to create confusion between the two marks.²⁹ Notably, however, mere former knowledge of the first user's mark does not warrant an inference of bad faith.³⁰

In denying the motion for preliminary injunction, the court first excluded the Pan Am trade name, word mark, and globe logo from the purview of the preliminary injunction evaluation.³¹ Specifically, the court found that given Flight 001's voluntary cessation of alleged infringing use, Pan Am failed to demonstrate that Flight 001 was nevertheless likely to resume such activities.³² Although district courts in the Second Circuit, including the Southern District of New York itself, have concluded that preliminary injunctions may still be granted despite voluntary cessation of alleged infringing activities,³³ the court departed from this reasoning in favor of the approach of the First Circuit as embodied in *Johnson-Powell*, which demanded a likelihood of resumption of such activities as a prerequisite to an award of preliminary injunction.³⁴ Second, the court found that Pan Am's marks warranted protection under trademark law because the Pan Am Globe logo was federally registered and that use of its blue and white color scheme in connection with its trade name, mark, and logo would likely be eligible for trade dress protection.³⁵

Next, although Pan Am had demonstrated "serious questions going to the merits" of the case, the district court held that it nevertheless fell short of demonstrating a likelihood of success as assessed under the *Polaroid* factors.³⁶ The court found that the Pan Am Globe logo and the blue and white color scheme had acquired distinctiveness and further found that the goods were in competitive proximity, at least in the context of the retail sale of travel goods.³⁷ It also found that there was no evi-

²⁹ See *id.* at 388.

³⁰ *Playtex Prods., Inc. v. Georgia-Pac. Corp.*, 390 F.3d 158, 166 (2d Cir. 2004).

³¹ *Pan Am. Worldwide Airways, Inc. v. Flight 001, Inc.*, No. 06 Civ. 14442(CSH), 2007 WL 2040588, at *6 (S.D.N.Y. July 13, 2007).

³² *Id.*

³³ See *Mercury Record Corp. v. Buckingham Record Co.*, 226 F. Supp. 427, 429 (S.D.N.Y. 1963); *Consumers Union of the United States, Inc. v. Admiral Corp.*, 186 F. Supp. 800, 801 (S.D.N.Y. 1960); see also *Consumers Union of the United States, Inc. v. Theodore Hamm Brewing Co.*, 314 F. Supp. 697, 701 (D. Conn. 1970).

³⁴ See *Flight 001, Inc.*, 2007 WL 2040588, at *6; *Am. Bd. of Psychiatry & Neurology, Inc. v. Johnson-Powell*, 129 F.3d. 1, 4 (1st Cir. 1997).

³⁵ See *Flight 001, Inc.*, 2007 WL 2040588, at *11.

³⁶ *Id.* at *17.

³⁷ *Id.* at *11, *14.

dence of actual confusion,³⁸ but ruled that Pan Am was nevertheless likely to “bridge the gap”³⁹ and expand into Flight 001’s retail market in the future.⁴⁰ Additionally, the district court ruled that due to lack of evidence by either party on the respective issues, the quality of the product and consumer sophistication factors stood neutral, weighing in favor of neither party.⁴¹ Interestingly, however, the court held that the Pan Am Globe logo and the Flight 001 Globe logo were not similar enough to lead to consumer confusion focusing on the “eight stylized latitudinal lines and a single longitudinal line” in the former and the “five latitudinal lines and six longitudinal lines” in the latter.⁴² In an attempt to bolster its reasoning, it argued that the Pan Am Globe logo was frequently displayed independent of other symbols whereas the Flight 001 Globe logo had been used alongside other symbols.⁴³ Additionally, even though the court conceded that Flight 001 used a light blue and white color combination that was “highly similar” to Pan Am’s color scheme, it nevertheless ruled that the use of the two were not similar enough to warrant finding the similarity factor in Pan Am’s favor.⁴⁴ The court argued that the color combinations had been used in different contexts: Flight 001 had used its color scheme on wood paneling, while Pan Am’s logos stood independent of any other symbols, and the Pan Am trade dress typically featured a display of the PAN AM word mark.⁴⁵ Further, despite the court finding that Flight 001 intended to “draw upon [the] nostalgia associated with the original Pan Am’s style and history” relying squarely on Flight 001’s own admissions, the district court nonetheless found an absence of bad faith, reasoning that it was not evident that Flight 001 intended to create consumer confusion.⁴⁶

The holdings of this case present serious implications for trademark infringement actions in the Second Circuit. As dis-

³⁸ *Id.* at *15.

³⁹ *Star Indus. Inc. v. Bacardi & Co.*, 412 F.3d 373, 387 (2d Cir. 2005) (describing the ‘bridging the gap’ factor as the “likelihood that the senior user will enter the junior user’s market in the future, or that consumers will perceive the senior user as likely to do so”).

⁴⁰ *Flight 001, Inc.*, 2007 WL 2040588, at *15.

⁴¹ *Id.* at *16.

⁴² *Id.* at *13.

⁴³ *Id.*

⁴⁴ *Id.*

⁴⁵ *Id.*

⁴⁶ *Id.* at *16.

cussed above, the United States District Court for the Southern District of New York chose to depart from other district courts in the Second Circuit, including its own precedent,⁴⁷ and followed instead the approach adopted by the First Circuit⁴⁸ in deciding that voluntary cessation of contested activity by an alleged infringer induces an additional burden on the claimant to show evidence of a likelihood of resumption of such activities.⁴⁹ Beyond insisting that a preliminary injunction is an “‘extraordinary equitable remedy’”⁵⁰ to be awarded only upon a showing of a “‘probability of irreparable harm in the absence of irreparable harm,’”⁵¹ the court failed to adequately rationalize its departure. Even more perplexing is that even though the court conceded that the relevant standard for preliminary injunction in trademark actions teaches that evidence of likelihood of confusion in turn establishes both likelihood of success on the merits and irreparable harm,⁵² the court nevertheless demanded an extra layer of evidence—that is, evidence of a likelihood of resumption of the alleged infringing conduct.⁵³

Moreover, the court took on a much more rigid approach in determining a likelihood of confusion, specifically in addressing the factors of degree of similarity between the marks and defendant’s good faith. Flight 001’s counsel admitted that media reports had taken the connection between Flight 001’s name and Pan Am’s legendary flight out of context when used in conjunction with the sale of travel goods bearing the Pan Am logo, but notably such statements in the media have served as evidence of the public’s understanding of a term at issue.⁵⁴ Therefore, not only does this apparent confusion serve as evidence of actual confusion, it also reinforces the contention that the two marks

⁴⁷ See *Mercury Record Corp. v. Buckingham Record Co.*, 226 F. Supp. 427, 429 (S.D.N.Y. 1963); *Consumers Union of the United States, Inc. v. Admiral Corp.*, 186 F. Supp. 800, 801 (S.D.N.Y. 1960).

⁴⁸ See *Am. Bd. of Psychiatry & Neurology, Inc. v. Johnson-Powell*, 129 F.3d 1, 4 (1st Cir. 1997).

⁴⁹ See *Flight 001, Inc.*, 2007 WL 2040588, at *6.

⁵⁰ *Id.* (quoting *Twentieth Century Fox Film Corp. v. Marvel Enters., Inc.*, 277 F.3d 253, 258 (2d Cir. 2002)).

⁵¹ *Id.* (quoting *Virgin Enters. Ltd. v. Nawab*, 335 F.3d 141, 145 (2d Cir. 2003)).

⁵² See *id.* at *5 (citing *Brennan’s Inc. v. Brennan’s Rest., L.L.C.*, 360 F.3d 125, 129 (2d Cir. 2004)).

⁵³ See *id.* at *6.

⁵⁴ Plaintiff’s Response to Defendants’ Supplemental Memorandum of Law in Opposition to Motion for Preliminary Injunction at *1, *Pan Am. World Airways, Inc. v. Flight 001, Inc.*, No. 06 Civ. 14442 (CSH) (S.D.N.Y. July 13, 2007), 2007 WL 1991855.

are at least similar enough to be mistaken as being from a common source. Additionally, although the court argued that Flight 001's mere knowledge of Pan Am's marks were not sufficient to argue bad faith, it failed to give fair deference to the admission by one of the founders of Flight 001 that the name itself was chosen specifically to invoke the "nostalgia associated with the original Pan Am's style and history."⁵⁵ In light of these facts showing sufficient similarity and bad faith, the court should have ruled that there was a likelihood of success and imposed a preliminary injunction as a necessary remedy.

Therefore, the United States District Court for the Southern District of New York misconstrued the relevant standard for preliminary injunction by demanding that Pan Am show a likelihood of resumption of the alleged infringing activities, and misevaluated the *Polaroid* factors by not fairly assessing the similarity of the marks and the absence of defendant's good faith. Not only does this precedent skew the preliminary injunction standards in the Second Circuit, but it also gives future infringers much more freedom in conducting their activities. Particularly, they may continue infringing conduct as long as they cease such activities under the cloak of good faith, leaving a claimant with the final burden to show likelihood of resumption. Additionally, imitations of an existing mark may now be readily made by minor modifications and altered positioning to adjoining symbols. Furthermore, demonstrating bad faith has been rendered nearly impossible except perhaps in cases where there are explicit statements or other representations to that effect. Thus, this rigid approach is patently unfair to the victim of trademark infringement and should instead be replaced wholesale by a flexible one which takes into account all facts leading to consumer confusion and the proper standard for preliminary injunction.

⁵⁵ *Flight 001, Inc.*, 2007 WL 2040588, at *15.