

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF INDIANA
INDIANAPOLIS DIVISION

ENTERED

OCT 26 2004

U.S. CLERK'S OFFICE
INDIANAPOLIS, INDIANA

ALPHA TAU OMEGA FRATERNITY,)
INC., et al.,)
)
 Plaintiffs,)
)
 vs.)
)
 PURE COUNTRY, INC.,)
)
 Defendant.)

IP 01-1054-C-B/F

ENTRY ON PLAINTIFF'S MOTION FOR PARTIAL SUMMARY JUDGMENT

The Plaintiffs in this lawsuit are various national unincorporated college fraternities and sororities and their incorporated affiliates (hereinafter collectively "Greek organizations"), to the extent such affiliates hold the fraternal organizations' registered trademarks or service marks.¹ The Defendant is Pure Country, Inc., a North Carolina corporation engaged in the manufacture, marketing and sale of afghans, blankets, tapestries and other similar merchandise. The Greek organizations maintain that Pure Country has violated the Lanham Act, state common law and the provisions of licensing

¹The full list of plaintiffs is as follows: Alpha Tau Omega Fraternity, an unincorporated association; Alpha Tau Omega, Inc., a Maryland corporation; Delta Delta Delta Sorority, an unincorporated association; Delta Delta Delta, an Illinois not-for-profit corporation; Delta Tau Delta Corporation, a New York corporation; Kappa Sigma Fraternity, an unincorporated association; Sigma Nu Fraternity, an unincorporated association; Sigma Nu Fraternity, Inc., an Indiana corporation; Sigma Phi Epsilon Fraternity, an unincorporated association; and Sigma Phi Epsilon, a Virginia corporation.

contracts between it and the Greek organizations by selling products bearing the crests, Greek letter names or other registered marks of the Greek organizations. Plaintiffs have filed a motion seeking partial summary judgment on the issue of liability in all claims asserted in their complaint.

FACTUAL BACKGROUND

Plaintiff fraternities and sororities are among the largest such organizations on college campuses nationwide, many having been in existence more than one hundred years. Over the years, they or their affiliates registered their Greek letter designations and crests with the United States Patent and Trademark Office ("USPTO"). (Certified copies of those registrations are attached to the complaint.) The descriptions of how each mark is utilized (i.e. for "organizing chapters," "indicating membership," "precious metal ware," "jewelry" and "writing paper and envelopes") vary with each registration. Some list numerous specific uses and others outline general applications. Some are registered as collective service marks and others as trademarks. All the marks are distinctive and, with the exception of the marks registered by Alpha Tau Omega Fraternity Inc., all have been registered for more than five years and are therefore conclusively the exclusive property of the Greek organizations.

Plaintiffs hired Affinity Marketing Consultants, Inc. ("Affinity") to assist them in policing and enforcing the licensing of their marks. In 1998 Affinity approached Pure Country to invite it to become a licensed vendor. Pure

Country had been marketing afghans bearing the insignia of various Greek organizations without a license for more than a year. In response to Affinity's invitation, Pure Country entered into licensing agreements with the Greek organizations which allowed it to make and market "cotton afghan throws(blankets)" bearing plaintiffs' marks and insignia.² All the agreements contained the following relevant provisions:

1. GRANT OF LICENSE: For the duration of this agreement and pursuant to each and every condition hereinafter set forth, FRATERNITY hereby grants to LICENSEE the non-exclusive right to utilize the following insignia of FRATERNITY:

Greek letters (____), the crest, badge, and name
"_____".³

2. ACKNOWLEDGEMENT OF PROPRIETARY RIGHTS: LICENSEE acknowledges the ownership by FRATERNITY of each of these insignia and the goodwill associated therewith and agrees that it will do nothing inconsistent with such ownership and agrees that all goodwill associated with the use of the insignia by LICENSEE shall inure to the benefit of FRATERNITY. LICENSEE agrees that nothing in this License Agreement shall give LICENSEE any right, title or interest in the insignia other than the limited right to use the insignia of FRATERNITY and only within the scope of each of the terms

²Pure Country notes that its license agreements with Alpha Tau Omega and Delta Delta Delta were with the unincorporated fraternal associations, while the marks were actually registered by their incorporated affiliates. It also has noted that the license agreement with Delta Delta Delta refers to the organization as a fraternity as opposed to the sorority that it is. Pure Country also cites other technical differences between names listed on the license agreements, the names listed as plaintiffs and the names listed as registering the various marks. Where relevant and important to a defense argument, we note those differences. However, where an obvious scrivener's error accounts for a variation, such as referring to Delta Delta Delta as a fraternity, we will not be distracted by such irrelevant distinctions.

³Each Greek organization's individual letters and name were in each of the two blanks (i.e. "ATQ" and "Alpha Tau Omega").

and conditions of this License Agreement and LICENSEE agrees that it will neither question nor otherwise attack the ownership by FRATERNITY of any of its insignia.

* * *

9. POTENTIAL RENEWAL: Unless terminated by FRATERNITY pursuant to any of the terms and conditions of this License Agreement, this License Agreement is renewable on a year to year basis beginning on July 1 of each year, pursuant to the following conditions:

- a. At least 30 days prior to July 1 of each year, LICENSEE shall request renewal in writing and provide FRATERNITY with representative samples of any merchandise which LICENSEE wishes to market pursuant to a renewal of this License Agreement;
- b. FRATERNITY shall have thirty (30) days to examine said merchandise and in its sole discretion determine whether to authorize renewal of this License Agreement in relation to any or all of said proposed items;
- c. Should FRATERNITY elect to renew this License Agreement in relation to any of the proposed merchandise, it will provide LICENSEE with written notice of the renewal of this License Agreement effective July 1 along with specification of which items of the proposed merchandise are approved for the renewal year.

* * *

11. OBLIGATIONS UPON TERMINATION: The continuing obligations of the LICENSEE after termination or expiration of this License Agreement are as follows:

- a. To pay any sums then or subsequently owing to FRATERNITY
- b. To cease any production, use, marketing or

distribution of any merchandise bearing the insignia of FRATERNITY and LICENSEE shall cease holding itself out as being a LICENSEE of, or otherwise affiliated with, FRATERNITY and the LICENSEE shall not advertise or otherwise publicize the former affiliation with FRATERNITY;

- c. FRATERNITY, in its sole discretion, has the option to purchase from LICENSEE any portion of the supplies or materials remaining on hand containing any of the insignia of FRATERNITY which items shall be provided to FRATERNITY at cost; and
- d. LICENSEE shall destroy any other items on hand bearing FRATERNITY insignia or otherwise remove such insignia from any merchandise, equipment, fixtures and structures as to any items remaining on hand bearing the insignia of FRATERNITY which FRATERNITY does not wish to purchase pursuant to subsection above.

* * *

20. CHOICE OF LAW: This License Agreement shall be interpreted and applied according to the laws of the State of Indiana.

It is undisputed that the primary market for Defendant's afghans was the membership of the various Greek organizations and their friends and relatives who might purchase the afghans as gifts. It is also undisputed that it is the use of the various Greek insignia that triggers the sale of the afghans. The license agreements expired on June 30, 1999 and Pure Country chose not to renew the agreements. It confirmed in writing its intention not to renew in a September 3, 1999 letter to Affinity. Despite choosing not to renew the license agreement, Pure Country continued to make and market its fraternity and

sorority afghans, bearing exact replicas of the previously licensed insignia of the various Greek organizations. In July of 2000, Affinity sent a cease and desist letter to Pure Country on behalf of the Greek organizations. Pure Country eventually agreed to stop marketing the afghans with plaintiffs' insignia until the legal dispute over the need for a license was resolved.

It is undisputed that the Greek organizations have not always had merchandising or licensing programs. Similarly, plaintiffs admit that they have not always had comprehensive control over the use of their respective marks. Further, based on discovery in this case, it has been determined that members of at least two of the local chapters of two Greek organizations do not always buy "Greek merchandise" from licensed vendors nor do they operate on the basis of a clear understanding of which vendors are licensed or from whom licensed merchandise can be purchased.

SUMMARY JUDGMENT STANDARD

The Seventh Circuit Court of Appeals has held:

A motion for summary judgment should be granted where there is no genuine issue as to any material facts and the moving party is entitled to judgment as a matter of law. In determining whether a genuine issue of material fact exists, "a trial court must view the record and all reasonable inferences drawn therefrom in the light most favorable to the non-moving party." To defeat a motion for summary judgment, the non-moving party cannot rest on the mere allegations or denials contained in his pleadings, but "must present sufficient evidence to show the existence of each element of its case on which it will bear the burden at trial." However, neither presenting a scintilla of evidence nor the mere existence of some alleged factual dispute between the parties or some metaphysical

doubt as to the material facts, is sufficient to oppose a motion for summary judgment. The party must supply evidence sufficient to allow a jury to render a verdict in his favor.

Robin v. Espo Engineering Corp., 200 F.3d 1081, 1087-88 (7th Cir.

2000)(citations omitted). Our analysis below proceeds in a fashion that reflects these principles and procedures.

ANALYSIS

Counts I, II & IV - Trademark Infringement and Federal & State Unfair Competition Claims

Count I of the Greek organizations' complaint is a claim for trademark infringement under § 32(1)(a) of the Lanham Act, 15 U.S.C. § 1114(1)(a), which applies to all registered marks. Count II of the complaint alleges unfair competition under § 43(a), 15 U.S.C. § 1125(a), which applies to both registered and unregistered marks. In order to prevail on either claim, plaintiffs must prove that they have a protectible mark and that there is a likelihood of consumer confusion with respect to the origin of the defendant's product. *CAE, Inc. v. Clean Air Engineering, Inc.*, 267 F.3d 660, 673-674 (7th Cir. 2001).

Plaintiffs assert that facts supportive of a federal trademark infringement or unfair competition claim also support a state law tort claim for unfair competition, as alleged in Count IV of the Complaint. Indiana common law forbids any conduct which has the natural and probable tendency to deceive so as to pass off the goods or business of one person as that of another. See, *Terry v. International Dairy Queen, Inc.*, 554 F.Supp. 1088, 1098 (N.D. Ind.

1983); *Hammons Mobile Homes, Inc. v. Laser Mobile Home Transport, Inc.*, 501 N.E.2d 458 (Ind. App. 1986). In short, we accept that proof for all three of these counts is essentially the same.

To establish the first element of their claims under Count I, II and IV, the Greek organizations attach to their complaint certified copies of their trademark registrations. All of these marks, with the exception of Alpha Tau Omega's, were placed on the principal register more than five years prior to any relevant use by Pure Country and are thus incontestable, pursuant to 15 U.S.C. §1065.⁴ The fact of their incontestability establishes a protectible interest in connection with this action. *Park 'N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 205 (1985); *Eli Lilly & Co. v. Natural Answers, Incorporated*, 233 F.3d 456, 461 (7th Cir. 2000). Therefore, with the exception of the Alpha Tau Omega collective membership marks registered in October and November of 2000, the first prerequisite to establishing infringement or unfair competition has been met.

While Alpha Tau Omega's marks have not been on the registry long

⁴**15 U.S.C. §1065. Incontestability of right to use mark under certain conditions.** Except on a ground for which application to cancel may be filed at any time under paragraphs (3) and (5) of section 1064 of this title, and except to the extent, if any, to which the use of a mark registered on the principal register infringes a valid right acquired under the law of any State or Territory by use of a mark or trade name continuing from a date prior to the date of registration under this chapter of such registered mark, the right of the registrant to use such registered mark in commerce for the goods or services on or in connection with which such registered mark has been in continuous use for five consecutive years subsequent to the date of such registration and is still in use in commerce, shall be incontestable

enough to be incontestable, Pure Country is foreclosed from challenging whether it, or any other plaintiff, has a protectible interest in its marks for an additional reason: the insignia used by Pure Country on its Greek afghans, including the Alpha Tau Omega insignia, have always been identical to those registered and used by the Greek organizations, both during and after the time that Pure Country was a licensed vendor. In all the license agreements at issue, Pure Country expressly acknowledged the fraternity's ownership rights and goodwill associated with the insignia that was subject to the license. Based upon its written assent to those rights as well as its payment of royalties during the licensing periods, Pure Country is now estopped from challenging Plaintiffs' respective ownership rights. *Smith v. Dental Products Co.*, 140 F.2d 140, 148 (7th Cir. 1944).

The second element of plaintiffs' Lanham Act claims is similarly straightforward. Typically, a determination of whether or not a likelihood of confusion exists is made based upon a seven-factor test. *See, e.g. Helene Curtis Industries, Inc. v. Church & Dwight Co., Inc.*, 560 F.2d 1325, 1330 (7th Cir 1977). However, here, Pure Country's status as a former licensee makes a big difference. Continued use of a trademark by a former licensee, after it decides to drop the licensing arrangement, constitutes an unauthorized use

likely to cause confusion as a matter of law.⁵ *U.S. Structures, Inc., v. J.P. Structures, Inc.*, 130 F.3d 1185, 1190 (6th Cir. 1997); *Burger King Corp. v. Mason*, 710 F.2d 1480, 1492 (11th Cir. 1983); *Bunn-O-Matic Corp. v. Bunn Coffee Service, Inc.*, 88 F. Supp.2d 914, 922 (C.D. Ill. 2000).

Accordingly, we hold that plaintiffs have established the prima facie elements of their claims asserted in Counts I, II and IV. However, Pure Country has raised affirmative defenses which we move now to examine, a task made more difficult by Defendant's apparently random invocation of numerous trademark defenses in an effort to find one that will carry the day for it.

Affirmative Defenses to Counts I, II & IV

Trademarks vs. Collective Marks

Pure Country argues that because some of the marks at issue were registered as collective membership marks, others as collective service marks and still others as trademarks, plaintiffs have overstated the scope of protection afforded by their registration. Pure Country maintains that the collective membership marks do not cover goods or services and thus it should be allowed to produce and sell products that bear such marks.

⁵The parties expended considerable effort in briefs discussing the seven-factor test adopted by the Seventh Circuit. While we are of the view that a licensed seller who continues to sell a product with a mark after intentionally abandoning the license is subject to a finding of likelihood of confusion as a matter of law, we are equally confident that three of these seven factors deemed most important by the Seventh Circuit (similarity of the mark, intent of the infringer and actual confusion) would redound to plaintiffs' benefit in light of Pure Country's admitted intent to copy the mark as closely as possible, place it on their afghans and sell it as though they were still licensed or no license was required. See *Barbecue Marx, Inc. v. 551 Ogden, Inc.*, 235 F.3d 1041, 1044 (7th Cir. 2000). Our confidence is not eroded by our consideration of the remaining four factors, though there is no need for extended discussion of them here.

The Lanham Act defines a collective mark as follows:

Collective Mark. The term “collective mark” means a trademark or service mark -

(1) used by the members of a cooperative, an association, or other collective group or organization, or

(2) which such cooperative, association, or other collective group or organization has a bona fide intention to use in commerce and applies to register on the principal register established by this Act,

and includes marks indicating membership in a union, an association, or other organization.

15 U.S.C. § 1127. In addition, the Act provides collective marks with the same protection as is afforded a trademark. 15 U.S.C. § 1054.⁶

While it seems clear from this statutory language that the marks of the Greek organizations fit the definition of a protected collective mark, many trademark law authorities distinguish collective marks as those marks used to identify the products or services offered by individual members of a group from those marks which identify products endorsed or authorized by the group as a whole. *See, e.g.,* 3 Rudolph Callmann, *Callmann on Unfair Competition Trademarks and Monopolies* § 17.18 (4th ed. 2003). However, according to the U.S. Patent & Trademark Office, an association may use the mark both to

⁶15 U.S.C. § 1054. Collective marks and certification marks registrable.

Subject to the provisions relating to the registration of trade-marks, so far as they are applicable, collective and certification marks, including indications of regional origin, shall be registrable under this chapter, in the same manner and with the same effect as are trade-marks, by persons, and nations, States, municipalities, and the like, exercising legitimate control over the use of the marks sought to be registered, even though not possessing an industrial or commercial establishment, and when registered they shall be entitled to the protection provided in this chapter in the case of trade-marks, except in the case of certification marks when used so as to represent falsely that the owner or a user thereof makes or sells the goods or performs the services on or in connection with which such mark is used. Applications and procedure under this section shall conform as nearly as practicable to those prescribed for the registration of trade-marks.

