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COMMENTS

APPELLATE REVIEW OF LANHAM ACT VIOLATIONS: IS LIKELIHOOD OF CONFUSION A QUESTION OF LAW OR FACT?

by Brett Thomas Reynolds

THE law of unfair competition developed from the equitable notion that one should not reap what one has not sown.¹ The protection of trademarks is only one branch of the law of unfair competition,² whose objectives include the protection of honest businessmen, the punishment of dishonest competitors who divert business from others by unfair means, and the protection of the public from deception.³ Prior to 1938 a well-established body of federal common law governed unfair competition cases. The Supreme Court's landmark decision in *Erie Railroad v. Tompkins*⁴ eviscerated this body of federal common law,⁵ forcing federal courts to use inconsistent and poorly developed state law when faced with unfair competition claims.⁶ Both the old federal and state common law severely restricted unfair competition claims, recognizing only certain strictly construed categories.⁷ These included palming off,⁸ falsely describing oneself to be the source of a product that is produced exclusively by

1. *International News Service v. Associated Press*, 248 U.S. 215, 239 (1918).

2. *Hanover Star Milling Co. v. Metcalf*, 240 U.S. 403, 413 (1916).

3. *Florence Mfg. Co. v. J.C. Dowd & Co.*, 178 F. 73, 75 (2d Cir. 1910); *Vitascope Co. v. U.S. Phonograph Co.*, 83 F. 30, 32-33 (C.C.D.N.J. 1897); *J.N. Collins Co. v. F.M. Paist Co.*, 14 F.2d 614, 615 (E.D. Pa. 1926); 1 R. CALLMAN, *UNFAIR COMPETITION, TRADEMARKS & MONOPOLIES* § 1.24 (4th ed. 1983).

4. 304 U.S. 64 (1938) (state common law governs areas of substantive law).

5. See Bunn, *The National Law of Unfair Competition*, 62 HARV. L. REV. 987, 991 (1949).

6. See Derenberg, *Federal Unfair Competition Law at the End of the First Decade of the Lanham Act: Prologue or Epilogue?*, 32 N.Y.U. L. REV. 1029, 1030 (1957).

7. See Germain, *Unfair Trade Practices Under Section 43(a) of the Lanham Act: You've Come a Long Way, Baby—Too Far, Maybe?*, 49 IND. L.J. 84, 85 (1973); Note, *The Lanham Trademark Act, Section 43(a)—A Hidden National Law of Unfair Competition*, 14 WASHBURN L.J. 330, 332 (1975). These restrictive rules allowed only a plaintiff suffering direct injury from a competitor to sue. See Germain, *supra*, at 86.

8. Palming off occurs when one seller of goods adopts the symbol or mark of another to mislead the public into believing that it is purchasing the goods of another. *American Washboard Co. v. Saginaw Mfg. Co.*, 103 F. 281, 284 (6th Cir. 1900).

another,⁹ and false designations of a product's origin.¹⁰

Congress, recognizing the need for standardized guidelines to govern nationwide marketing of products,¹¹ enacted the Lanham Trademark Act,¹² which once again gave federal courts a uniform body of substantive law by which to interpret unfair competition claims.¹³ The Lanham Act not only codified the common law as it existed before *Erie*,¹⁴ but also created a new statutory tort of false representation of goods in commerce.¹⁵ The Act resulted in a loosening of the common law rules and the dissolution of strict categories for unfair competition claims.¹⁶

Section 45 of the Lanham Act explicitly states that Congress intended to regulate commerce by protecting against the deceptive use of trademarks and preventing unfair competition.¹⁷ This section of the Act has encouraged liberal interpretations of the other sections to effectuate a broad

9. See *Ely-Norris Safe Co. v. Mosler Safe Co.*, 7 F.2d 603, 604 (2d Cir. 1925), *rev'd on other grounds*, 273 U.S. 132 (1927).

10. See *Grand Rapids Furniture Co. v. Grand Rapids Furniture Co.*, 127 F.2d 245, 252 (7th Cir. 1942). Competitors could also bring a class action for false designation of origin. *Id.*

11. See Note, *The Problem of Functional Features: Trade Dress Infringement Under Section 43(a) of the Lanham Act*, 82 COLUM. L. REV. 77, 78 (1982).

12. 15 U.S.C. §§ 1051-1127 (1982).

13. See Derenberg, *supra* note 6, at 1030. For extensive discussions of the Lanham Act's effects on the law of unfair competition, see Comment, *Analysis of a Statutory Violation of the Lanham Act § 43(a)*, 29 MERCER L. REV. 1083 (1978); Comment, *The Present Scope of Recovery for Unfair Competition Violations Under Section 43(a) of the Lanham Act*, 58 NEB. L. REV. 159 (1979).

14. Congress attempted to codify the common law in the Trademark Act of 1920, ch. 104, 41 Stat. 533. Suits under this Act were rarely brought, however, because the plaintiff was required to prove that the defendant misrepresented the origin of its product "willfully and with an intent to deceive." *Id.* § 3. Plaintiffs relied instead on the well-developed common law. Few, if any, decisions granted relief under this Act, and its significance lies in the fact that § 3 is the precursor of § 43(a) of the Lanham Act, *see infra* note 20, which is now the basis for a broad range of unfair competition claims. See Derenberg, *supra* note 6, at 1034-35.

15. In *L'Aiglon Apparel, Inc. v. Lana Lobell, Inc.*, 214 F.2d 649, 651 (3d Cir. 1954), the court rejected the defendant's contention that the plaintiff was required to prove palming off to recover under the Lanham Act, stating that "[i]t seems to us that Congress has defined a statutory civil wrong of false representation of goods in commerce and has given a broad class of suitors injured or likely to be injured by such wrong the right to relief in the federal courts." *Id.* See also *Gold Seal Co. v. Weeks*, 129 F. Supp. 928, 940 (D.D.C.) (holding explicitly that § 43(a) created a new statutory tort), *aff'd sub nom.* *S.C. Johnson & Son, Inc. v. Gold Seal Co.*, 230 F.2d 832 (D.C. Cir. 1955), *cert. denied*, 352 U.S. 829 (1956).

16. See Germain, *supra* note 7, at 88. See also *Purolator v. EFRA Distrib., Inc.*, 687 F.2d 554, 560-61 (1st Cir. 1982) (§ 43(a) of Lanham Act creates federal tort broader than common law concerning unfair competition and trademark infringement).

17. Lanham Act § 45, 15 U.S.C. § 1127 (1982) provides in part:

The intent of this [Act] is to regulate commerce within the control of Congress by making actionable the deceptive and misleading use of marks in such commerce; to protect registered marks used in such commerce from interference by State, or territorial legislation; to protect persons engaged in such commerce against unfair competition; to prevent fraud and deception in such commerce by the use of reproductions, copies, counterfeits or colorable imitations of registered marks; and to provide rights and remedies stipulated by treaties and conventions respecting trade-marks, trade names, and unfair competition entered into between the United States and foreign nations.

level of protection consistent with the scope of congressional power.¹⁸ Section 43(a) of the Lanham Act outlaws not only false designations of origin;¹⁹ any false descriptions or representations concerning goods or services are forbidden as well.²⁰ Furthermore, section 43(a) abandons the old common law policy that required a showing of direct competitive injury as a prerequisite to a successful unfair competition claim and provides that any person who believes that he is likely to be damaged may bring suit.²¹ Although section 43(a) was conservatively interpreted for a period following enactment,²² the Act has now been broadly applied to protect against deceptive marketing, packaging, and advertising of goods and services in commerce.²³

Section 32 of the Act specifically provides protection against trademark infringement.²⁴ Sections 32 and 43(a) are closely related, however, since

18. Germain, *supra* note 7, at 89-90.

19. 15 U.S.C. § 1125(a) (1982). False designation of origin was also prohibited at common law. See *supra* note 9 and accompanying text.

20. Lanham Act, § 43(a), 15 U.S.C. § 1125(a) (1982) provides:

Any person who shall affix, apply, or annex, or use in connection with any goods or services, or any container or containers for goods, a false designation of origin, or any false description or representation, including words or other symbols tending falsely to describe or represent the same, and shall cause such goods or services to enter into commerce, and any person who shall with knowledge of the falsity of such designation of origin or description or representation cause or procure the same to be transported or used in commerce or deliver the same to any carrier to be transported or used, shall be liable to a civil action by any person doing business in the locality falsely indicated as that of origin or in the region in which said locality is situated, or by any person who believes that he is or is likely to be damaged by the use of any such false description or representation.

21. *Id.* See generally *Spring Mills, Inc. v. Ultracashmere House, Ltd.*, 689 F.2d 1127, 1136 n.13 (2d Cir. 1982) (competitive injury not required for recovery under 15 U.S.C. § 1125(a)); *McGregor-Doniger, Inc. v. Drizzle, Inc.*, 599 F.2d 1126, 1134-35 (2d Cir. 1979) (the law is concerned with indirect harm through loss of goodwill and tarnishment of reputation rather than simply direct diversion of purchasers) (citing RESTATEMENT (SECOND) OF TORTS § 730 comment b (1977)).

22. See, e.g., *Chamberlain v. Columbia Pictures Corp.*, 186 F.2d 923, 925 (9th Cir. 1951) (palming off is still required to state a claim under § 43(a)); *Samson Crane Co. v. Union Nat'l Sales, Inc.*, 87 F. Supp. 218, 222 (D. Mass. 1949) (only false representations tantamount to trademark infringement are actionable).

23. See, e.g., *Keebler v. Rovira Biscuit Corp.*, 624 F.2d 366, 371-78 (1st Cir. 1980) (packaging); *New West Corp. v. NYM Co.*, 595 F.2d 1194, 1198-1203 (9th Cir. 1979) (deceptive marketing); *Frisch's Restaurant, Inc. v. Elby's Big Boy*, 514 F. Supp. 704, 709-12 (S.D. Ohio), *aff'd*, 670 F.2d 642 (6th Cir. 1981), *cert. denied*, 103 S. Ct. 231, 74 L. Ed. 2d 182 (1982) (advertising); see also Note, *supra* note 11, at 79 (§ 43(a) focuses on deceptive representations of products in general rather than specifically on trademark infringement).

24. Lanham Act § 32, 15 U.S.C. § 1114(1) (1982) provides:

- (1) Any person who shall, without the consent of the registrant—
 - (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with a sale, . . . distribution or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive; or
 - (b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering for sale, distribution, or advertising of goods or services on or in connection

trademark infringement is simply part of the broader law of unfair competition.²⁵ The law of unfair competition is based on the idea that a business should not sell its goods in such a manner that the consumer is misled into believing that the goods were manufactured by another;²⁶ trademark infringement is one of the easiest ways to make a product appear to be that of another.²⁷ Because trademark infringement claims are governed by the same principles as suits for unfair competition,²⁸ lawsuits seeking relief under section 32 often incorporate allegations under section 43(a) as well.²⁹ For purposes of this Comment, however, the most important link between sections 32 and 43(a) is their requirement that the plaintiff show that the defendant's actions created a likelihood of confusion with respect to goods or services.³⁰ Section 32 specifically requires the plaintiff to show that the defendant created a likelihood of confusion;³¹ although section 43(a) does not explicitly require such a showing, the requirement has been adopted sub silentio by the federal judiciary when construing actions brought under section 43(a).³²

The harmony at the trial court level in adopting the standard by which potential violations of the Lanham Act are judged has unfortunately eluded the circuit courts in their attempts to fashion a standard of review. The circuit courts disagree on the amount of discretion permitted them when reviewing a finding of likelihood of confusion.³³ Traditionally, a

with which such use is likely to cause confusion, or to cause mistake or to deceive,
shall be liable in a civil action by the registrant for the remedies hereinafter provided.

25. *Boston Professional Hockey Ass'n, Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004, 1010 (5th Cir.), *cert. denied*, 423 U.S. 868 (1975); *Westward Coach Mfg. Co. v. Ford Motor Co.*, 388 F.2d 627, 632 (7th Cir. 1968); *Heaton Distrib. Co. v. Union Tank Car Co.*, 387 F.2d 477, 483 (8th Cir. 1967).

26. *American-Marrietta Co. v. Krigsman*, 275 F.2d 287, 289 (2d Cir. 1960); 1 R. CALLMAN, *supra* note 3, § 2.02.

27. *American-Marrietta Co. v. Krigsman*, 275 F.2d 287, 287 (2d Cir. 1960).

28. *National Auto. Club v. National Auto Club, Inc.*, 365 F. Supp. 879, 881 (S.D.N.Y. 1973); *Fieldcrest Mills, Inc. v. Couri*, 220 F. Supp. 929, 933 (S.D.N.Y. 1963).

29. The inclusion of claims under both sections seems to have become common practice. *See, e.g.*, *Spring Mills, Inc. v. Ultracashmere House, Ltd.*, 689 F.2d 1127, 1128-29 (2d Cir. 1982) (alleging, inter alia, trademark infringement under § 32(1) of the Lanham Act and various false representations under § 43(a) of the Act); *Pignons S.A. de Mecanique v. Polaroid Corp.*, 657 F.2d 482, 485 (1st Cir. 1981) (alleging trademark infringement and unfair competition under both sections of the Act); *McGregor-Doniger, Inc. v. Drizzle, Inc.*, 599 F.2d 1126, 1129-30 (2d Cir. 1979) (alleging trademark infringement and unfair competition under both sections of the Act).

30. *See G.D. Searle & Co. v. Hudson Pharmaceutical Corp.*, 715 F.2d 837, 842 (3d Cir. 1983) (gist of proceeding under either § 32 or § 43(a) of the Lanham Act is a claim of false representation that is likely to cause confusion); *Alpha Indus., Inc. v. Alpha Steel Tube & Shapes, Inc.*, 616 F.2d 440, 443 (9th Cir. 1980) (likelihood of confusion was central issue when plaintiff alleged infringement, unfair competition, and false designation of origin).

31. 15 U.S.C. § 1114(1) (1982); *see supra* note 24.

32. *See Carson v. Here's Johnny Portable Toilets, Inc.*, 698 F.2d 831, 833 (6th Cir. 1983); *Purolator, Inc. v. EFRA Distributors, Inc.*, 687 F.2d 554, 561 (1st Cir. 1982); *Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Mfg. Co.*, 510 F.2d 1004, 1012-1013 (5th Cir.), *cert. denied*, 423 U.S. 868 (1975).

33. *Elby's Big Boys, Inc. v. Frisch's Restaurants, Inc.*, 103 S. Ct. 231, 231, 74 L. Ed. 2d 182, 182-83 (1982) (White, J., dissenting) (split as to whether district court's finding of likeli-

trial court's finding on the issue of likelihood of confusion has been viewed as a finding of fact, and, therefore, governed on appeal by rule 52 of the Federal Rules of Civil Procedure.³⁴ Under rule 52 circuit courts may not reverse a trial court's findings of fact unless the findings are clearly erroneous.³⁵ A trend has developed in some circuits in the last twenty years, however, to treat a finding of likelihood of confusion as a legal conclusion, therefore allowing a wider latitude for reviewing Lanham Act claims.³⁶ Although the Supreme Court recently passed up an opportunity to resolve the issue,³⁷ clues regarding eventual resolution of the issue are provided in a recent opinion on trademark infringement brought under section 32 of the Lanham Act.³⁸

This Comment first defines the elements of the likelihood of confusion standard and then analyzes the different approaches toward appellate review of the standard taken by the various circuits. The implications of a recent Supreme Court case construing the Lanham Act on the resolution of the likelihood of confusion issue are also discussed. Finally, this Comment presents an analysis of the differing applications of certain Federal Rules of Civil Procedure to the likelihood of confusion issue.

I. LIKELIHOOD OF CONFUSION: WHO IS CONFUSED ABOUT WHAT?

The gravamen of an action for trademark infringement and unfair competition is that the defendant's actions must have created a likelihood of confusion between his goods and those of another.³⁹ Likelihood of confusion involves both the right of the public not to be confused by dishonest competitors and the right of business owners to benefit from the goodwill and reputation that their time and money have established.⁴⁰ The empha-

hood of confusion is reviewable as question of fact or of law); 2 J. MCCARTHY, TRADEMARKS & UNFAIR COMPETITION § 23.22, at 78 (1973).

34. 2 J. MCCARTHY, *supra* note 33, § 23.22, at 78.

35. FED. R. CIV. P. 52(a) provides in part: "Findings of fact shall not be set aside unless clearly erroneous, and due regard shall be given to the opportunity of the trial court to judge the credibility of the witnesses."

36. See *infra* notes 154-68, 183, and accompanying text.

37. *Elby's Big Boys, Inc. v. Frisch's Restaurants, Inc.*, 103 S. Ct. 231, 231, 74 L. Ed. 2d 182, 182-83 (1982) (White, J., dissenting) (Justice White dissented on the ground that the Court should have used the opportunity to resolve the conflict).

38. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 855 (1982) (action for trademark infringement under § 32 of the Act). For a complete discussion of the case, see *infra* notes 197-206 and accompanying text.

39. *Spring Mills, Inc. v. Ultracashmere House, Ltd.*, 689 F.2d 1127, 1129 (2d Cir. 1982); *Purolator, Inc. v. EFRA Distrib., Inc.*, 687 F.2d 554, 559 (1st Cir. 1982); *Chevron Chem. Co. v. Voluntary Purchasing Groups*, 659 F.2d 695, 703 (5th Cir. 1981), *cert. denied*, 457 U.S. 1126 (1982); *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44, 47 (2d Cir. 1978), *cert. denied*, 439 U.S. 1116 (1979); *K-S-H Plastics, Inc. v. Carolite, Inc.*, 408 F.2d 54, 57 (9th Cir.), *cert. denied*, 396 U.S. 825 (1969); 3A R. CALLMAN, *supra* note 6, § 20.01.

40. See, e.g., *James Burrough Ltd. v. Sign of the Beefeater, Inc.*, 540 F.2d 266, 274 (7th Cir. 1976) ("What is infringed [in a trademark infringement suit] is the right of the public to be free of confusion and the synonymous right of a trademark owner to control his product's reputation."); *A.E. Staley Mfg. Co. v. Staley Milling Co.*, 253 F.2d 269, 275 (7th Cir. 1958) (social values influencing trademark law include the public's ability to know that it will get the products it asks for and the protection of the trademark owner's investment from misap-

sis on public confusion was explained by Judge Learned Hand in a maxim that still stands as the touchstone for analysis: "[R]elief always depends upon the idea that no man should be able to mislead people into supposing that his goods are the plaintiff's, and . . . there can be no right or remedy until the plaintiff can show that at least presumptively this will result."⁴¹

One element that courts seldom thoroughly define when evaluating the potential for confusion under the Lanham Act is the nature and capabilities of the class of persons among whom the Act seeks to prevent confusion.⁴² The lack of definition contributes to the increasing difficulty that courts are experiencing in determining the merits of Lanham Act claims.⁴³ The legislative history of the Act evinces a concern for the consuming public,⁴⁴ and many courts simply define the candidates for confusion as the "public."⁴⁵ Courts occasionally have attempted to formulate a more precise definition of the class, stating that "an appreciable number of ordinarily prudent purchasers" is the group with which the court is concerned when determining the likelihood of confusion.⁴⁶

The protected class was construed very broadly in *Omega Importing Corp. v. Petri-kine Camera Co.*⁴⁷ In *Omega* an East German camera manufacturer sought a temporary injunction against a West German corporation to prevent the latter from distributing in the United States cameras that were manufactured under the same trademark as its own.⁴⁸ The dis-

propriation by pirates); *Celotex Co. v. Millington*, 49 F.2d 1053, 1054 (C.C.P.A. 1931) (trademark registration laws were designed to protect exclusive use of trademark by one who builds up goodwill in connection with its use and to protect public against confusion; when one has established a profitable business using a trademark, "there are to be found many who flock to the feast, unbidden guests, and fatten themselves at the table which has been spread").

41. *Bayer Co. v. United Drug Co.*, 272 F. 505, 509-10 (S.D.N.Y. 1921).

42. *See, e.g., Baker v. Simmons Co.*, 307 F.2d 458, 461 (1st Cir. 1962) (trademark infringement actions as well as unfair competition actions seek to prevent public from being misled); *Oriental Foods, Inc. v. Chun King Sales, Inc.*, 244 F.2d 909, 915 (9th Cir. 1957) (test is whether mark will confuse an appreciable number of prospective purchasers); *Squirrel Brand Co. v. Barnard Nut Co.*, 224 F.2d 840, 844 (5th Cir. 1955) (test is whether average person will be confused and believe that infringer's products were produced by trademark owner); *Anti-monopoly, Inc. v. General Mills Fun Group*, 515 F. Supp. 448, 452 (N.D. Cal. 1981) (test applies to average consumer's comprehension); *Estate of Presley v. Russen*, 513 F. Supp. 1339, 1362 (D.N.J. 1981) (trademark infringement actions serve to protect right of public to be free of confusion).

43. *McGregor-Doniger, Inc. v. Drizzle, Inc.*, 599 F.2d 1126, 1130 (2d Cir. 1979) (citing *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 495 (2d Cir.), *cert. denied*, 368 U.S. 820 (1961)) (the question of likelihood of confusion has not become easier with the passage of time).

44. *See* H.R. REP. NO. 944, 79th Cong., 1st Sess. 3 (1946); S. REP. NO. 1333, 79th Cong., 2d Sess. 4 (1946).

45. *See* *AMP, Inc. v. Foy*, 540 F.2d 1181, 1183 (4th Cir. 1976); *HMH Publishing Co. v. Brincat*, 504 F.2d 713, 717 (9th Cir. 1974); *Volkswagenwerk AG v. Hoffman*, 489 F. Supp. 678, 680 (D.S.C. 1980).

46. *Mushroom Makers, Inc. v. R.G. Barry Corp.*, 580 F.2d 44, 47 (2d Cir. 1978), *cert. denied*, 439 U.S. 1116 (1979); *Maternally Yours, Inc. v. Your Maternity Shop*, 234 F.2d 538, 542 (2d Cir. 1956).

47. 451 F.2d 1190 (2d Cir. 1971). Although the plaintiff did not sue under the Lanham Act, the definition of consumer for purposes of determining likelihood of confusion was the same as under the Lanham Act. *Id.* at 1194-95.

48. The Ihagee camera business split following WWII when its owner became a resi-

district court denied the request for injunctive relief on grounds that the camera's purchase price suggested that a buyer willing to expend such an amount would be knowledgeable about the trademark similarity.⁴⁹ The Second Circuit stated that the ordinary purchaser, and not the expert, is the one who must be considered in determining the likelihood of confusion.⁵⁰ The court suggested that the ordinary purchaser of cameras includes both the discriminating purchaser and the casual, relatively unknowledgeable buyer⁵¹ and that consideration must be given to both categories in determining the probability of confusion.⁵² Another court stated in more blunt fashion that courts must consider both the ignorant and the intelligent in applying the likelihood of confusion test.⁵³

Other courts, however, have determined that the question of buyer sophistication is an important factor in determining the likelihood of confusion.⁵⁴ The Ninth Circuit followed this reasoning in *Alpha Industries, Inc. v. Alpha Steel Tube & Shapes*.⁵⁵ The plaintiff in *Alpha* furnished equipment to companies that manufactured consumer goods from steel tubing, and the defendant sold the tubing itself to the same manufacturers. The plaintiff sought to enjoin the tubing supplier from using the name "Alpha" in doing business. The district court considered the names as a whole, and concluded that since one company sold under the registered mark "Alpha" and the other one always used "Alpha" in conjunction with other words, no likelihood of confusion existed.⁵⁶ The Ninth Circuit Court of Appeals affirmed, recognizing that the purchasers of the goods were sophisticated

dent of West Germany. The East German government nationalized the business's facilities located in East Germany and continued to operate the business as an East German corporation. A dispute arose between the two companies as to the ownership of certain U.S. trademarks. Prior litigation in the United States had resolved that the East German corporation was the lawful owner of the trademarks, but both companies were attempting to sell cameras under the "Exacta" mark, which brought about this litigation. *Id.* at 1191-93.

49. *Id.* at 1193.

50. *Id.* at 1195.

51. *Id.*

52. *Id.* The court cited *Oriental Foods, Inc. v. Chun King Sales, Inc.*, 244 F.2d 909, 915 (9th Cir. 1957). In *Oriental Foods* the court also stated that "likelihood of confusion cannot be measured by the effect of the similarity on the rankly careless and unconcerned." 244 F.2d at 915.

53. *Wells Fargo & Co. v. Wells Fargo Express Co.*, 358 F. Supp. 1065, 1091 (D. Nev.), *vacated and remanded*, 556 F.2d 406 (9th Cir. 1973) (remanded on jurisdictional question). The *Wells Fargo* court stated: "The law is not made for the protection of experts, but for the public—that vast multitude which includes the ignorant, the unthinking and the credulous, who, in making purchases, do not stop to analyze, but are governed by appearances and general impressions." 358 F. Supp. at 1091 (quoting *Florence Mfg. Co. v. T.C. Dowd & Co.*, 178 F. 73, 75 (2d Cir. 1910)).

54. *See, e.g.*, *Drexel Enters. v. Richardson*, 312 F.2d 525, 528 (10th Cir. 1962) (degree of care likely to be exercised by purchasers is one factor used to determine likelihood of confusion); *Cardiac Pacemakers, Inc. v. Coratomic, Inc.*, 535 F. Supp. 280, 286 (D. Minn. 1982), *aff'd*, 702 F.2d 671 (8th Cir. 1983) (no infringement or unfair competition existed because customers of pacemakers were too sophisticated to be confused); *F.S. Servs., Inc. v. Custom Farm Servs., Inc.*, 325 F. Supp. 153, 162 (N.D. Ill. 1970), *aff'd*, 471 F.2d 671 (7th Cir. 1972) (no infringement since purchasers of goods were discriminating buyers capable of discerning differences between trademarks).

55. 616 F.2d 440 (9th Cir. 1980).

56. *Id.* at 444.

specialists in their field and that the realities of the marketplace should influence a comparison of the trademarks.⁵⁷ This holding is somewhat questionable, however, because some courts recognize that the technical aptitude of a consumer protects a potential trademark infringer only to a limited degree; in fact, when the similarity of the marks becomes too great and the manner of purchasing routine, an actionable likelihood of confusion often arises, even though the purchasers may be sophisticated technicians.⁵⁸ Probably the best approach considers the sophistication of the buyer as only one factor in determining likelihood of confusion,⁵⁹ thus alleviating the danger of immunizing from liability for trademark confusion the manufacturers of goods that will be purchased by technically trained buyers.⁶⁰

Another ill-defined element of the likelihood of confusion test is what the object of the consumer's confusion must be to give rise to a claim under the Lanham Act.⁶¹ Under the original version of the Lanham Act,⁶² confusion as to the source of goods or businesses was required for an actionable claim.⁶³ When Congress amended the Act in 1962, however, section 32 was broadened by omitting the requirement that the confusion relate specifically to the source or origin of goods or services.⁶⁴ The Fifth Circuit and at least one commentator posit that any kind of confusion is now sufficient to create an actionable claim under the current provisions of the Act.⁶⁵ Apparently the confusion need not relate to similar goods or

57. *Id.*

58. *See, e.g.,* Communications Satellite Corp. v. Comcet, Inc., 429 F.2d 1245, 1252 (4th Cir.) (reversing district court over appellee's contention that purchasers of sophisticated computers were so knowledgeable that they would not be confused by similar trademarks), *cert. denied*, 400 U.S. 942 (1970); Carlisle Chem. Works, Inc. v. Hardman & Holden, Ltd., 434 F.2d 1403, 1406 (C.C.P.A. 1970) (trademark registration denied when even discriminating purchasers would be likely to confuse the appellee's product with that of appellant's); Rexall Drug & Chem. Co. v. Rohm & Haas Co., 427 F.2d 782, 783 (C.C.P.A. 1970) (defendant was not entitled to registration of its trademark for plastic molding materials since it was confusingly similar to plaintiff's trademark for similar materials, even though products were sold to knowledgeable and discriminating buyers).

59. *See* DC Comics, Inc. v. Reel Fantasy, Inc., 696 F.2d 24, 26 (2d Cir. 1982).

60. *See* AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 353 (9th Cir. 1979) (higher standard may be applied than that of ordinary purchaser when buyer has expertise in the field, but this should not preclude a finding that confusion is likely); Technic, Inc. v. Sel-Rex Corp., 419 F.2d 1331, 1332 (C.C.P.A. 1970) (likelihood of confusion existed despite contentions that chemists, the class of buyers at issue, were the most discriminating class of buyers imaginable).

61. Common law required, with very few exceptions, a showing that the customers would be confused because of the defendant's attempt to pass his goods off as those of another. *See supra* notes 7-10 and accompanying text.

62. Act of July 5, 1946, ch. 540, § 32, 60 Stat. 437 (amended 1962).

63. *See* Armstrong Cork Co. v. World Carpets, Inc., 597 F.2d 496, 500 n.5 (5th Cir.), *cert. denied*, 444 U.S. 932 (1979); Continental Motors Corp. v. Continental Aviation Corp., 375 F.2d 857, 860 n.8 (5th Cir. 1967); 3A R. CALLMAN, *supra* note 3, § 20.01.

64. Act of Oct. 9, 1962, Pub. L. No. 87-772, § 17, 76 Stat. 769, 773-74 (codified as amended at 15 U.S.C. § 1114 (1982)). The phrase "as to source of origin of such goods or services" was stricken from § 32 by the amendment.

65. *Armstrong Cork Co. v. World Carpets, Inc.*, 597 F.2d 496, 500 n.5 (5th Cir. 1979); *Continental Motors Corp. v. Continental Aviation Corp.*, 375 F.2d 857, 860 n.8 (5th Cir. 1967); 3A R. CALLMAN, *supra* note 3, § 20.05.

services but may be "absolute" in the sense that the purchaser may be confused about unrelated goods and services.⁶⁶ The plaintiff in a section 32 action for trademark infringement, however, generally must still show that the alleged infringement is likely to cause confusion concerning the source of the product.⁶⁷ Under section 43(a), likelihood of confusion with respect to the source of the product is influential,⁶⁸ although the plaintiff need not allege that the defendant passed his product off as the plaintiff's in order to state a claim for false description or representation.⁶⁹ Little difference between sections 32 and 43(a) therefore exists in the plaintiff's burden of proof regarding likelihood of confusion.⁷⁰

The following factors are prominent among the many considered by different courts to determine whether likelihood of confusion exists:

- (1) the similarity of the marks;
- (2) the evidence of actual confusion;
- (3) the relationship between the parties' goods and channels of trade;
- (4) the strength of the particular trademarks involved; and
- (5) the evidence of intent to confuse.⁷¹

No single factor is determinative.⁷² Proof of actual confusion is not necessary to show likelihood of confusion,⁷³ nor is a showing of intent to confuse.⁷⁴ The weight given to particular factors by district courts in Lanham Act claims may depend on the specific type of claim alleged. For example, in a trademark infringement claim the similarity of the marks themselves is a highly significant factor,⁷⁵ while in a false advertising claim whether the defendant made false representations about the product is of great importance.⁷⁶

66. *Armstrong Cork Co. v. World Carpets, Inc.*, 597 F.2d 496, 500 n.5 (5th Cir. 1979); 3A R. CALLMAN, *supra* note 3, § 20.05.

67. *See Fisher Stoves, Inc. v. All Nighter Stove Works, Inc.*, 626 F.2d 193, 194 (1st Cir. 1980); *King Research, Inc. v. Shulton, Inc.*, 324 F. Supp. 631, 636 (S.D.N.Y. 1971), *aff'd*, 454 F.2d 66 (2d Cir. 1972); *John Walker & Sons, Ltd. v. Bethea*, 305 F. Supp. 1302, 1306-07 (D.S.C. 1969).

68. *See, e.g., Playboy Enters., Inc. v. Chuckleberry Publishing, Inc.*, 687 F.2d 563, 567 (2d Cir. 1982) (focusing on confusion of source as the more persuasive).

69. *See Markel v. Scovill Mfg. Co.*, 471 F. Supp. 1244, 1253-54 (W.D.N.Y.), *aff'd*, 610 F.2d 807 (2d Cir. 1979); *Electronics Corp. of America v. Honeywell, Inc.*, 358 F. Supp. 1230, 1233 (D. Mass.), *aff'd*, 487 F.2d 513 (1st Cir.), *cert. denied*, 415 U.S. 960 (1973).

70. *See supra* note 39 and accompanying text.

71. *Armco, Inc. v. Armco Burglar Alarm Co.*, 693 F.2d 1155, 1159-60 (5th Cir. 1982); *Frisch's Restaurants, Inc. v. Elby's Big Boy, Inc.*, 670 F.2d 642, 648 (6th Cir.), *cert. denied*, 103 S. Ct. 231, 74 L. Ed. 2d 182 (1982); *McGregor-Doniger, Inc. v. Drizzle, Inc.*, 599 F.2d 1126, 1131 (2d Cir. 1979).

72. *Golden Door, Inc. v. Odisho*, 646 F.2d 347, 351 (9th Cir. 1980); *J.B. Williams Co. v. Le Conte Cosmetics*, 523 F.2d 187, 192 (9th Cir. 1975), *cert. denied*, 424 U.S. 913 (1976).

73. *Squirrco v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980); *Standard Oil Co. v. Standard Oil Co.*, 252 F.2d 65, 74 (10th Cir. 1958).

74. *Purolator, Inc. v. EFRA Distribs., Inc.*, 687 F.2d 554, 561 (1st Cir. 1982) (intent not necessary, but intent is relevant since intent to imitate increases likelihood of successfully inducing confusion).

75. *Playboy Enters., Inc. v. Chuckleberry Publishing, Inc.*, 687 F.2d 563, 567 (2d Cir. 1982).

76. *Universal Athletic Sales v. American Gym, Recreational & Athletic Equip.*, 397 F.

A district court's evaluation of the evidence and factors involved culminates in findings of fact. The proper classification of a finding of likelihood of confusion under the Lanham Act as one of fact or of law is unclear.⁷⁷ Classification is unavoidable, however, since the consequences for appellate review are dissimilar. Under rule 52 of the Federal Rules of Civil Procedure, a trial court's findings of fact may be reversed only when clearly erroneous.⁷⁸ Clearly erroneous findings are those that leave the circuit court with the definite and firm conviction that a mistake has been made.⁷⁹ If, on the other hand, likelihood of confusion is a legal question, circuit courts may effectively review the entire case *de novo*, since the clearly erroneous rule does not apply to questions of law.⁸⁰ Commentators and some courts suggest that such a finding is really a mixed question of law and fact,⁸¹ but this has been of little help in harmonizing the widely divergent approaches presently used in the circuit courts.

II. CIRCUIT COURT APPROACHES

A. The "Clearly Erroneous" Approach

Several circuits steadfastly hold that a finding of likelihood of confusion under the Lanham Act is strictly a question of fact and must not be disturbed unless clearly erroneous.⁸² The First Circuit recently adopted this approach in *Keebler Co. v. Rovira Biscuit Corp.*⁸³ The plaintiff in *Keebler* alleged trademark infringement and unfair competition. The district court found that the plaintiff's trademark was actually a generic term,⁸⁴ which is

Supp. 1063, 1072-73 (W.D. Pa. 1975), *aff'd*, 566 F.2d 1171 (2d Cir. 1976), *cert. denied*, 435 U.S. 971 (1978). For a general discussion of the various types of claims made actionable by the Lanham Act, see Comments, *supra* note 13.

77. For cases holding that likelihood of confusion is a question of fact, see *Armco, Inc. v. Armco Burglar Alarm Co.*, 693 F.2d 1155, 1159 (5th Cir. 1982); *Purolator, Inc. v. EFRA Distribs., Inc.*, 687 F.2d 554, 559 (1st Cir. 1980); *Sun Banks, Inc. v. Sun Fed. Sav. & Loan Ass'n*, 651 F.2d 311, 314-15 (5th Cir. 1981); *Squirtco v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980); *Keebler Co. v. Rovira Biscuit Corp.*, 624 F.2d 366, 377 (1st Cir. 1980). For cases holding that this issue is ultimately a question of law, see *Alpha Indus., Inc. v. Alpha Steel Tube & Shapes, Inc.*, 616 F.2d 440, 443-44 (9th Cir. 1980); *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 347 (9th Cir. 1979); *J.B. Williams Co. v. Le Conte Cosmetics, Inc.*, 523 F.2d 187, 190 (9th Cir.), *cert. denied*, 424 U.S. 913 (1976). See generally *Elby's Big Boy, Inc. v. Frisch's Restaurants, Inc.*, 103 S. Ct. 231, 231, 74 L. Ed. 2d 182, 182-83 (1982) (White, J., dissenting) (explaining conflict between circuits).

78. FED. R. CIV. P. 52(a). For discussion of the rule see *supra* notes 34 & 35 and accompanying text.

79. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 855 (1982); *United States v. United States Gypsum Co.*, 333 U.S. 364, 395 (1948).

80. See *Byram v. United States*, 705 F.2d 1418, 1421 (5th Cir. 1983); *Vesey v. United States*, 626 F.2d 627, 629 (9th Cir. 1980); C. WRIGHT, HANDBOOK ON THE LAW OF FEDERAL COURTS § 96, at 81 (3d ed. 1976).

81. *AMP Inc. v. Foy*, 540 F.2d 1181, 1187 (4th Cir. 1976); *J.B. Williams Co. v. Le Conte Cosmetics, Inc.*, 523 F.2d 187, 190 (9th Cir. 1975), *cert. denied*, 424 U.S. 913 (1976); *B.H. Bunn Co. v. AAA Replacement Parts*, 451 F.2d 1254, 1259 (5th Cir. 1976); 3A R. CALLMAN, *supra* note 3, at § 20.62.

82. See *supra* note 77.

83. 624 F.2d 366, 375 (1st Cir. 1980).

84. A generic term is one that has "come to be understood as referring to the genus of which the particular product is a species." *Id.* at 374 (citing *Abercrombie & Fitch Co. v.*

undeserving of protection.⁸⁵ The district court did, however, enjoin the defendant from using the same style of packaging because the plaintiff had exclusively used the particular package for a period of time sufficient to acquire a protectable interest.⁸⁶ The defendant packaged its product in a can of the same size and shape, although with a different color scheme. The First Circuit affirmed the finding that the plaintiff's trademark was generic and therefore unprotectable.⁸⁷ The defendant, realizing its heavy burden under rule 52 to show that the finding of a likelihood of confusion concerning its package was clearly erroneous,⁸⁸ argued that the standard of rule 52 should not apply. This argument was based on the fact that the district court's findings resulted solely from inferences drawn from the court's own examination of the two containers, without resort to testimony or other evidence.⁸⁹ The First Circuit held that a district court's inferences drawn from examinations of real evidence are governed by rule 52 the same as are findings based on testamentary and other documentary evidence.⁹⁰ The court recognized, however, that some circuits consider the question of likelihood of confusion as one of law.⁹¹ The decision to disagree with these circuits may have been tempered by the fact that the court reversed the trial court, using the rule 52 standard, and ruled that the finding of confusing package similarity was clearly erroneous.⁹²

Since its decision in *Keebler*, the First Circuit has had two opportunities to reaffirm its adherence to the clearly erroneous standard regarding Lanham Act claims. In *Fisher Stoves, Inc. v. All Nighter Stove Works, Inc.*⁹³ the First Circuit declined to hold clearly erroneous a district court's finding that no trademark infringement had occurred, even though the products had similar appearances and design features.⁹⁴ In *Purolator, Inc. v. EFRA Distributors, Inc.*⁹⁵ the court, as in *Keebler*, declined to engage in a de novo review when the district court's decision that an infringement had

Hunting World, Inc., 537 F.2d 4, 9 (2d Cir. 1976)). An example of a generic term is the use of the word "aspirin" to refer to a common analgesic sold under various names. 624 F.2d at 374.

85. 624 F.2d at 371. The Lanham Act requires cancellation of trademarks that have become "the common descriptive name for an article or substance." 15 U.S.C. § 1064(c) (1982). Generic terms also were not entitled to protection under the common law prior to the Lanham Act. *Kellogg Co. v. National Biscuit Co.*, 305 U.S. 111, 116 (1938) (no protection for generic terms); *Canal Co. v. Clark*, 80 U.S. (13 Wall.) 311, 323 (1871) (neither a generic name nor a name merely descriptive of an article, its ingredients, or characteristics can be employed as a trademark).

86. 624 F.2d at 371.

87. *Id.* at 376.

88. *See supra* notes 34 & 35, 78-80 and accompanying text for discussion of the standard under rule 52.

89. 624 F.2d at 377.

90. *Id.*

91. *Id.*

92. The *Keebler* court stated: "Even under this more generous standard of review, however, we cannot accept the district court's finding of likelihood of confusion." *Id.*

93. 626 F.2d 193 (1st Cir. 1980).

94. *Id.* at 194. Both parties manufactured woodburning stoves which resembled each other both overall and with respect to lesser details.

95. 687 F.2d 554 (1st Cir. 1982).

occurred was based on little more than documentary evidence regarding similarity of the products and their packaging.⁹⁶ Instead, the court affirmed the district court's holding as well-supported by the evidence.⁹⁷

The Fifth Circuit has also adopted the clearly erroneous approach. Its adherence to the standard in determining the existence of likelihood of confusion began in 1955 in *Squirrel Brand Co. v. Barnard Nut Co.*⁹⁸ Both parties in *Squirrel* used similar pictures of squirrels on the labels of their competing nut products. The district court classified likelihood of confusion as an issue of fact when stating its findings of fact and conclusions of law.⁹⁹ In affirming the district court's finding that no trademark infringement had occurred,¹⁰⁰ Judge Cameron stated that the district court's findings and conclusions must stand unless found to be clearly erroneous.¹⁰¹ A long line of precedent in the Fifth Circuit follows from this decision and the court has generally adhered to the clearly erroneous standard when reviewing findings of likelihood of confusion.¹⁰²

1. Exception: The Misapplication of Legal Principles

While the First Circuit has recently adopted the clearly erroneous approach, the Fifth Circuit has been governed by rule 52 when evaluating likelihood of confusion findings for a substantial period of time.¹⁰³ On occasion, however, the Fifth Circuit has avoided strict application of rule 52 by promulgating an exception: if the district court's finding of likelihood of confusion resulted from the misapplication of controlling legal principles, then such a finding is not protected by the clearly erroneous standard.¹⁰⁴

In *Continental Motors Corp. v. Continental Aviation Corp.*¹⁰⁵ the plaintiff alleged trademark infringement under section 32 of the Lanham Act. The plaintiff claimed that the name of the defendant's aircraft engine repair

96. *Id.* at 559.

97. *Id.* at 559-60.

98. 224 F.2d 840 (5th Cir. 1955).

99. *Id.* at 842 n.1 (finding no. 19).

100. The district court found that no likelihood of confusion existed since the plaintiff and the defendant each displayed their names prominently on their products' packages. *Id.* at 842 n.1 (findings nos. 16, 17, 19).

101. *Id.* at 843. With respect to conclusions of law, however, this holding is questionable. The trial court's application of law to the facts is not subject to the clearly erroneous standard on review. See C. WRIGHT, *supra* note 80, at 589.

102. See, e.g., *Exxon Corp. v. Texas Motor Exch.*, 628 F.2d 500, 504 (5th Cir. 1980); *Amstar Corp. v. Domino's Pizza, Inc.*, 615 F.2d 252, 258 (5th Cir.), *cert. denied*, 449 U.S. 899 (1980); *T.G.I. Friday's, Inc. v. International Restaurant Group, Inc.*, 569 F.2d 895, 899 (5th Cir. 1978); *Holiday Inns, Inc. v. Holiday Out in America*, 481 F.2d 445, 447 (5th Cir. 1973); *Sun-maid Raisin Growers v. Sunaid Food Prods., Inc.*, 356 F.2d 467, 468 (5th Cir. 1966); *Sears, Roebuck & Co. v. All States Life Ins. Co.*, 246 F.2d 161, 168 (5th Cir.), *cert. denied*, 355 U.S. 894 (1957).

103. See *supra* notes 83 & 98 and accompanying text.

104. See *Chevron Chem. Co. v. Voluntary Purchasing Groups, Inc.*, 659 F.2d 695, 703 (5th Cir. 1981), *cert. denied*, 457 U.S. 1126 (1982); *Kentucky Fried Chicken v. Diversified Packaging Corp.*, 549 F.2d 368, 384 (5th Cir. 1977); *Continental Motors Corp. v. Continental Aviation Corp.*, 375 F.2d 857, 859 (5th Cir. 1967).

105. 375 F.2d 857 (5th Cir. 1967).

business infringed on the plaintiff's trademark for its aircraft manufacturing business.¹⁰⁶ The district court dismissed the claim, holding that the absence of direct competition between the parties and the fact that the plaintiff was attempting to protect a trademark that included a geographical adjective compelled denial of relief.¹⁰⁷ On appeal the Fifth Circuit reversed and stated that the likelihood of confusion between the trademarks, and not the existence of competition between their owners, is the test to be applied to determine trademark infringement.¹⁰⁸

In *Kentucky Fried Chicken Corp. v. Diversified Packaging Corp.*,¹⁰⁹ however, the Fifth Circuit held that a district court had misapplied governing legal standards,¹¹⁰ even though the court had applied the likelihood of confusion test.¹¹¹ Upon review of the district court's interpretation of various factors, which had led to a finding that sufficient likelihood of confusion existed to constitute unfair competition, the court posited that a determination of likelihood of confusion requires two levels of fact finding.¹¹² First, the court must make primary findings or digits.¹¹³ Second, based on these digits the court must find whether a likelihood of confusion in fact exists.¹¹⁴ The court held, however, that although the district court had applied the proper analysis,¹¹⁵ it had improperly weighed certain digits in arriving at its finding of likelihood of confusion.¹¹⁶ The circuit court believed this to be a proper application of the "misapplication of legal standards" exception and engaged in a de novo review of the evidence.¹¹⁷ While the *Continental* court had merely applied the exception because the district court had failed to consider likelihood of confusion at all, the *Kentucky Fried Chicken* court used the exception to allow review of evidence that led to a finding of likelihood of confusion. In the second instance, the district court arguably applied the proper legal standards; the district court simply weighed the evidence in a different fashion, finding certain factors more persuasive than the appellate court would have found them.¹¹⁸

106. The plaintiff owned at least 20 trademarks, including the words "Continental Aviation." *Id.* at 858.

107. *Id.* at 859-60.

108. *Id.* at 861.

109. 549 F.2d 368 (5th Cir. 1977).

110. *Id.* at 385.

111. *Id.*

112. *Id.* at 384.

113. *Id.* at 382. The court defined primary findings of fact as "digits" in a professed attempt to clarify analysis of the likelihood of confusion issue.

114. *Id.* at 385.

115. The Fifth Circuit stated approvingly: "The [district] court's statement of the law and its analytical technique were impeccable." *Id.* at 384.

116. *Id.* at 384-85.

117. *Id.*

118. The impact of this decision is perhaps lessened by the fact that the Fifth Circuit agreed that the finding of unfair competition should stand after completing its own review of the evidence. *Id.* at 386. There seems to be no reason, however, why the court could not simply have stated that the district court's findings of fact were clearly erroneous, which would have allowed the court to engage in the same de novo review of the evidence. Nothing in rule 52 necessitates reversal of the district court's decision simply because its findings of fact were clearly erroneous. See FED. R. CIV. P. 52.

Possibly anticipating a loosening of the Fifth Circuit's adherence to rule 52 in Lanham Act cases, the appellee in *Sun Banks v. Sun Federal Savings & Loan*¹¹⁹ urged the Fifth Circuit to adopt a middle ground between the rule 52 standard and de novo review of the evidence. The Fifth Circuit rejected this contention, minimizing the analysis used in *Kentucky Fried Chicken*.¹²⁰ Curiously, however, the court then proceeded to review the entirety of the evidence.¹²¹ Although noting that the district court decision was partially based on its interpretation of witness credibility, the Fifth Circuit still reversed the lower court.¹²² Judge O'Kelley's dissenting opinion lamented that the majority had simply substituted its interpretation of the facts for that of the trial court, which violated the permissible scope of appellate review.¹²³

The Fifth Circuit recently applied the misapplication exception to the clearly erroneous standard in *Chevron Chemical Co. v. Voluntary Purchasing Groups*.¹²⁴ The plaintiff in *Chevron* brought an action for trade dress infringement¹²⁵ under section 43(a) of the Lanham Act. The plaintiff's claim alleged that the defendant's product packaging constituted a false designation of origin and a false description or representation.¹²⁶ The district court denied injunctive relief after finding the plaintiff's proof insufficient to establish that its trademark had acquired a secondary meaning or that the defendant's trade dress variations were likely to cause confusion.¹²⁷ The Fifth Circuit ruled on appeal that the central issue in a trade dress infringement suit under section 43(a) is whether a likelihood of confusion exists between the products, and not whether the plaintiff's trade

119. 651 F.2d 311 (5th Cir. 1981).

120. *Id.* at 314. The court stated: "Our comment in *Kentucky Fried Chicken* . . . that 'when a district court labors under a misapprehension concerning the governing legal norms, the "clearly erroneous" standard no longer circumscribes appellate review,' may not be taken as an erosion of the standard of review applicable to a finding of likelihood of confusion." *Id.*

121. *Id.* at 315-19.

122. *Id.* at 319.

123. *Id.* at 319-20. Judge O'Kelley's dissent stated:

The evidence supports the trial court's findings and conclusions. A reading of the majority opinion can lead to but one conclusion. That is that factually, not legally, this court finds that the appellant's name is not likely to be confused with the appellee's name and registered service mark. As a matter of law that conclusion cannot be reached.

Id. at 320.

124. 659 F.2d 695 (5th Cir. 1981).

125. A manufacturer will be liable for trade dress infringement if he packages his product in a manner that is confusingly similar to that of another. In this case such packaging constitutes a false representation of the product in violation of § 43(a) of the Lanham Act. *Id.* at 700. The court rejected the notion that confusing trade dress may constitute a false designation of origin under § 43(a), but recognized that other courts have differed. *Id.* n.5. For a general discussion of the nature of a trade dress infringement suit brought under § 43(a), see Note, *supra* note 11.

126. The plaintiff, a lawn and garden product manufacturer, claimed that the defendant had simply copied the plaintiff's packages when marketing its own garden products, hoping, presumably, to trade on the plaintiff's good will.

127. 659 F.2d at 696.

dress has acquired secondary meaning.¹²⁸ The court ruled, therefore, that the clearly erroneous standard did not apply to the appellate court's review of the evidence, even when no likelihood of confusion is found, since the trial court did not "apply governing legal standards in making its findings."¹²⁹ The circuit court reversed the district court without ruling that its finding was clearly erroneous.¹³⁰

The court's reasoning in *Chevron*, however, ignored the fact that the district court found that neither secondary meaning nor likelihood of confusion existed.¹³¹ The Fifth Circuit apparently felt that an unnecessary finding of fact on the part of the district court gave it carte blanche to review the other finding de novo without reference to rule 52. Clearly such an analysis by the appellate court circumvents, at least to some extent, the Fifth Circuit's usual application of rule 52 to a district court's findings of fact. Although the Fifth Circuit apparently continues to manifest an intent to treat the finding of likelihood of confusion as one of fact,¹³² the tenuous reasoning in Lanham Act cases promulgating this exception to rule 52 renders the future of the scope of review unclear in the Fifth Circuit.

2. The "Similarity of Marks" Exception

The Second Circuit currently agrees with the First and Fifth Circuits that the issue of likelihood of confusion is one of fact and therefore governed by rule 52.¹³³ Nonetheless, this circuit has also grafted an exception onto the rule. To the extent that a district court's finding concerning likelihood of confusion depends on a comparison of the trademarks themselves, the Second Circuit will review the finding de novo, reasoning that the appellate court is in as good a position to determine likelihood of confusion as the trial court under these circumstances.¹³⁴ The exception apparently stems from *Eastern Wine Corp. v. Winslow-Warren, Ltd.*,¹³⁵ which was decided prior to passage of the Lanham Act.¹³⁶ The rule stated in *Eastern Wine* allows de novo review only if the trial court's decision was based solely on a comparison of the trademarks themselves.¹³⁷ The Second Circuit, however, has broadened the rule so that the appellate court considers the extent that the district court's decision was based upon comparison of

128. *Id.* at 702-03.

129. *Id.* at 703.

130. *Id.*

131. *Id.* at 702. The opinion even states that the district court's decision was based on those two findings. *Id.*

132. See, e.g., *Armco, Inc. v. Armco Burglar Alarm Co.*, 693 F.2d 1155, 1158 (5th Cir. 1982); *Supreme Assembly, Order of Rainbow for Girls v. J.H. Ray Jewelry Co.*, 676 F.2d 1079, 1082 (5th Cir. 1982).

133. See, e.g., *DC Comics, Inc. v. Reel Fantasy, Inc.*, 696 F.2d 24, 27 (2d Cir. 1982); *American Int'l Group, Inc. v. London Am. Int'l Corp.*, 664 F.2d 348, 351 (2d Cir. 1981).

134. *Spring Mills, Inc. v. Ultracashmere House, Ltd.*, 689 F.2d 1127, 1130 (2d Cir. 1982); *McGregor-Doniger, Inc. v. Drizzle, Inc.*, 599 F.2d 1126, 1133 (2d Cir. 1979); *Miss Universe, Inc. v. Patricelli*, 408 F.2d 506, 509 (2d Cir. 1969).

135. 137 F.2d 955 (2d Cir. 1943).

136. The Lanham Act was passed in 1946; *Eastern Wine* was decided in 1943.

137. 137 F.2d at 960.

the similarity of the products or trademarks. The extent of de novo review of the similarities theoretically is limited to the weight given to the comparison by the district court in making its ultimate finding of a likelihood of confusion.

In *McGregor-Doniger, Inc. v. Drizzle, Inc.*¹³⁸ a manufacturer of golf jackets sued a seller of women's coats, alleging trademark infringement and false designation of origin under the Lanham Act, as well as common law unfair competition. The defendant sold a variety of women's coats, ranging in price from \$100 to \$900, under the unregistered trademark "Drizzle." The plaintiff owned the registered trademark "Drizzler," which was used for selling golf jackets priced from \$25 to \$50. The district court dismissed the complaint on the grounds that insufficient potential for confusion existed.¹³⁹ The Second Circuit asserted its right to consider de novo the similarity of the trademarks in question.¹⁴⁰ After reviewing the similarity of the marks, the court approved the finding of the district court that insufficient potential existed for confusion based on similarity alone.¹⁴¹ The appellate review of similarity had not been restricted to the marks themselves, but also included the manner in which they were advertised.¹⁴²

In *Spring Mills, Inc. v. Ultracashmere House, Ltd.*¹⁴³ the importer of a suede-like fabric selling under the registered trademark "Ultrasuede" sued a women's garment manufacturer, which marketed a fabric called "Ultracashmere." The importer alleged trademark infringement and false designation of origin under the Lanham Act, arguing that consumers would be confused as to the origin of "Ultracashmere." In reviewing the district court's finding concerning the similarity of the marks, the Second Circuit again asserted its right to consider such similarity de novo.¹⁴⁴ The court stated that an inquiry into the similarity of the marks should extend also into the setting in which the marks were used.¹⁴⁵ Using this new rubric, the court proceeded to consider evidence concerning the way the tags containing the trademarks in question were presented to prospective purchasers.¹⁴⁶ Based on its own evaluation of this evidence, the court disagreed with the trial judge's finding that the marks differed significantly.¹⁴⁷ The court nonetheless remained within the conventional strictures of rule 52 in overruling, as clearly erroneous, the trial court's other findings that the defendant did not act in bad faith in adopting its trademark and that no likelihood of confusion existed.¹⁴⁸

The Second Circuit again reviewed de novo the similarity of marks in

138. 599 F.2d 1126 (2d Cir. 1979).

139. *Id.* at 1133-34.

140. *Id.* at 1133.

141. *Id.* at 1133-34.

142. *Id.* at 1134-35.

143. 689 F.2d 1127 (2d Cir. 1982).

144. *Id.* at 1130.

145. *Id.*

146. *Id.*

147. *Id.* at 1132-33.

148. *Id.* at 1136.

*Playboy Enterprises v. Chuckleberry Publishing, Inc.*¹⁴⁹ The plaintiff in *Playboy* alleged the same violations of the Lanham Act as did the plaintiff in *McGregor-Doniger*.¹⁵⁰ The dispute in *Playboy* arose out of an Italian publisher's decision to publish an American version of its sex-oriented magazine under the title "Playmen." *Playboy Enterprises* brought suit under sections 32 and 43(a) of the Lanham Act to protect its registered trademark "Playboy." After a hearing on *Playboy's* motion for a preliminary injunction, the defendant offered to change the title of the American version of its magazine to "Adelina," with the subtitle "America's edition of Italy's Playmen." The district court eventually granted a permanent injunction against the use of the term "Playmen" in either the title or subtitle of its American edition, reasoning that the defendant's purpose in adopting the Playmen trademark was to trade on *Playboy's* popularity.¹⁵¹ After extensively reviewing the evidence, the Second Circuit used the yardstick of rule 52 broadly and stated that none of the findings of the district court were clearly erroneous.¹⁵²

The Second Circuit opinions all purport, in the abstract, to recognize that likelihood of confusion is a question of fact.¹⁵³ The similarity of marks exception, which allows for de novo review, has apparently been extended to include advertising and other methods of presenting the marks by the recent decisions in *Spring Mills* and *McGregor-Doniger*. Whether this evinces an insidious erosion of the Second Circuit's adherence to rule 52 in determining likelihood of confusion remains to be seen.

B. Ninth Circuit: The Two-Tiered Test

The Ninth Circuit's position on the issue of whether likelihood of confusion is a question of law or fact is not the polar opposite of other circuits, but allows a far broader scope of review in Lanham Act cases. In *Fleischmann Distilling Corp. v. Maier Brewing Co.*¹⁵⁴ a whiskey distributor sued a brewer and a grocer for trademark infringement under the Lanham Act. The distributor owned the trademark "Black & White," which it used on the label of its Scotch whiskey. The defendant brewer sold a cheap quality beer under the label "Black & White" to the defendant grocer. The district court denied injunctive relief, finding that the lack of real competition between the plaintiff's Scotch whiskey and the defendant's beer rendered confusion unlikely.¹⁵⁵ On appeal, the Ninth Circuit stated that the ques-

149. 687 F.2d 563 (2d Cir. 1982).

150. The plaintiff alleged trademark infringement, false designation of origin, and unfair competition, as well as a state law claim.

151. The district court first granted a preliminary injunction against the use of "Playmen" in the title of the magazine. 486 F. Supp. 414, 435 (S.D.N.Y. 1980). After a trial on the merits, the court granted a permanent injunction against the use of "Playmen" in either the title or the subtitle. 687 F.2d at 565.

152. 687 F.2d at 566.

153. *Playboy*, 687 F.2d at 566; *American Int'l Group, Inc. v. London Am. Int'l Corp.*, 664 F.2d 348, 351 (2d Cir. 1981); *McGregor-Doniger*, 599 F.2d at 1146.

154. 314 F.2d 149 (9th Cir. 1963).

155. 196 F. Supp. 401, 403 (N.D. Cal. 1961).

tion of likelihood of confusion was ultimately for the appellate court to answer.¹⁵⁶ The court, however, then assumed that the trial court's determination that no likelihood of confusion existed was a finding of fact and reversed the finding as clearly erroneous.¹⁵⁷ Whether the court truly intended to stray from the clearly erroneous standard in reviewing likelihood of confusion is unclear; yet this decision formed the basis for a fairly uniform line of precedent holding that likelihood of confusion is ultimately a question of law.¹⁵⁸

A recent Ninth Circuit case presented as its central issue determination of the appropriate standard of review concerning likelihood of confusion. In *Alpha Industries, Inc. v. Alpha Steel Tube & Shapes, Inc.*¹⁵⁹ the plaintiff sued for trademark infringement, unfair competition, and false designation of origin under the Lanham Act. The district court ruled that no likelihood of confusion between the trademarks was shown.¹⁶⁰ The appellant argued to the Ninth Circuit Court of Appeals that the finding of an absence of likelihood of confusion was really a legal conclusion and thus independently reviewable by the appellate court. The appellee maintained that such a finding was a finding of fact and therefore subject to the clearly erroneous standard of rule 52. The court held that a two-level test is the proper standard.¹⁶¹ Under the two-level test any disputed findings of fact that underlie the finding of likelihood of confusion are reviewed under the clearly erroneous standard,¹⁶² and the ultimate determination of likelihood of confusion is a legal conclusion subject to independent review by the appellate court.¹⁶³ The court then engaged in a structured, fact-by-fact analysis of each of the underlying factors and determined each finding concerning them not clearly erroneous.¹⁶⁴ Since none of the findings necessary to show likelihood of confusion were made by the district court, the

156. 314 F.2d at 152. The *Fleischmann* court cited *Sleeper Lounge Co. v. Bell Mfg. Co.*, 253 F.2d 720, 723 (9th Cir. 1958). In *Sleeper* the court held that since the trial court's determination resulted primarily from examining the trademarks themselves, both courts were equally able to judge likelihood of confusion.

157. 314 F.2d at 155.

158. See, e.g., *Alpha Indus., Inc. v. Alpha Steel Tube & Shapes, Inc.*, 616 F.2d 440, 443-44 (9th Cir. 1980) (two-step test is used with ultimate question of likelihood of confusion reviewed as a legal question); *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 347 (9th Cir. 1979) (recognizing that prior irreconcilable case law had been reconciled in a recent case so that where no facts were disputed likelihood of confusion was reviewable as a legal conclusion). But see *J.B. Williams Co. v. Le Conte Cosmetics, Inc.*, 523 F.2d 187, 191 (9th Cir. 1975) (even where underlying facts are disputed, if they are clearly erroneous, appellate court may reverse), *cert. denied*, 424 U.S. 913 (1976).

159. 616 F.2d 440 (9th Cir. 1980). For a discussion of the facts of this case, see *supra* text accompanying notes 55-57.

160. 616 F.2d at 442.

161. *Id.* at 443.

162. *Id.* at 443-44. The court referred to these underlying factors as "foundational facts." *Id.* The underlying factors involved in *Alpha* were the following: (1) the similarity of the marks; (2) evidence of actual confusion; (3) the relationship between appellant's and appellee's goods and channels of trade; (4) the strength of the appellant's mark; and (5) appellee's intent in adopting its mark. *Id.* at 444.

163. *Id.*

164. *Id.* at 444-46.

circuit court easily concluded that the district court's legal conclusions were correct.¹⁶⁵ The Ninth Circuit, therefore, has taken a structured, well-defined approach to the likelihood of confusion issue. The court again used this approach in *Golden Door, Inc. v. Odisho*.¹⁶⁶ In *Golden Door* the court determined that none of the underlying facts found by the trial court were clearly erroneous and consequently affirmed the trial court's decision.¹⁶⁷ The Ninth Circuit has not faced a situation in which it approves the district court's underlying findings of fact but reverses the decision based on an opposing legal conclusion as to likelihood of confusion. Until this transpires the Ninth Circuit approach, although potentially increasing the power of the appellate court,¹⁶⁸ will produce no different results than use of the clearly erroneous standard.

C. Miscellaneous Approaches

A standard similar to the Ninth Circuit's two-step test for appellate review has recently been promulgated in the Third Circuit. In *Scott Paper Co. v. Scott's Liquid Gold, Inc.*¹⁶⁹ the Third Circuit reversed a district court's finding that sufficient likelihood of confusion existed to warrant relief for trademark infringement.¹⁷⁰ The court recognized the confines of rule 52 with respect to findings of fact, but emphasized that neither inferences drawn from basic facts nor findings based primarily on documentary evidence are subject to rule 52.¹⁷¹ By implication, therefore, the court suggested that likelihood of confusion is not subject to rule 52 on appeal.¹⁷² Although the court made no explicit statement to this effect, its brief opinion overturning the trial court's exhaustive analysis of the evidence leads quickly to the conclusion that the appellate court presupposed that it was

165. *Id.* at 446.

166. 646 F.2d 347 (9th Cir. 1980). In *Golden Door* plaintiff operated a health and beauty spa under the registered trademark Golden Door. Hairstyling was one of the services provided at the spa. The defendant operated two hair styling salons, one under the name "Golden Door Coiffeur," and the other under the name "Golden Door for Hair." The salons were approximately 500 miles from the plaintiff's spa.

167. *Id.* at 351. The Ninth Circuit Court of Appeals independently found that the defendant's use of the plaintiff's trademark was likely to cause confusion, based on the trial court's findings concerning the underlying facts. *Id.* The effect of such an independent finding did not intrude on the trial court's findings at all, however, since the circuit court merely affirmed the lower court's decision.

168. Clearly, under the rubric used in both *Alpha Industries* and *Golden Door*, the Ninth Circuit could affirm every finding of "foundational fact" made by the district court and yet reverse upon reaching a different conclusion concerning likelihood of confusion after weighing these facts.

169. 589 F.2d 1225 (3d Cir. 1978).

170. *Id.* at 1230.

171. *Id.* at 1229 n.3. The court cited *In re Multidistrict Litigation Involving Frost Patent*, 540 F.2d 601, 603 (3d Cir. 1976) (appellate court was in as good a position as trial court to determine whether patent fraud had occurred, since finding was based on documentary evidence); *Universal Athletic Sales Co. v. Salkeld*, 511 F.2d 904, 907 (3d Cir.) (in copyright infringement case that involved no question of witness credibility, appellate court could determine for itself whether infringement had occurred), *cert. denied*, 423 U.S. 924 (1975).

172. 589 F.2d at 1229 n.3.

reviewing a question of law.¹⁷³

The Fourth Circuit is currently laboring under inconsistent precedent with respect to the likelihood of confusion issue. In *AMP Inc. v. Foy*¹⁷⁴ the plaintiff, AMP Incorporated, sued the defendant, Amp Electric Company, for trademark infringement. The plaintiff manufactured electrical component parts, which it sold mainly to power companies, discount houses, and manufacturers of electrical appliances. The defendant operated an electrical contracting company and engaged in wiring houses and apartments and repairing home appliances. The district court denied relief, finding that the word "amp" is used in contexts other than the electrical trade and that the plaintiff and defendant were not competitors.¹⁷⁵ The defendant's use of the word "amp" was, therefore, not likely to confuse the plaintiff's customers.¹⁷⁶ The Fourth Circuit undertook a complete de novo review of the evidence¹⁷⁷ and ultimately held that the trial court improperly weighed the evidence, which mandated a reversal.¹⁷⁸ The court noted that decisions in other circuits hold that likelihood of confusion is an inference to be drawn from facts, and, therefore, the court might not be bound by rule 52 when reviewing a district court's finding of likelihood of confusion.¹⁷⁹ The lack of clarity of this statement combined with the later Fourth Circuit decision in *Marcon, Ltd. v. Helena Rubenstein, Inc.*¹⁸⁰ arguably minimizes the significance of this dictum. In *Marcon* the Fourth Circuit approved a district court's characterization of the issue of likelihood of confusion in a trademark infringement case as a question of fact.¹⁸¹ The Fourth Circuit explicitly held that such a finding of fact could only be overturned if clearly erroneous.¹⁸²

173. The trial judge's extensive 30-page opinion culminated in a specific finding that the defendant's actions created a likelihood of confusion. 439 F. Supp. 1022, 1052 (D. Del. 1977). The Third Circuit focused more on the question of whether the plaintiff's trademark had acquired a secondary meaning in the minds of customers such that it would be protectible. 589 F.2d at 1228. This consequently down-played the court's decision to overturn the finding of a likelihood of confusion.

174. 540 F.2d 1181 (4th Cir. 1976).

175. 379 F. Supp. 105, 111 (W.D.N.C. 1974). As evidence of the fact that the word "amp" is used in contexts outside the electrical trade, and is "a well recognized feature of the English language," *id.* at 108, Judge McMillan relied upon the following limerick by William S. BaringGould:

A lady removing her scanties
 Heard them crackle electrical chanties;
 Said her husband, "My dear,
 I very much fear .
 You suffer from amps in your panties."

Id.

176. *Id.* at 111.

177. 540 F.2d at 1184-87.

178. *Id.* at 1187.

179. *Id.* The fact that the Fourth Circuit simply undertook a reweighing of the evidence without holding the trial court's findings clearly erroneous seriously jeopardizes the precedential value of this decision, given the Supreme Court's recent holding in *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844 (1982); *see infra* notes 197-208 and accompanying text.

180. 694 F.2d 953 (4th Cir. 1982).

181. *Id.* at 955.

182. *Id.* at 956.

The Sixth Circuit has recently placed itself in the two-level test category by explicitly adopting, without discussion, the Ninth Circuit approach to the question of likelihood of confusion.¹⁸³ The Seventh Circuit, on the other hand, has confirmed its adherence to the clearly erroneous standard when reviewing this issue.¹⁸⁴ The Seventh Circuit, however, recognizes the Second Circuit's "similarity of marks" exception, which allows the circuit court to use a broader standard of review when the district court's decisions in trademark infringement cases are primarily predicated on interpretation of documentary evidence.¹⁸⁵

The Eighth Circuit also holds that likelihood of confusion is strictly an issue of fact.¹⁸⁶ No recognized exceptions to the rule, however, are apparent in existing Eighth Circuit precedent. Finally, the Eleventh Circuit holds that a finding of likelihood of confusion is a question of fact, which is irreversible unless found to be clearly erroneous.¹⁸⁷ The remaining circuits have not rendered an opinion on the issue.

III. SUPREME COURT GUIDANCE

In *Frisch's Restaurants, Inc. v. Elby's Big Boy, Inc.*¹⁸⁸ a restaurant owner licensed to use a trademark in Ohio brought suit for infringement.¹⁸⁹ The defendants held a license to use the same trademark in adjoining West Virginia, but the plaintiff contended that television advertising conducted by the defendant reached both states, creating a false impression that the plaintiff's products were available at restaurants operated by the defendant, but not under a trademark, in Ohio.¹⁹⁰ The district court granted a preliminary injunction against the advertising under section 43(a) of the Lanham Act, based on a finding that the advertising created a likelihood

183. *Frisch's Restaurants v. Elby's Big Boy, Inc.*, 670 F.2d 642, 651 (6th Cir.), *cert. denied*, 103 S. Ct. 231, 74 L. Ed. 2d 182 (1982). The Sixth Circuit gave little rationale for adopting the test, but stated only that "The Ninth Circuit has developed a two-level test for reviewing lower court findings of likelihood of confusion." *Id.* The Sixth Circuit merely stated that it agreed with the Ninth Circuit and proceeded to apply the two-level test to the case at bar. *Id.* For more discussion of *Elby*, see *infra* notes 189-96 and accompanying text.

184. *Henri's Food Prods. Co. v. Kraft, Inc.*, 717 F.2d 352, 354 (7th Cir. 1983).

185. *James Burrough Ltd. v. Sign of the Beefeater, Inc.*, 540 F.2d 266, 273 (7th Cir. 1976); *Union Carbide Corp. v. Ever-Ready Inc.*, 531 F.2d 366, 383 (7th Cir.), *cert. denied*, 429 U.S. 830 (1976).

186. *John Deere & Co. v. Payless Cashways, Inc.*, 681 F.2d 520, 524 (8th Cir. 1982); *Metric & Multistandard Components Corp. v. Metric's, Inc.*, 635 F.2d 710, 714 (8th Cir. 1980); *Squirtco v. Seven-Up Co.*, 628 F.2d 1086, 1091 (8th Cir. 1980).

187. *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 973 (11th Cir. 1983); *Original Appalachian Artworks, Inc. v. Toy Loft, Inc.*, 684 F.2d 821, 832 (11th Cir. 1982). All Fifth Circuit decisions made prior to Sept. 30, 1981, are binding on the Eleventh Circuit. See *Bonner v. City of Prichard*, 661 F.2d 1206, 1207 (11th Cir. 1981). The Fifth Circuit clearly views likelihood of confusion as an issue of fact. See *supra* notes 98-102 and accompanying text.

188. 514 F. Supp. 705 (S.D. Ohio 1981), *aff'd in part and rev'd in part*, 670 F.2d 642 (6th Cir.), *cert. denied*, 103 S. Ct. 231, 74 L. Ed. 2d 182 (1982).

189. The plaintiff was licensed to use the "Big Boy" trademark in connection with advertising and promotion of its 80 restaurants in Ohio.

190. 514 F. Supp. at 707-08.

of confusion.¹⁹¹ On appeal, the Sixth Circuit adopted the Ninth Circuit's two-level test; the circuit court reviewed the foundational facts found by the district court under the clearly erroneous standard,¹⁹² but reviewed de novo the conclusion of likelihood of confusion.¹⁹³ The court noted that the facts were not in dispute and based its decision wholly on its de novo review of the district court's finding of likelihood of confusion.¹⁹⁴ The appellate court held that the injunction that had been issued was not broad enough,¹⁹⁵ and the defendant petitioned the Supreme Court for a writ of certiorari to review the case. Although certiorari was denied, Justice White dissented and argued that the conflict over the standard of review deserved resolution.¹⁹⁶

Although the Supreme Court did not directly act to resolve this dilemma, the Court's recent decision in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*¹⁹⁷ provides some guidance. In *Ives* a drug manufacturer brought suit after discovering that some pharmacists dispensed generic substitutes for the manufacturer's drug in bottles that were labeled with the manufacturer's trademark. The district court denied preliminary injunctive relief,¹⁹⁸ and the Second Circuit affirmed.¹⁹⁹ The appellate court suggested that the manufacturers of the generic drugs would be liable if they continued to sell drugs to pharmacists who they knew were infringing on the plaintiff's trademark, or if they impliedly suggested through their actions that the pharmacists should mislabel the drugs.²⁰⁰ After a trial on the merits, the district court denied any relief to the plaintiff, finding that no contributory infringement had occurred.²⁰¹ The Second Circuit reversed after evaluating the evidence de novo without holding that the district court's findings were clearly erroneous.²⁰² The Supreme Court held that the Second Circuit's failure to abide by the

191. *Id.* at 712.

192. 670 F.2d at 648. Factors used in determining likelihood of confusion by the Sixth Circuit included the following: (1) strength of the plaintiff's mark; (2) relatedness of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) likely degree of purchaser care; (7) defendant's intent in selecting the mark; and (8) likelihood of expansion of the product lines. *Id.*

193. *Id.* at 651.

194. *Id.* The *Elby* court stated:

Even without evidence of actual consumer confusion, examination of the other factors which are not in dispute, i.e., intent, likely degree of purchaser care, and the unavoidable confusion resulting from the use of identical trademarks in similar marketing channels, inexorably leads to the "legal conclusion" that confusion is just as likely to result from *Elby's* newspaper advertisements as from their television advertisements.

Id.

195. *Id.* at 652. The Sixth Circuit extended the injunction to include newspaper advertisement.

196. 103 S. Ct. 231, 74 L. Ed. 2d 182 (1982) (White, J., dissenting).

197. 456 U.S. 844 (1982).

198. *Ives Labs., Inc. v. Darby Drug Co.*, 455 F. Supp. 939, 951 (E.D.N.Y. 1978). An injunction was granted against a different defendant.

199. 601 F.2d 631, 644 (2d Cir. 1979).

200. *Id.* at 636.

201. 488 F. Supp. 394, 398 (E.D.N.Y. 1980).

202. 638 F.2d 538, 543-45 (2d Cir. 1981).

clearly erroneous standard in rule 52 was reversible error.²⁰³

The application of this decision to the likelihood of confusion issue is limited because the courts never determined whether likelihood of confusion existed. The Supreme Court accepted the conclusion that a trademark infringement had occurred because of the proven instances of mislabeling.²⁰⁴ The court, therefore, did not discuss the likelihood of confusion issue, upon which the usual claim for trademark infringement under the Lanham Act is predicated. Rather, the issues at trial involved whether the imitation of the plaintiff's drug and the distribution of a catalogue revealing its similar appearance to the defendant's generic product contributed to a trademark infringement by the pharmacists.²⁰⁵

The significance of the decision with respect to the standard of review lies in the Supreme Court's commitment to vigilant enforcement of rule 52. The *Ives* Court stated:

By rejecting the District Court's findings simply because it would have given more weight to evidence of mislabeling than did the trial court, the Court of Appeals clearly erred. Determining the weight and credibility of the evidence is the special province of the trier of fact. Because the trial court's findings concerning the significance of the instances of mislabeling were not clearly erroneous, they should not have been disturbed.²⁰⁶

This edict potentially undermines the Ninth Circuit's use of the two-step test to determine likelihood of confusion, because the Ninth Circuit abides by rule 52 only with respect to the trial court's determination of foundational facts.²⁰⁷ District courts must weigh these facts according to the degree they militate toward or against a finding of likelihood of confusion, but the Ninth Circuit reviews this balancing process *de novo*. The Supreme Court's decision in *Ives* suggests that *de novo* review may be an improvident intrusion into the province of the factfinder.

In *Ives* the Supreme Court reiterated its earlier definition of the clearly erroneous standard given in *United States v. United States Gypsum Co.*²⁰⁸ The Court in *United States Gypsum* held that an appellate court may determine a trial court's findings clearly erroneous only when "the reviewing court on the entire evidence is left with the definite and firm conviction

203. 456 U.S. at 856.

204. *Id.* at 854. The court stated "It is undisputed that those pharmacists who mislabeled generic drugs with Ives registered trademark violated § 32." *Id.* (footnote omitted).

205. A finding of likelihood of confusion was not required in this situation. The court stated the test for contributory infringement as follows:

[I]f a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorily responsible for any harm done as a result of the deceit.

Id. at 854 (footnote omitted).

206. *Id.* at 856.

207. See *supra* notes 154-68 and accompanying text.

208. 333 U.S. 364 (1948).

that a mistake has been committed."²⁰⁹ The Supreme Court also stated that inferences drawn from documents or undisputed facts are circumscribed on appeal by rule 52.²¹⁰ Insofar as the Second Circuit's similarity of marks exception to the clearly erroneous standard²¹¹ conflicts with the *United States Gypsum* holding, future rejection of this exception by the Supreme Court seems likely.

In *Ives* the Court did not, however, specifically reaffirm the statement in *United States Gypsum* concerning inferences drawn from documentary evidence.²¹² Federal courts display a general disagreement concerning the scope of appellate review of inferences drawn from facts by the trial court.²¹³ The Supreme Court previously discussed the problem of categorizing a finding as one of law or fact in *Baumgartner v. United States*.²¹⁴ In *Baumgartner* the United States attempted to revoke the citizenship of a naturalized citizen.²¹⁵ The district court held that citizenship should be revoked,²¹⁶ and the Eighth Circuit affirmed.²¹⁷ The Supreme Court, while professing respect for the lower court's findings, held that the proof did not merit denaturalization.²¹⁸ The court recognized a distinction between subsidiary facts and ultimate facts.²¹⁹ The characterization of a trial court's findings as one of ultimate fact, the Court stated, makes permissible a broader scope of review than that exercised concerning subsidiary facts.²²⁰ The Court concluded that it was entitled to review the finding of the district court that sufficiently clear evidence existed to warrant cancellation of a naturalization certificate.²²¹ This analytical framework closely parallels the Ninth Circuit's two-level test for reviewing findings of likelihood of confusion in Lanham Act claims.²²² Apparently, given the similarity, disapproval of the Ninth Circuit test in claims brought under the Lanham Act

209. *Id.* at 395.

210. *Id.* at 394.

211. The Second Circuit does not abide by rule 52 in determining likelihood of confusion when the district court's decision was based on the similarity of the trademarks themselves. See *supra* notes 133-53 and accompanying text.

212. No discussion of inferences drawn from facts occurred in *Ives*.

213. See 2 J. MCCARTHY, *supra* note 33, § 23.22; C. WRIGHT, *supra* note 80, § 96.

214. 322 U.S. 665 (1944).

215. The citizen allegedly was a Nazi sympathizer during World War II while residing in the United States.

216. 47 F. Supp. 622 (W.D. Mo. 1942).

217. 138 F.2d 29, 35 (8th Cir. 1943).

218. 322 U.S. at 670. The Court stated:

That the concurrent findings of two lower courts are persuasive proof in support of their judgments is a rule of wisdom in judicial administration. In reaffirming its importance we mean to pay more than lip service. But the rule does not relieve us of the task of examining the foundation for findings in a particular case.

Id.

219. *Id.* at 671.

220. *Id.* at 670-71.

221. *Id.* at 671.

222. The Supreme Court in *Baumgartner* discussed ultimate facts versus subsidiary facts. The Ninth Circuit characterizes these subsidiary facts as foundational facts. See *Alpha Indus., Inc. v. Alpha Steel Tube & Shapes, Inc.*, 616 F.2d 440, 443-44 (9th Cir. 1980); *supra* notes 159-66 and accompanying text.

would require disavowal of the reasoning in *Baumgartner*.²²³

A. An Analogy to Securities Decisions

One way to resolve the dilemma regarding appellate review of likelihood of confusion would be to abandon efforts to categorize this issue as one of fact or of law, and instead categorize it as a mixed question of law and fact. The Supreme Court analyzed the process of reviewing a somewhat analogous mixed law and fact question in the securities regulation area in *TSC Industries, Inc. v. Northway, Inc.*²²⁴ In *Northway* a minority shareholder sued two companies that had recently merged, claiming that their joint proxy statements issued to solicit approval of the merger contained materially misleading omissions in violation of section 14(a) of the Securities Exchange Act of 1934²²⁵ and rules 14a-3 and 14a-9 promulgated under that Act.²²⁶ The shareholder moved for summary judgment on the grounds that certain omissions from the proxy statements were material as a matter of law. The district court granted instead the defendants' motion for summary judgment,²²⁷ but the court of appeals reversed and granted partial summary judgment for the shareholder.²²⁸

The Supreme Court characterized the materiality of the misrepresentations as a mixed question of law and fact.²²⁹ The Court stated that consideration of the underlying facts is only part of the analysis necessary to determine whether the omissions are material, and that final determination of materiality requires a court to assess the inferences a reasonable shareholder would draw from the underlying facts.²³⁰ The Court also stated that these assessments are properly left to the trier of fact.²³¹ In reversing the grant of summary judgment to the shareholder, the Court held that none of the omissions from the proxy statements were material as a matter of law.²³²

The Supreme Court recognized that two levels of findings are required to determine the presence of materiality, or lack thereof, just as the Ninth Circuit has recognized that a two-tier analysis is necessary to determine the existence of likelihood of confusion in actions brought under the Lanham Act.²³³ The Supreme Court held, however, that the assessment of inferences drawn from the underlying facts regarding the issue of materiality is

223. The Supreme Court noted in *Baumgartner*, however, that flexibility in characterizing a finding as one of law or of fact is particularly applicable to cases involving broad social judgments. 322 U.S. at 671. Since the Lanham Act case may not possess this status given its commercialized context, *Baumgartner* can perhaps be read as not necessarily endorsing the Ninth Circuit's logic.

224. 426 U.S. 438 (1976).

225. 15 U.S.C. § 78n(a) (1982).

226. 17 C.F.R. §§ 240.14a-3, 240.14a-9 (1983).

227. 361 F. Supp. 108, 120 (N.D. Ill. 1973).

228. 512 F.2d 324, 342 (7th Cir. 1975).

229. 426 U.S. at 450.

230. *Id.*

231. *Id.*

232. *Id.* at 463-64.

233. See *supra* notes 154-68 and accompanying text.

clearly in the trial court's domain.²³⁴ The holding in *Northway*, by analogy, suggests that if the issue of likelihood of confusion may properly be classified as a mixed question of law and fact, then the Supreme Court would still expect circuit courts to abide by rule 52 and reverse only when willing to label the lower court's findings as clearly erroneous.

IV. THE PATENT LAW ANALOGY OF OBVIOUSNESS

One commentator has noted that determination of whether a patent is valid bears analytical resemblance to determination of whether trademark infringement has occurred.²³⁵ An invention may not be protected by a patent if the invention is obvious.²³⁶ A court's finding as to whether an invention is obvious has traditionally been characterized as a question of law.²³⁷ Circuit courts, therefore, are not bound by rule 52 when reviewing the evidence leading to such a finding. Recent decisions, however, illustrate that the circuits are no longer in harmony on this issue.

The Fifth Circuit recently held that while the ultimate question of obviousness is one of law, certain findings of fact underly this determination.²³⁸ This type of analysis is similar to the two-level test used by the Ninth Circuit to determine likelihood of confusion in trademark infringement cases,²³⁹ but the Fifth Circuit does not subscribe to the two-level test when reviewing findings of likelihood of confusion.²⁴⁰ Both the First and Tenth Circuits have recently characterized the issue of obviousness as a question of fact.²⁴¹ The Tenth Circuit agrees that the ultimate validity of a patent is a question of law, but considers obviousness as one of the underlying factual determinations that is necessary to determine the validity of the patent.²⁴² Since the ultimate test of patent validity is obviousness,²⁴³ however,

234. 426 U.S. at 450.

235. 2 J. MCCARTHY, *supra* note 33, § 23.22.

236. 35 U.S.C. § 103 (1976) provides that an invention is not eligible for patent: [I]f the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.

237. 2 J. MCCARTHY, *supra* note 33, § 23.22.

238. *Reed Tool Co. v. Dresser Indus., Inc.*, 672 F.2d 523, 527 (5th Cir. 1982).

239. *See Alpha Indus. v. Alpha Steel Tube & Shapes, Inc.*, 616 F.2d 440, 443 (9th Cir. 1980).

240. *See Chevron Chem. Co. v. Voluntary Purchasing Groups*, 659 F.2d 695, 703 (5th Cir. 1981); *supra* notes 98-102 and accompanying text (Fifth Circuit adheres to "clearly erroneous" standard).

241. *Carter Wallace, Inc. v. Gillette Co.*, 675 F.2d 10, 13 (1st Cir. 1981); *Central Soya Co. v. Geo. A. Hormel Co.*, 645 F.2d 847, 850 (10th Cir. 1981); *Forbro Design Corp. v. Raytheon Co.*, 532 F.2d 758, 763 (1st Cir. 1976). In *Forbro* the First Circuit stated: [O]bviousness as an ultimate question cannot meaningfully be separated from those factual determinations which are peculiarly within the trial court's province, such as the credibility of the experts. The district court's supported findings on obviousness will therefore normally stand unless manifesting a misconception of the correct legal standard.

532 F.2d at 763.

242. *Central Soya Co. v. Geo. A. Hormel & Co.*, 645 F.2d 847, 850 (10th Cir. 1981).

243. 35 U.S.C. § 103 (1976); *see Central Soya Co. v. Geo. A. Hormel & Co.*, 645 F.2d 847,

the reasoning of the Tenth Circuit effectively means that obviousness is reviewable on appeal as a conclusion of law. The remaining circuits generally consider the question of obviousness a legal question.²⁴⁴

A finding of obviousness in patent cases parallels a finding of likelihood of confusion in trademark infringement cases because both require inferences to be drawn by a court based on the consideration of various factors.²⁴⁵ Because disagreement exists among the circuits concerning the treatment of obviousness in patent cases, an analogy to this doctrine can no longer be confidently used to buttress an argument for considering likelihood of confusion as either a question of fact or a conclusion of law.

V. RULES 52 AND 56: APPLICATION TO THE MORASS

The rigid classification of likelihood of confusion as a question of fact by some circuits has significant implications. First, since likelihood of confusion is the gravamen of an action brought under the Lanham Act for either trademark infringement or unfair competition,²⁴⁶ an appellate court can reverse a decision only if the trial court's finding is determined to be clearly erroneous.²⁴⁷ Although the appellate courts are skilled in applying the law to the facts,²⁴⁸ little, if any, occasion to use this skill arises under Lanham Act claims in circuits that classify likelihood of confusion as a question of fact. Since the ultimate test for infringement is a question of fact, appellate discretion is rarely involved, unless the trial court simply does not apply the standard as the determinative test.²⁴⁹ These circuits are apparently cognizant of the danger to the integrity of the judicial system engendered by the retrial of fact issues under the guise of appellate re-

850 (10th Cir. 1981) (explaining § 103). See also *Graham v. John Deere Co.*, 383 U.S. 17 (1966) (inquiries into the obviousness of the subject matter sought to be patented are a prerequisite to patentability).

244. See *Baumstimler v. Rankin*, 677 F.2d 1061, 1070 (5th Cir. 1982); *Contico Int'l, Inc. v. Rubbermaid Commercial Prods., Inc.*, 665 F.2d 820, 823 (8th Cir. 1981); *Kabushiki Kaisha Audio-Technica v. Atlantis Sound, Inc.*, 629 F.2d 978, 980 (4th Cir. 1980); *Sargent-Welch Scientific Co. v. J/B Indus., Inc.*, 496 F. Supp. 972, 977 n.8 (N.D. Ill. 1980); *Bergstrom v. Sears, Roebuck & Co.*, 496 F. Supp. 476, 485 (D. Minn. 1980). But see *Studiengesellschaft Kohle v. Eastman Kodak Co.*, 616 F.2d 1315, 1322-23 (5th Cir.) (issue of patent infringement is one of fact, but patent validity is a question of law), *cert. denied*, 449 U.S. 1014 (1980). The court in *Studiengesellschaft* noted that patent cases are well-suited for judging the trial court's evaluation of evidence according to rule 52 because the cases frequently contain conflicts of expert testimony. 616 F.2d at 1323.

245. Factual inquiries involved in determining patent validity under 35 U.S.C. § 103 (1976) include the following: (1) the scope and content of the prior art; (2) the differences between the prior art and the claims at issue; and (3) the level of ordinary skill in the pertinent art. *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1965). For factors used to prove likelihood of confusion, see *supra* notes 162 & 192.

246. See *supra* text accompanying note 39.

247. See generally *supra* notes 82-102 and accompanying text discussing the clearly erroneous approach to the issue of likelihood of confusion.

248. *Glassman Constr. Co. v. United States*, 421 F.2d 212, 214 (4th Cir. 1970).

249. See *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 855 n.15 (1982) (court's findings based on mistaken impression of applicable legal principles do not bind reviewing court to rule 52).

view.²⁵⁰ The Supreme Court recently stated in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*²⁵¹ that rule 52 is grounded in respect for the "unique opportunity afforded the trial court judge to evaluate the credibility of witnesses and weigh the evidence."²⁵² Failure to apply rule 52 to findings made solely on the basis of documentary evidence, however, does not seem to violate the spirit of rule 52 because credibility is not an issue. Nevertheless, one could question whether the appropriate role of the appellate court is to give the losers at trial a second chance on fact questions.

Another implication of *Ives* may highlight a conflict between the Ninth Circuit's approach and rule 52. Justice White, in a concurring opinion, agreed with the majority's conclusion that the circuit court wrongly overturned the district court's finding that the features upon which the plaintiff based its infringement claim were functional and therefore not an infringement.²⁵³ Justice White referred to the subsidiary factors used by the district court in determining that the features were functional as findings and clearly concluded that the ultimate finding is governed on appeal by rule 52.²⁵⁴ The district court's analysis to determine functionality is analogous to the two-level test used in the Ninth Circuit to determine existence of likelihood of confusion.²⁵⁵ The Ninth Circuit's characterization of the ultimate finding of likelihood of confusion as a question of law may, by analogy, be jeopardized.

An even more significant consequence of the characterization of the likelihood of confusion test as a finding of fact is demonstrated by the application of rule 56, which concerns summary judgments.²⁵⁶ Federal courts are precluded from granting summary judgments to either party if a

250. See *Bellevue Gardens, Inc. v. Hill*, 297 F.2d 185, 186-87 (D.C. Cir. 1961) (integrity of judicial system rests on the principle that precludes retrial of fact issues under the pretense of appellate review).

251. 456 U.S. 844 (1982).

252. *Id.* at 855.

253. *Id.* at 861-62. When the objectionable features of an alleged infringer's product are functional, the product does not constitute infringement so long as the functional features are not patented. When the attributes complained of perform recognizable functions, society's interest in free competition allows them to imitate features of other products with impunity. See *Fisher Stoves, Inc. v. All Nighter Stove Works, Inc.*, 626 F.2d 193, 195 (1st Cir. 1980).

Justice White noted several factors that the district court used to determine that the attributes were functional. 456 U.S. at 862.

254. Justice White concluded that "Clearly, the Court of Appeals could not reject these findings merely because it viewed the evidence as less persuasive than did the District Court. Rule 52(a) imposes a stricter standard." 456 U.S. at 862.

255. The Ninth Circuit analyzes various underlying factors according to the clearly erroneous test and then considers the ultimate question of likelihood of confusion to be a question of law. See *Alpha Indus., Inc. v. Alpha Steel Tube & Shapes, Inc.*, 616 F.2d 440, 443 (9th Cir. 1980).

256. FED. R. CIV. P. 56(c) provides in part:

The judgment sought shall be rendered forthwith if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law.

Id.

genuine issue of material fact exists.²⁵⁷ In circuits that consider likelihood of confusion an exclusively factual question, summary judgment could rarely, if ever, be granted in claims brought under the Lanham Act because factual issues are inappropriate for determination by summary judgment.²⁵⁸ A circuit court would have no available grounds on which to issue summary judgment without admitting that the final determination of the issue of likelihood of confusion is a question of law.²⁵⁹ This restriction may not be a cause for concern, however, since the findings in an unfair competition case involve a complex assessment of many variables,²⁶⁰ and federal courts often state that summary judgment is inappropriate when complex issues are involved.²⁶¹

If a court determines as a matter of law that no likelihood of confusion exists and grants summary judgment on that basis, but professes to consider likelihood of confusion a question of fact, then arguably a *de facto* adoption of the Ninth Circuit's two-level test occurs. The Ninth Circuit treats the facts underlying a determination of likelihood of confusion as subject to rule 52 and the ultimate determination of likelihood of confusion as a question of law open to redetermination by the circuit courts.²⁶²

If likelihood of confusion is thought of as requiring a determination of the state of mind of consumers, concern for interference with rendition of summary judgment in those circuits that treat the issue as a question of

257. *Id.*

258. *E.g.*, *Keiser v. Coliseum Properties, Inc.*, 614 F.2d 406, 410 (5th Cir. 1980).

259. This problem was narrowly avoided in *WSM, Inc. v. Tennessee Sales Co.*, 709 F.2d 1084 (6th Cir. 1983). The defendant in *WSM* appealed from the district court's summary judgment granted to the plaintiff. The defendant claimed summary judgment was inappropriate in trademark infringement cases brought under the Lanham Act. The Sixth Circuit, relying on its recent decision in *Frisch's Restaurants v. Elby's Big Boy, Inc.*, 670 F.2d 642 (6th Cir.), *cert. denied*, 103 S. Ct. 231, 74 L. Ed. 2d 182 (1982), *discussed supra* notes 188-96 and accompanying text, held that summary judgment was just as appropriate in trademark infringement cases as in any other case. 614 F.2d at 1086. The court stated that likelihood of confusion is a question of law, which is an appropriate issue for summary judgment. *Id.* In circuits that treat likelihood of confusion as a question of fact, likelihood of confusion may not, theoretically, be an appropriate issue for summary judgment.

See also *TSC Indus., Inc. v. Northway, Inc.*, 426 U.S. 438 (1975), in which the decision turned on the materiality of the misrepresentations and omissions in the proxy statements issued by the defendant. The Supreme Court reversed the appellate court's grant of summary judgment to the plaintiff, and held that none of the omissions were material as a matter of law. *Id.* at 450. The Court reasoned that the findings required to determine materiality were "peculiarly ones for the trier of fact." *Id.* The *Northway* decision further supports the notion that summary judgment may be inappropriate on the issue of likelihood of confusion in Lanham Act cases, since resolution of this issue similarly requires initial and ultimate findings of fact. For a thorough discussion of the *Northway* case, see *supra* text accompanying notes 224-34.

260. *See supra* text accompanying note 71.

261. *See, e.g.*, *Benson v. Allphin*, 544 F. Supp. 464, 470 (N.D. Ill. 1982) (summary judgment is particularly inappropriate in cases involving complex fact situations, disputed testimony, or delicate constitutional rights); *Hoover v. Holston Valley Community Hosp.*, 545 F. Supp. 8, 11 (E.D. Tenn. 1981) (trial judge should be slow to dispose of actions of any complexity by summary judgment); *Lopez v. Modisitt*, 488 F. Supp. 1169, 1174 (W.D. Mich. 1980) (court must be extremely hesitant to grant summary judgment on important and complex issues without adequate factual basis in record).

262. *Alpha Indus., Inc. v. Alpha Steel Tube & Shapes, Inc.*, 616 F.2d 440, 443 (9th Cir. 1980); *see supra* notes 154-68 and accompanying text.

fact may be moot. Summary judgment is usually inappropriate to resolve disputes concerning state of mind and conflicting interpretations of perceived events²⁶³ because state of mind is normally an inference drawn from facts.²⁶⁴ The very cornerstone of the inquiry in determining likelihood of confusion is whether consumers are likely to exhibit a confused state of mind concerning products because of the defendant's alleged unfair competition.²⁶⁵ This suggests that the state of mind exception may prevent rendition of summary judgment on the issue of likelihood of confusion irrespective of its classification as a question of law or fact.

VI. CONCLUSION

The question of whether a defendant's actions created a likelihood of confusion between his product and that of another is generally recognized to be the central issue in a claim brought under the Lanham Act. The role of appellate courts in reviewing district court findings of likelihood of confusion in trademark infringement and unfair competition claims brought under the Act varies markedly from circuit to circuit. Some circuits hold that the ultimate determination of likelihood of confusion is a question of fact and may not be overturned unless the district court's finding is clearly erroneous. Other circuits hold that subsidiary facts found by the trial court leading to determination of whether or not likelihood of confusion exists may not be overturned unless clearly erroneous, but that the ultimate question of likelihood of confusion is a legal question reviewable de novo by the circuit court.

The Supreme Court recently passed up an opportunity to resolve the dispute by denying certiorari in *Frisch's Restaurants v. Elby's Big Boy*.²⁶⁶ The Supreme Court's recent decision in *Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*,²⁶⁷ however, provides some guidance, although likelihood of confusion was not specifically addressed. One possible resolution

263. Schmidt v. McKay, 555 F.2d 30, 37 (2d Cir. 1977); see also Azalea Meats, Inc. v. Muscat, 386 F.2d 5, 10 (5th Cir. 1967) (simply not feasible to resolve issue of due diligence by summary judgment where state of mind is involved); Hartnett v. Schmit, 501 F. Supp. 1024, 1028 (N.D. Ill. 1980) (summary judgment usually unavailable to resolve state of mind); Arsenault v. Allegheny Airlines, Inc., 485 F. Supp. 1373, 1378 (D. Mass.) (summary judgment should be used sparingly and with great circumspection where motive, intent, and state of mind are involved), *aff'd*, 636 F.2d 1199 (1st Cir. 1980), *cert. denied*, 454 U.S. 821 (1981); Seven D. Enters., Ltd. v. Fonzi, 438 F. Supp. 161, 162 (E.D. Mich. 1977) (court is especially reluctant to issue summary judgment when action involves state of mind of one of the parties); *In re* Flagstaff Foodservice Corp., 25 Bankr. 844, 854 (Bankr. S.D.N.Y. 1982) (summary judgment inappropriate where reliance on circumstantial evidence to prove state of mind is involved). *But see* Via v. City of Richmond, 543 F. Supp. 382, 385 (E.D. Va. 1982) (in appropriate circumstances, summary judgment may be proper even though state of mind is in issue); Berard v. General Motors Corp., 493 F. Supp. 1035, 1041 (D. Mass. 1980) (party is not automatically entitled to a trial simply because state of mind is a material element).

264. Doby v. Safeway Stores, Inc., 523 F. Supp. 1162, 1170 (E.D. Va. 1981).

265. See *supra* note 39 and accompanying text.

266. 514 F. Supp. 705 (S.D. Ohio 1981), *aff'd in part and rev'd in part*, 670 F.2d 642 (6th Cir.), *cert. denied*, 103 S. Ct. 231, 74 L. Ed. 2d 182 (1982).

267. 456 U.S. 844 (1982).

of the problem would treat likelihood of confusion as a mixed question of law and fact. Under this classification the Supreme Court would likely favor adherence to rule 52 despite the necessity of multi-level findings by the district courts to determine the existence of likelihood of confusion. Courts in those circuits that consider likelihood of confusion as a question of fact face a potential inability to render summary judgment on Lanham Act claims that may clearly mandate such a disposition, since summary judgment is not properly used to dispose of questions of fact. A concomitant increase in the number of frivolous claims is possible because courts may not have an effective way to prevent such claims from receiving an undeserved trial on the merits. This problem is minor, however, when compared with the danger of retrying entire Lanham Act cases at the appellate level. Circuits that hold that likelihood of confusion is ultimately a question of law have created an unrestricted framework within which to rationalize *de novo* review of the evidence. This unchecked review of the often copious evidence used to determine likelihood of confusion may easily render carefully considered decisions of district courts vacuous.

Responsible jurisprudence calls for deference to the trial court's findings when complex issues are involved, and decisions on the issue of likelihood of confusion are impossible to dissect. Circuit courts that attempt dissection have expanded the scope of review in Lanham Act cases so that multiple bases for reversal exist. This approach bypasses the boundaries of appellate review that are necessary to ensure the functional integrity of district courts when considering Lanham Act violations. Adherence by the circuit courts to rule 52 when reviewing Lanham Act claims ensures proper deference to the district courts and, at the same time, encourages the efficient allocation of judicial resources. Concern for the "retrial of fact issues under the guise of appellate review"²⁶⁸ properly demands that there be only one plateau for reversal, and circuit courts should be no less mindful of rule 52 when reviewing Lanham Act claims than in other situations. Only when a circuit court truly is "left with a definite and firm conviction that a mistake has been committed"²⁶⁹ concerning the district court's ultimate finding of likelihood of confusion should the circuit court label the lower court's findings clearly erroneous and independently review the evidence.

268. *Bellevue Gardens, Inc. v. Hill*, 297 F.2d 185, 187 (D.C. Cir. 1961).

269. *United States v. United States Gypsum Co.*, 333 U.S. 364, 395 (1948).

