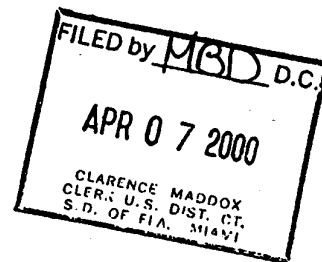


UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 98-2101-CIV-SEITZ



SIGMA CHI FRATERNITY, et al.,

Plaintiffs,

v.

SETHSCOT COLLECTION, et al.,

Defendants.

ORDER ON CROSS-MOTIONS FOR SUMMARY JUDGMENT

THIS CAUSE came before the Court upon the parties' cross-motions for summary judgment [D.E. Nos. 55 and 64] and Plaintiff's Motion for Default Judgment [D.E. No. 48].

PROCEDURAL BACKGROUND

This is an action for federal trademark infringement (Count I), federal unfair competition (Count II), federal trademark dilution (Count III), and Florida common law unfair competition (Count IV), arising out of Defendants' production and selling of items displaying Plaintiffs' trademarks,¹ service marks,² and collective marks.³

Plaintiffs' filed a Revised Motion for Preliminary Injunction on September 11, 1998. On March 5, 1999, a hearing was held on that motion. At that hearing, the Court denied the preliminary

¹ The term "trademark" is defined as "any word, name, symbol, or device, or any combination thereof, used by a person . . . to identify and distinguish his or her goods, including a unique product, from those manufactured or sold by others and to indicate the source of the goods, even if that source is unknown." 15 U.S.C. § 1127.

² The term "service mark" means "any word, name, symbol, or device, or any combination thereof, used by a person . . . to identify and distinguish the services of one person, including a unique service, from the services of others and to indicate the source of the services, even if that source is unknown." 15 U.S.C. § 1127.

³ The term "collective mark" means "a trademark or service mark used by the members of a cooperative, an association, or other collective group . . . and includes marks indicating membership in a union, an association, or other organization." 15 U.S.C. § 1127.

injunction motion without prejudice, and stated that it would place this matter on an expedited discovery and motion schedule, and that the issues raised in the Revised Motion would be addressed upon a full review of the merits on summary judgment. The Court then granted the parties leave to file supplemental legal memoranda as warranted. The matter is now ripe for resolution.

Based upon the undisputed material facts and pertinent case law discussed below, the Court concludes that summary judgment in favor of the Plaintiffs is warranted as to the federal trademark infringement and the federal and Florida unfair competition claims (Counts I, II, and IV), and in favor of the Defendants on the federal dilution claim (Count III).

UNDISPUTED MATERIAL FACTS

A. The Parties.

Plaintiff Sigma Chi Fraternity (“the Fraternity”) is an unincorporated, international (i.e., North America and Canada) fraternal collegiate brotherhood founded in 1855. The Fraternity is governed on a daily basis by an Executive Committee. Plaintiff Sigma Chi Corporation (“the Corporation”), established pursuant to the Fraternity’s Constitution, is a non-profit corporation.⁴ The Corporation is the owner of various properties associated with the Fraternity, including the registrations of certain identifying marks and insignia.

Sigma Chi now has 226 undergraduate chapters throughout the United States and Canada, approximately 120 alumni chapters (more than any other Greek social organization), approximately 196,000 alumni members, and approximately 12,000 undergraduate members. Out of the 57 nationally recognized male social fraternal and 34 nationally recognized female social fraternal groups (i.e., “the Greek world”), Sigma Chi is the second largest collegiate social fraternal group in terms of members. It is undisputed that Sigma Chi is one of the best known fraternities in the Greek

⁴ Plaintiffs are collectively referred to herein as “Sigma Chi.”

world.⁵

Defendant Taylor Corporation (“Taylor”) is in the business of selling party supplies and custom imprinted products/favors to colleges, fraternities, sororities, high schools, and elementary schools. Over the past 30 years of business, Taylor has filled some orders from fraternities and sororities. From 1985 to 1990, Taylor did business as “Greek House by Anderson.” At other times, it would just mail out its regular catalog to different fraternities and sororities. In 1997, Taylor acquired the assets (i.e., blank stock inventory, mailing lists, rights to market) of Defendant Sethscot Corporation (“Sethscot”). As a result, Taylor began doing business as “Greek Lifestyles.”⁶

B. Sigma Chi’s Registered Marks.

In order to protect its name and insignia, Sigma Chi registered its marks with the United States Patent and Trademark Office and with the Canadian Registrar of Trademarks. Specifically, on October 5, 1926, the Greek symbols for Sigma Chi were registered as a trade mark for Sigma Chi badges; lapel buttons; scarf, lapel, and breast pins; cuff links; tie clasps; and charms, finger rings, belt buckles, and ornamental shields, all of precious metal. On September 16, 1952, the official Sigma Chi badge was registered as a collective service mark, to be used by members in connection with their services of promoting the Fraternity and its ideals and goals, as well as the intellectual, physical, and social personal development of the individual members. The registration for the badge further notes that it is to be used on insignia, plaques, seals, certificates, jewelry, and other identifying insignia to indicate membership in the Fraternity.

On November 4, 1952, Sigma Chi registered its official seal and coat of arms as service

⁵ As far back as the 1950’s, Sigma Chi has been the subject of a number of magazine articles, including one appearing in *Life* magazine. Further, its theme song “The Sweetheart of Sigma Chi” (written in 1911) has become the best known fraternity or sorority song in the United States.

⁶ Taylor also began doing business as “Collegiate Classics” and “America’s Favorite Favors.” Those businesses are not at issue here, however.

marks, for promoting the Fraternity as well as the personal growth of its members. In addition, the seal was designated to be used on insignia, plaques, certificates, and other identifying insignia, as well as letterheads and authorized literature and publications of the Fraternity.

On April 21, 1981, the Greek symbols representing Sigma Chi, along with the crest and flag, were registered solely as collective membership marks, for indicating membership in Sigma Chi. On September 1, 1981, the name "SIGMA CHI" was registered solely as a collective membership mark, to indicate membership in the Fraternity. The registered owner for each of the foregoing marks is the Sigma Chi Fraternity.

C. Sigma Chi's Licensing Program.

Sigma Chi does not itself manufacture products bearing its insignia or other marks; rather, such products are generally purchased from licensed vendors either directly or through the Fraternity. The market for such Sigma Chi merchandise includes, besides members and alumni, the families of the members and alumni, "little sisters" of the chapters, girlfriends, and other such people who would have an interest in Sigma Chi.

For years, Sigma Chi has required that vendors get written permission from the Executive Committee to sell such products. The Executive Committee Regulations previously provided that "[a]ctive chapters may, however, on their own authority and with careful attention to the authenticity of reproduction, authorize local commercial firms to use the above items to produce periodicals and other printed material for their own chapter needs from time to time."

In 1991, this licensing program was broadened with the formation of a "Licensing Committee" to step up enforcement and to enlarge the list of licensed vendors. The goal of the Licensing Committee is to ensure that products bearing the Sigma Chi name or insignia do not portray the Fraternity in a negative light or are otherwise contrary to the ideals of the Fraternity (i.e., that they do not glorify alcohol or illegal substance use or are sexist or demeaning to women,

minorities, etc.).⁷ The Licensing Committee further seeks to ensure that all Sigma Chi members and other interested persons receive a wide variety of quality goods and superior service at reasonable prices.

Under the revised licensing program, any products utilizing Sigma Chi's registered marks must be approved by the Licensing Committee and distributed under a license agreement with Sigma Chi. Normally, when Sigma Chi learns that someone is producing Sigma Chi merchandise who has not already been approved, it will write them a "nice" letter, advise them of the licensing program, send them a Licensing Fact Sheet and Application, and invite them to submit the application. To obtain approval, vendor applicants must also submit a sample of the product to be ordered by the Sigma Chi chapter or member.

In 1994-95, the Licensing Committee established an official "seal" to designate those vendors who have been licensed to sell products bearing the Sigma Chi insignia and other trademarks. Thus, all licensed Sigma Chi merchandise will bear an "Officially Licensed Merchandise" or "Greek Licensed Product" sticker.

In June 1998, the Executive Committee Regulations were modified to provide that "[a]ctive chapters may utilize local commercial firms to produce material for their own chapter needs from time to time so long as such material is pre-approved. Prior to ordering such material, the chapter shall obtain approval from the Executive Committee, the Licensing Committee, or any Headquarters staff person assigned to supervise the quality of the Fraternity's merchandise," Usually, when a chapter seeks to use an unlicensed vendor, the vendor will be asked to sign a "one-time license" agreement with Sigma Chi.

Once licensed, vendors are allowed to advertise in Sigma Chi's national magazine and to do

⁷ At this time, a conscious decision was made to go after the infringer rather than the end-user (the members), because Sigma Chi wanted to be pro-active, educational and supportive instead of resorting to discipline of the chapters.

direct mail promotionals via catalogs. As part of its quality control, Sigma Chi requires the vendors to submit to the Licensing Committee on an annual basis a sample of the products offered, to ensure that the vendor's quality hasn't decreased. Presently, there are 40 to 50 licensed vendors.

Notices have been sent to each chapter and to each newly-inducted member outlining the licensing requirements. These requirements were also the subject of an article in one of the 1997 issues of the national Sigma Chi magazine, and about 90 to 95% of the issues published gave a listing of all licensed vendors. Despite its efforts to promote only the use of licensed vendors, Sigma Chi concedes that there have been purchases made by chapters from unlicensed vendors. Sigma Chi further concedes that the chapters have never been disciplined for such conduct.

Benjamin Dunham, the former president of the University of Miami chapter of Sigma Chi, testified that, as a member and former president, he believes he is authorized to purchase merchandise from any vendor, and has in fact made purchases for the chapter from local vendors such as All Sports.⁸ He does not know if those vendors were licensed -- he just assumes they were otherwise it would be illegal for them to sell such merchandise. He has also placed orders from vendors at the national Sigma Chi conference. Dunham was not aware of the chapter ever clearing orders for merchandise with the Fraternity and, to his knowledge, the chapter has never been instructed to get such approval. Further, the Fraternity's travel consultants who would visit the chapter never addressed the licensing requirements to Dunham's knowledge. Dunham also does not recall the issue of licensing being addressed at the national leadership training conference he attended.

Dunham further testified that, to his knowledge, the University of Miami chapter has never been sanctioned or warned about ordering from a particular vendor, nor has anyone from the Fraternity ever told the chapter not to order from certain vendors. The Fraternity has also never

⁸ Dunham has been a member of Sigma Chi since the fall of 1996, and held the position of president of the chapter from 1998 to 1999.

asked whether the chapter is ordering from unlicensed vendors, nor has it ever inspected or asked to inspect the items ordered by the chapter.

Dunham additionally stated that, when ordering merchandise for the chapter, he is concerned solely with quality and price, not who the particular vendor is; in this regard, he orders locally so that he can inspect the product prior to ordering. He also stated that if he sees a shirt with a Sigma Chi insignia on it, he does not assume that it was sponsored or approved by national, especially since Sigma Chi doesn't make shirts itself.

D. Taylor's Business.

As Greek Lifestyles, Taylor does not maintain any inventory of pre-printed merchandise; rather, it only provides imprinted merchandise in response to custom orders. Thus, Taylor operates like a custom print shop. Taylor's market is the fraternity and sorority chapters buying in quantity for use by those chapters, although it is not uncommon for parents to order merchandise, or for sororities to order such for when they are exchanging gifts with a particular fraternity. Taylor mails its Greek Lifestyles catalogs to approximately 10,000 fraternity and sorority chapters nationwide. The Greek Lifestyles catalogs, which display a variety of custom order merchandise that can be imprinted, upon request, with the insignia or other mark of a fraternity or sorority, are mailed to the attention of the social chair of the various fraternities and sororities. The items in the catalogs are for illustration purposes only (i.e., examples of the types of custom printing Taylor can do).

Other than the mailing of catalogs, Taylor does no direct sales solicitation -- all orders are initiated by the customer. Taylor does not sell individual items -- all orders are subject to a minimum quantity requirement of 24 units. Seventy-five (75) percent of Greek Lifestyles' sales are for specific events and, thus, the products ordered have a date imprinted on them. Taylor, as Greek Lifestyles, claims to be the "undisputed, #1 supplier of quality imprinted products to the nation's fraternities and sororities."

Since Taylor commenced business as Greek Lifestyles in approximately 1997, Greek Lifestyles claims to have filled less than ten (10) orders for Sigma Chi merchandise (about \$4,000.00 worth of business). In 1997, Greek Lifestyles earned less than \$600,000.00 from orders placed by members of the Greek world. In 1998, that figure rose to \$850,000.00. Taylor estimated revenues in excess of \$1 million for 1999.

With the exception of the 1997-98 Greek Lifestyles catalog, all catalogs issued by Taylor d/b/a Greek Lifestyles contained the following disclaimer:⁹

Logo & Designs

The display of any design or logo in this catalog is for demonstration purposes only and does not indicate or imply that any such designs or logo may be reproduced without authorization of the owner of any trademark, copyright or other right in such design or logo. The submission of any order constitutes a representation and warranty by the individual or entity submitting the order that such individual or entity is the owner of all trademarks and copyrighted material contained therein or has obtained any required consents or authorizations from [sic] the owner(s) to print such material.

No other indication is provided in these catalogs that Taylor is not a licensed vendor.¹⁰ When it takes the orders, Taylor makes no verification that the customer is in fact authorized to use the insignia, as Taylor believes it is authorized to fill custom orders so long as the customer is providing the artwork. In this regard, Paul Griffiths, the president of Taylor, testified that, if a customer were to call and inquire whether Taylor was authorized to sell merchandise bearing a certain fraternal insignia, the response by the customer service person would “probably” be “yes if you send us the artwork.”

⁹ The disclaimer is located on the page in each catalog that provides general ordering information, and is in the same type and size print as the other sections of that page.

¹⁰ Dunham stated that he has seen the Greek Lifestyles catalog but has never ordered from it; however, he assumes their products are not licensed because he did not see the “seal” in the catalog.

E. Events Underlying This Action.

In October 1995, Sigma Chi sent a letter to Sethscot Corporation d/b/a Greek Lifestyles notifying it of Sigma Chi's licensing program and providing a licensing application packet. Although it is not clear from the record, it appears that Sethscot never responded or applied. Thus, in November 1995, Sigma Chi sent Sethscot a "cease and desist" letter while still encouraging application. Receiving no response, Sigma Chi sent a final "cease and desist" letter in July 1996. Apparently, no further action was taken. There is no evidence in the record that, when Greek Lifestyles was sold to Taylor in 1997, Taylor knew of such notification to Sethscot.

On or about September 17, 1997, Taylor received a letter notifying it of Sigma Chi's licensing program and requesting Taylor to cease and desist its production of Sigma Chi merchandise. Taylor was also informed that, since Sigma Chi had been trying to resolve its issues with Greek Lifestyles since 1995 without effect, it would be turning the matter over to its legal department. The impetus for this letter was apparently a Greek Lifestyles catalog cover that Sigma Chi and others found to be offensive. In addition, the cover gave the appearance that Sigma Chi had sponsored or authorized Greek Lifestyles' products. Specifically, the cover of the 1997-98 Greek Lifestyles catalog depicted a group of University of Michigan Sigma Chi members and some females wearing Sigma Chi shirts in front of the Sigma Chi chapter house.¹¹ All held beer mugs engraved with the Sigma Chi emblem and containing a substance that appeared to be beer.¹² Taylor received a number of complaints regarding the alleged pro-alcohol theme. Subsequently, Taylor changed its

¹¹ Because actual members of Sigma Chi were in the cover photograph, that chapter received a letter of reprimand from the Executive Committee. No discipline was given.

¹² Sigma Chi concedes that the product itself -- i.e., the beer mugs -- was not offensive; it was the use of alcohol that it found objectionable. Sigma Chi has authorized licensed vendors to sell beer steins and wine glasses with the Sigma Chi insignia on them.

policy and no longer depicts alcohol in its catalog.

In response to Sigma Chi's letter, Taylor stated that it only sells custom-ordered merchandise, not pre-printed products, and that such merchandise is only sold to authorize users of the marks in question (i.e., local chapters). Taylor further informed Sigma Chi of the disclaimer on its order form and that, "[s]ince the organizations ordering from us are using trademarks which they have a right to reproduce, there can be no trademark infringement." Thereafter, Sigma Chi had a non-member female place an order for beer bottles imprinted with the Sigma Chi insignia. The order was filled without question by Taylor. On November 1, 1997, Sigma Chi sent a final "cease and desist" letter to Taylor. The instant action was initiated on September 3, 1998.

It is undisputed that Taylor has never sought, nor had the express consent of, Sigma Chi to disseminate advertising materials containing the Fraternity's insignia, nor to produce Sigma Chi merchandise, and has never sought to become a licensed vendor. In fact, Taylor has not obtained permission from the headquarters of any national fraternities or sororities to market merchandise bearing the insignia of those entities.

It is also undisputed that Sigma Chi is not aware of any offensive shirts produced by Taylor. Nor does Sigma Chi have any knowledge that products sold by Taylor are of inferior quality, and they do not know of any complaints to that effect. Further, to Sigma Chi's knowledge, Taylor has never employed the use of Sigma Chi's official licensing "seal."

ANALYSIS

This case evolves out of Taylor's use of Sigma Chi's collective marks, trademarks, and service marks, allegedly in violation of the Lanham Act ("the Act"), 15 U.S.C. §§ 1114, 1125, and Florida common law. The Court addresses each claim in turn.

A. Federal Infringement Claim (Count I).

Section 32 of the Lanham Act allows the owner of a federally registered trademark to bring an action for infringement against anyone using that mark or a similar mark in a manner likely to cause consumer confusion. 15 U.S.C. § 1114(1). The Act further provides the same protection for collective marks and service marks. 15 U.S.C. §§ 1053, 1054.¹³ To establish a claim for infringement of a registered mark under 15 U.S.C. § 1114, Sigma Chi must show that Taylor used “(1) any reproduction, counterfeit, copy or colorable imitation of a [registered] mark; (2) without the registrant’s consent; (3) in commerce; (4) in connection with the sale, offering for sale, distribution or advertising of any goods; (5) where such use is likely to cause confusion, or to cause mistake or to deceive.” *Boston Prof’l Hockey Ass’n, Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004, 1009-10 (5th Cir.), *cert. denied*, 423 U.S. 868 (1975). Here, there is no doubt that Sigma Chi has shown the first, third, and fourth elements. Thus, the sole issues for the Court to address are consent and likelihood of confusion.

1. *Consent.*

As to the consent issue, Taylor first argues that its customers, as members of Sigma Chi, are authorized to order Taylor’s products bearing Sigma Chi’s marks (i.e., that, as members of a collective, they have a right to use the collective’s marks to show such membership). While it is undisputed that members of Sigma Chi have a license to use the registered marks, that license is limited -- members can only acquire merchandise bearing those marks from licensed vendors. Because Taylor is not a licensed vendor, the Court finds that Sigma Chi’s members had no authority

¹³ The Court uses the terms “trademark” and “trademark infringement” to also incorporate service marks and collective marks, as well as the infringement of those marks.

to purchase Taylor's products. Moreover, Taylor has conceded that non-members may also order its merchandise -- to that extent, such customers clearly do not have authorization.

Taylor next argues that, because of the disclaimer contained in the Greek Lifestyles catalogs, customers represent that they are the owner of the marks requested to be placed on the products ordered, or that they have obtained the necessary consent for the particular use of the marks. While this argument may have had merit with respect to Sigma Chi at one point in time, the Court finds that Taylor has since been estopped from relying on such disclaimer. Specifically, on September 17, 1997, Taylor was unequivocally put on notice that Sigma Chi members were not authorized to purchase from Taylor unless Taylor became a licensed vendor. Taylor was informed of Sigma Chi's licensing program and was requested to apply for a license. Taylor refused. Hence, the Court finds that any sales of Sigma Chi merchandise after September 17, 1997, were without the consent of Sigma Chi.

2. *Confusion.*

Next, the Court must determine whether Taylor's use of Sigma Chi's marks is likely to cause confusion as to the source or sponsorship of Taylor's products. 15 U.S.C. § 1114(1); *Dieter v. B&H Indus. of S.W. Fla., Inc.*, 880 F.2d 322, 326 (11th Cir. 1989), *cert. denied*, 498 U.S. 950 (1990). "Likelihood of confusion means probable confusion rather than mere possible confusion." *Michael Caruso & Co. v. Estefan Enters., Inc.*, 994 F. Supp. 1454, 1458 (S.D. Fla.), *aff'd*, 166 F.3d 353 (1998). Here, the critical issue is whether there is a likelihood that consumers will be confused about the relationship or affiliation between Taylor's (d/b/a Greek Lifestyles) merchandise and goods sold or endorsed by Sigma Chi. *See Burger King Corp. v. Mason*, 710 F.2d 1480, 1491 (11th Cir. 1983), *cert. denied*, 465 U.S. 1102 (1984).

To determine likelihood of confusion, several factors must be considered:

- (1) the type of mark (i.e., strength of the mark);
- (2) the similarity of the marks in issue;
- (3) the similarity of the products in issue;
- (4) the identity of purchasers and similar retail outlets;
- (5) evidence of actual confusion;
- (6) defendant's intent; and
- (7) the similarity of advertising campaigns.

Dieter, 880 F.2d at 327; *Freedom Sav. & Loan Ass'n v. Way*, 757 F.2d 1176, 1182 (11th Cir.), cert. denied, 474 U.S. 845 (1985). A court need not consider all factors in every case, and the proper resolution in some cases may require the consideration of additional factors. *University of Ga. Athletic Ass'n v. Laite*, 756 F.2d 1535, 1542 (11th Cir. 1985); *Ocean Bio-Chem, Inc. v. Turner Network Television, Inc.*, 741 F. Supp. 1546, 1554 (S.D. Fla. 1990). Generally, however, "the type of mark and evidence of actual confusion are the most important factors." *Dieter*, 880 F.2d at 326. In this case, the Court finds no genuine dispute as to the first, second, third, fourth and seventh factors, and further finds that consideration of these factors weighs in favor of a finding of infringement. Hence, the Court need only focus on the remaining factors: intent and actual confusion.

(a) Defendants' intent. With respect to this factor, the law is quite clear that where, as here, "a defendant has adopted a mark with the intent of deriving benefit from the reputation of the plaintiff, that fact alone 'may be sufficient to justify the inference that there is confusing similarity.'" *John H. Harland Co. v. Clarke Checks, Inc.*, 711 F.2d 966, 977 (11th Cir. 1983)(quoting *Exxon*

Corp. v. Texas Motor Exchange of Houston, Inc., 628 F.2d 500, 506 (5th Cir. 1980)). In this case, there is no question that Taylor engaged in marketing efforts intended to take advantage of the affinity of Sigma Chi members to their Fraternity and their zeal to acquire merchandise bearing the insignia of the Fraternity. Further, Taylor readily admits that its merchandise contains actual reproductions of the insignia of the Fraternity. Taylor also admits that, if a customer were to call and inquire whether Taylor was authorized to sell merchandise bearing a certain fraternal insignia, the response by the customer service person would “probably” be “yes, if you send us the artwork.” Hence, the Court concludes that this factor militates in favor of a finding of trademark infringement.¹⁴

(b) Other evidence of confusion. “Although evidence of actual confusion is not necessary to a finding of likelihood of confusion, it is nevertheless the best evidence of likelihood of confusion.” *Amstar Corp. v. Domino’s Pizza, Inc.*, 615 F.2d 252, 263 (5th Cir.), *cert. denied*, 449 U.S. 899 (1980). Indeed, the Eleventh Circuit has stated that the presence of actual confusion is “perhaps the most important single factor.” *Safeway Stores, Inc. v. Safeway Discount Drugs, Inc.*, 675 F.2d 1160, 1166 (11th Cir. 1982). In this case, while two factors might militate against a finding of trademark infringement, consideration of all the relevant undisputed facts requires a finding of likelihood of confusion and, hence, trademark infringement.

The facts which might undermine Sigma Chi’s claim are, first, its stipulation that there has been no actual confusion. Second, as to Sigma Chi members, Sigma Chi has not met its burden of

¹⁴ Indeed, “intent to copy in itself creates a rebuttable presumption of likelihood of confusion.” *Babbitt Elecs., Inc. v. Dynascan Corp.*, 38 F.3d 1161, 1179 (11th Cir. 1994). Further, “a likelihood of confusion can be found as a matter of law if the defendant intended to derive benefit from the plaintiff’s trademark.” *Id.*

establishing a likelihood of confusion. Since the formation of the Licensing Committee in 1991, Sigma Chi has stepped up its efforts to educate its members as to the licensing program. All new inductees are provided a packet containing explicit materials encouraging them to only use licensed vendors when ordering Sigma Chi merchandise, explaining how to get approval to use an unlicensed vendor and how to determine whether a vendor is in fact licensed, and providing a list of all licensed vendors. Most of this same information has been provided in 90 to 95% of the published issues of Sigma Chi's national magazine. Sigma Chi has even developed and implemented the use of an official "seal" to designate a vendor's status as licensed. The only testimony in the record as to recognition of that seal establishes that, because Greek Lifestyles' catalog did not contain that seal, it was assumed that the products therein weren't licensed.¹⁵

The likelihood of confusion analysis does not end here, however, because the relevant market is not limited to only Sigma Chi members. Indeed, the testimony provided on behalf of both sides in this case establishes that parents, girlfriends, "little sisters," and members of sororities may also order Sigma Chi merchandise -- albeit usually as gifts for members. Because these types of customers are not privy to the details of the licensing program, and given the testimony that, upon inquiry, Taylor's employees would "probably" inform such customers that they are authorized to fill the custom orders, the Court finds the existence of a probable likelihood of confusion.

Additionally, in its 1998 Greek Lifestyles catalog, which was admitted into evidence as Plaintiff's exhibit numbered 20 at the preliminary injunction hearing held in this matter, Taylor advertised a number of products for which the description stated "Comes with Greek letters, crest and colors. Most national sororities and fraternities are available." *See, e.g.*, Item #LA1027

¹⁵ The same testimony also established that whether a vendor is licensed is not a consideration when placing orders: members are only concerned with quality and price.

Fraternity Mug, pg. 41; Item #LEMBKT Embroidered Key Tag, pg. 129. Other items note that the price includes a one-color imprint of the fraternity or sorority name and crest. By these representations, it appears that Taylor in fact maintains certain fraternity and sorority insignia and other marks as part of its stock art work, rather than having the customer provide such artwork. Thus, the Court finds that, despite Taylor's disclaimer to the contrary, such representations create a probability of customer confusion as to whether Taylor's products have been authorized by Sigma Chi. Moreover, this fact undermines Taylor's argument that it believes it is authorized to sell merchandise bearing such insignia or marks as long as the customer provides the artwork. In any event, the conclusion is inescapable that, without Sigma Chi's marks (or those of other fraternities and sororities), Taylor would not have a market for its particular products among fraternity and sorority members desiring to purchase products bearing the marks of their respective fraternity or sorority. *See Boston Prof'l Hockey Ass'n*, 510 F.2d at 1011.¹⁶ In this regard, the confusion factor is met where, as here, the registered mark, originated by Sigma Chi, is the triggering mechanism for the sale of the product. *Id.* at 1012.¹⁷ Hence, the Court shall enter summary judgment in Sigma Chi's favor on Count I of the Amended Complaint.

¹⁶ The fact that Taylor's products are not preprinted with such marks but are only engraved upon ordering is a distinction without a difference.

¹⁷ While the cases relied upon by Taylor -- *Supreme Assembly, Order of Rainbow for Girls v. J.H. Ray Jewelry Co.*, 676 F.2d 1079 (5th Cir. 1982), and *International Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912 (9th Cir. 1980), *cert. denied*, 452 U.S. 941 (1981) -- are persuasive with respect to collective membership marks, this Court is nevertheless bound by Eleventh Circuit precedent to the contrary. *See, e.g., University of Ga. Athletic Ass'n*, 756 F.2d at 1546 n.28 (disagreeing with the rationale in *Job's Daughters*). Further, the instant case is not limited to collective marks -- Sigma Chi's trademarks and service marks are also in issue.

B. Federal Unfair Competition Claim (Count II).

Plaintiff also asserts a claim under federal law for unfair competition under Section 43(a) of the Lanham Act. That section of the Act applies equally to both registered and unregistered marks. Hence, a claim for unfair competition may be actionable even where there is no trademark infringement. *McDonald's Corp. v. Moore*, 243 F. Supp. 255, 258 (S.D. Ala. 1965), *aff'd*, 363 F.2d 435 (5th Cir. 1966). *See also Waits v. Frito-Lay, Inc.*, 978 F.2d 1093, 1106 (9th Cir. 1992), *cert. denied*, 506 U.S. 1080 (1993). Moreover, “[a]s a general rule, . . . the same facts which would support an action for trademark infringement would also support an action for unfair competition.” *Boston Prof'l Hockey Ass'n*, 510 F.2d at 1010.

In this case, Sigma Chi asserts that Taylor's use of Sigma Chi's marks creates the false impression that Taylor, d/b/a Greek Lifestyles, is affiliated with, sponsored, or approved by Sigma Chi. For the reasons upon which the Court has found trademark infringement, the Court likewise finds that Taylor has engaged in unfair competition. Accordingly, judgment shall be entered in Sigma Chi's favor on Count II as well.

C. Federal Dilution Claim (Count III).

Sigma Chi has also asserted a claim for trademark dilution under the Federal Trademark Dilution Act of 1995 (“the Dilution Act”), 15 U.S.C. § 1125(c). That Act provides:

The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark

15 U.S.C. § 1125(c)(1).¹⁸ In other words, the Dilution Act “protect[s] famous trademarks from subsequent uses that blur the distinctiveness of the mark or tarnish or disparage it.” [cite]. An allegation of dilution “does not hinge upon proof of a likelihood of confusion.” *Nailtiques Cosmetic Corp. v. Salon Sciences Corp.*, 1997 WL 244746, at *4 (S.D. Fla. Jan. 10, 1997). Rather, the key issues here are (1) whether the marks at issue are “famous,” and (2) whether Taylor’s use of the same or a similar mark creates a likelihood of dilution through tarnishment or blurring. *American Express Co. v. CFK, Inc.*, 947 F. Supp. 310, 314 (E.D. Mich. 1996).

1. Famous and Distinctive Marks.

To determine whether a mark is famous and distinctive, the Court may consider such factors as “(a) the degree of inherent or acquired distinctiveness of the mark; (b) the duration and extent of use of the mark in connection with the goods or services with which the mark is used; (c) the duration and extent of advertising and publicity of the mark; (d) the geographical extent of the trading area in which the mark is used; (e) the channels of trade for the goods or services with which the mark is used; (f) the degree of recognition of the mark in the trading areas and channels of trade used by the marks’ owner and the person against whom the injunction is sought; (g) the nature and extent of use of the same or similar marks by third parties; and (h) whether the mark was registered under the [Lanham] Act.” 15 U.S.C. § 1125(c)(1).

Considering all of these factors, the Court finds that Sigma Chi has not met its burden of proof in this regard as to its registered marks. While the name “Sigma Chi” and the Greek letters

¹⁸ “Dilution” is defined as “the lessening of the capacity of a famous mark to identify and distinguish goods or services, regardless of the presence or absence of -- (1) competition between the owner of the famous mark and other parties, or (2) likelihood of confusion, mistake, or deception.” 15 U.S.C. § 1127.

denoting Sigma Chi are a closer question when looked at in the relevant market niche, they still come up short. “Even if a mark is distinctive in its particular market, it does not render it inherently distinctive so as to engender immediate recognition in the general public of a particular product.” *Michael Caruso & Co.*, 994 F. Supp. at 1463. Moreover, the terms “Sigma” and “Chi” have each been used by a number of third parties, including sororities and rival fraternities.¹⁹ Extensive use by third parties undermines any inherent distinctiveness of Sigma Chi’s marks. *See Id.; Sports Authority, Inc. v. Abercrombie & Fitch, Inc.*, 965 F. Supp. 925, 941 (E.D. Mich. 1997)(“Sports Authority” mark held not famous because of extensive third party use of the term “authority”).

2. *Tarnishment/Blurring.*

Even assuming *arguendo* that Sigma Chi’s marks are distinctive and famous, Sigma Chi has nevertheless failed to meet its burden of showing tarnishment or blurring.²⁰

(a) Tarnishment. “Tarnishment” occurs when a famous mark is linked to products of poor quality or is portrayed in an unwholesome manner. *Online Partners.Com, Inc. v. Atlanticnet Media Corp.*, 2000 WL 101242, at *9 (N.D. Cal. Jan. 20, 2000). Here, Sigma Chi has presented no evidence that Taylor’s products are inferior to those marketed by licensed vendors or by Sigma Chi itself. Further, the only evidence of alleged tarnishment is the one single catalog depicting Sigma Chi members drinking beer. Taylor, after being put on notice of the offensive nature of that catalog,

¹⁹ Taylor’s Greek Lifestyles catalog alone displays a number of examples, including: “Alpha Chi Sigma,” “Sigma Kappa,” “Theta Delta Chi,” “Beta Sigma Psi,” “Chi Omega,” and “Sigma Sigma Sigma.”

²⁰ As to this prong of the analysis, it is undisputed that Taylor, albeit on request, engraves its products with an exact replica of Sigma Chi’s marks.

changed its policy regarding the depiction of alcohol in its catalogs. The Court finds that this single incident is insufficient to support Sigma Chi's dilution claim.

(b) Blurring. "Blurring occurs when a defendant uses a plaintiff's trademark to identify the defendant's goods or services, creating the possibility that the mark will lose its ability to serve as a unique identifier of the plaintiff's product." *Id.* Thus, once a mark is established as distinctive and famous, the burden is on the mark owner to then show that "the capacity of [its] mark to continue to be strong and famous will be endangered by [Defendant's] use even if [Defendant's] use is too small or minor to actually weaken the [P]laintiff's mark." *Hasbro, Inc. v. Clue Computing, Inc.*, 66 F. Supp. 2d 117, 135 (D. Mass. 1999).

Because dilution by blurring is the gradual whittling away of the value of a famous mark by other similar marks, the key issue in determining whether a junior mark blurs a senior mark is whether permitting junior marks to be used will weaken the strength of the senior mark. For blurring to occur, there must be some mental association in the reasonable consumer's mind between the plaintiff's and the defendant's uses of the mark.

Eli Lilly and Co. v. Natural Answers, Inc., 2000 WL 223585, at *19 (S.D. Ind. Jan. 20, 2000)(internal citations omitted). Here, the Court finds that Sigma Chi has not met its burden of showing how Taylor's use has "blurred" (or is likely to blur) the alleged distinctiveness of Sigma Chi's marks.

D. Florida Unfair Competition Claim (Count IV).

Finally, Sigma Chi asserts a claim under Florida's common law for unfair competition. The analysis under the Lanham Act for trademark infringement also applies to claims of unfair competition under Florida common law. *Tally-Ho, Inc. v. Coast Community College Dist.*, 889 F.2d

1018, 1026 n.14 (11th Cir. 1989); *Carnival Corp. v. SeaEscape Casino Cruises, Inc.*, 74 F. Supp. 2d 1261, 1264 n.2 (S.D. Fla. 1999). Hence, because the Court finds for Sigma Chi on the trademark claim, it shall enter judgment in favor of Sigma Chi and against Taylor as to Count IV as well.

CONCLUSION

Based upon the foregoing analysis and the undisputed material facts, it is hereby

ORDERED that:

1. Plaintiffs' Motion for Summary Judgment, filed May 17, 1999 [D.E. No. 55] is GRANTED IN PART AND DENIED IN PART. Plaintiff's motion is GRANTED as to Counts I, II and IV of the Amended Complaint, and DENIED as to Count III.

2. Defendant Taylor Corporation's Motion for Summary Judgment [D.E. No. 64] is GRANTED IN PART AND DENIED IN PART. Defendant's motion is GRANTED as to Count III of the Amended Complaint, and DENIED as to Counts I, II, and IV.

3. Plaintiff's Motion for Default Judgment against Defendant Sethscot Corporation [D.E. No. 48] is GRANTED, but only to the same extent that summary judgment has been rendered in Plaintiffs' favor as to Defendant Taylor.

4. Based upon the Court's conclusions herein, it is apparent that injunctive relief is warranted. Accordingly, within **fifteen (15) days** of the date of this Order, Plaintiffs shall submit a proposed order of injunctive relief.

5. As to the issue of damages, the parties shall have **fifteen (15) days** from the date of this order to either file an appropriate stipulation resolving that issue, or file their respective briefs -- **not to exceed five (5) pages** in length -- as to what damages are warranted and further setting out

whether a jury trial is needed in this regard.

DONE AND ORDERED in Miami, Florida, this 7th day of April, 2000.


PATRICIA A. SEITZ
UNITED STATES DISTRICT JUDGE

cc: Leslie J. Lott, Esq.
Stephen M. Corse, Esq.
Jack A. Wheat, Esq.