

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

MACY'S INC., et al.,

Plaintiffs,

v.

STRATEGIC MARKS, LLC, et al.,

Defendants.

Case No. 11-cv-06198-EMC

Case No. 15-cv-00612-EMC

CONSOLIDATED CASES

**ORDER GRANTING PLAINTIFFS'
MOTION FOR PARTIAL SUMMARY
JUDGMENT**

Docket No. 31 (Case No. 15-0612)

I. INTRODUCTION

Plaintiffs Macy's, Inc. and Macys.com, Inc. (collectively, Macy's) filed the instant suit against Defendants Strategic Marks, LLC and Ellia Kassoff (collectively, Strategic Marks), alleging trademark infringement. Macy's originally filed suit against Strategic Marks in 2011, based on Strategic Marks's operation of the website "Retro Department Stores," alleging that Strategic Marks had misappropriated eight Macy's trademarks. In 2015, prior to trial, Strategic Marks modified its home page and began to sell products allegedly misappropriating twelve additional Macy's trademarks. As a result of the expanded infringement, Macy's brought the instant suit.

Macy's now moves for partial summary judgment on eight trademarks. No. 15-612, Docket No. 31 (Mot.).¹ Macy's contends that it owns valid federal trademark registrations for

¹ The motion for summary judgment and opposition brief are filed in No. 15-612-EMC. The reply brief is filed in No. 11-6198-EMC. The cases were consolidated on November 18, 2015, after which all future filings were to be filed under No. 11-6198. See No. 15-612, Docket No. 41.

1 each of these eight marks, and that the federal registrations were obtained prior to Strategic Marks
2 selling items bearing these marks on its Retro Department Stores website. Strategic Marks
3 opposes on the grounds that Macy's does not own a valid protectable interest in the trademarks
4 because its use is merely ornamental and does not constitute bona fide commercial use, and
5 because there are questions of fact regarding whether Strategic Marks's use of the trademarks
6 creates confusion. No. 15-612, Docket No. 42 (Opp.) at 9, 15.

7 Macy's motion for partial summary judgment came on for hearing before the Court on
8 January 21, 2016. At the hearing, Macy's clarified that it sought summary judgment only as to
9 liability on Strategic Marks's sale and offering for sale t-shirts bearing the disputed marks. For the
10 reasons set forth below, the Court **GRANTS** Macy's motion for partial summary judgment.

11 **II. BACKGROUND**

12 Macy's is a department store that has owned and operated other regional retail department
13 stores, specifically Abraham & Straus, Bamberger's, The Bon Marché, The Broadway, Bullock's,
14 Burdines, Filene's, Foley's, Goldsmith's, Hecht's, I. Magnin, Jordan Marsh, Kaufmann's,
15 Lazarus, Macy's, Marshall Field's, Meier & Frank, Rich's, Robinsons-May, Stern's, and
16 Strawbridge's. Mot. at 1; *see also* No. 15-612, Docket No. 32 (Lo Cicero Dec.), Exh. C. In 2006,
17 Macy's converted the regional department stores to Macy's stores. Opp. at 4. Macy's refers to the
18 regional department store brands as its "Heritage Marks." Mot. at 1. In July 2011, Macy's created
19 the "Macy's Heritage Shop" on its website, which gave a brief description of each Heritage Mark
20 and offered for sale items -- namely t-shirts and tote bags -- bearing the Heritage Marks. *See* Lo
21 Cicero Dec., Exhs. B, C.

22 Strategic Marks is a business that revives "zombie" brands, or brands that have been
23 abandoned. *Id.* at 2. In 2010, Strategic Marks submitted trademark applications to the United
24 States Patent and Trademark Office (USPTO) for brands that had previously been converted to
25 Macy's, specifically Abraham & Straus, Filene's, The Broadway, Jordan Marsh, The Bon Marché,
26 Robinson's, Bullock's, and May Company. *See* No. 15-612, Docket No. 43 (Ashurov Dec.), Exh.
27 A. Strategic Marks also began development of its website, retrodepartmentstores.com, which it
28 launched in October 2011. Opp. at 2; Ashurov Dec., Exh. E. Like the Macy's Heritage Shop,

1 Retro Department Stores gives a description of each of the brands, and offers for sale t-shirts
2 branded with the Heritage Marks. *See* Ashurov Dec., Exh. E.

3 In December 2011, Macy's filed suit against Strategic Marks, alleging trademark
4 infringement. No. 11-6198, Docket No. 1. In January 2015, prior to trial, Strategic Marks
5 expanded its website to include an additional twelve Heritage Marks: Marshall Field's, Burdines,
6 Foley's, Goldsmith's, Hecht's, I. Magnin, Kaufmann's, Lazarus, Meir & Frank, Rich's,
7 Strawbridge's, and Stern's. *See* Lo Cicero Dec., Exh. E. The expanded website included the sale
8 of t-shirts bearing these additional Heritage Marks. Based on this expansion, Macy's filed a
9 second suit against Strategic Marks in February 2015. No. 15-612, Docket No. 1.

10 Macy's now moves for partial summary judgment on eight of the twelve disputed marks at
11 issue in the 2015 action. Mot. at 7. Macy's registered trademarks for these eight disputed marks
12 in 2014 or earlier, prior to the expansion of retrodepartmentstores.com to include the sale of t-
13 shirts bearing these marks. *See* Lo Cicero Dec., Exh. F (Marshall Field's registration); Exh. G (I.
14 Magnin registration); Exh. H (Burdines registration); Exh. I (Kaufmann's registration); Exh. J
15 (Lazarus registration); Exh. K (Meir & Frank registration); Exh. L (Rich's registration); Exh. M
16 (Strawbridge's registration).

17 **III. DISCUSSION**

18 A. Standard of Review

19 The Court shall grant a motion for summary judgment "if the movant shows that there is
20 no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of
21 law." Fed. R. Civ. Proc. 56(a). An issue of fact is genuine only if there is sufficient evidence for a
22 reasonable jury to find for the nonmoving party. *See Anderson v. Liberty Lobby, Inc.*, 477 U.S.
23 242, 248-49 (1986). "The mere existence of a scintilla of evidence in support of the [non-moving
24 party]'s position will be insufficient; there must be evidence on which the jury could reasonably
25 find for the [non-moving party]." *Id.* at 252. At the same time, "all reasonable inferences must be
26 drawn in favor of the non-movant." *John v. City of El Monte*, 515 F.3d 936, 941 (9th Cir. 2008).

27 The moving party bears the burden of demonstrating the absence of a genuine issue of
28 material fact. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986). Where the non-moving party

1 has the ultimate burden of proof, the moving party may prevail on a motion for summary
2 judgment by pointing to the non-moving party's failure "to make a showing sufficient to establish
3 the existence of an element essential to that party's case." *Id.* at 322. In the context of trademark
4 infringement, summary judgment is generally disfavored "[b]ecause of the intensely factual nature
5 of trademark disputes." *KP Permanent Make-Up, Inc. v. Lasting Impressing I, Inc.*, 408 F.3d 596,
6 602 (9th Cir. 2005).

7 **B. Trademark Infringement**

8 "A trademark is a limited property right in a particular word, phrase, or symbol." *The New*
9 *Kids on the Block v. News Am. Pub'g*, 971 F.2d 302, 306 (9th Cir. 1992). The purpose of a
10 trademark is to identify the manufacturer or sponsor of a good or service. *Id.* at 305. Trademark
11 law thus seeks to prevent an infringer from using the trademark to "capitalize on the investment of
12 time, money, and resources of his competitor." *Id.*

13 In a trademark infringement action, the plaintiff bears the ultimate burden of proof. *Yellow*
14 *Cab Co. v. Yellow Cab of Elk Grove, Inc.*, 419 F.3d 925, 928 (9th Cir. 2005). To prevail on a
15 trademark infringement claim, the plaintiff must show that: (1) it has a valid, protectable
16 trademark, and that (2) the defendant's use of the mark is likely to cause consumer confusion, such
17 as by "misleading the public to believe that the user is sponsored or approved by the registrant."
18 *Burger King Corp. v. Mason*, 710 F.2d 1480, 1492 (11th Cir. 1983); *Applied Info. Scis. Corp. v.*
19 *eBay, Inc.*, 511 F.3d 966, 969 (9th Cir. 2007). Here, the parties dispute whether Macy's has a
20 valid trademark, and whether Strategic Marks's use of the eight marks is likely to cause confusion.

21 **1. Protectable Interest**

22 The validity of a trademark is a "threshold issue," as "[a] necessary concomitant to proving
23 infringement is, of course, having a valid trademark; there can be no infringement of an invalid
24 mark." *Yellow Cab Co.*, 419 F.3d at 928 (quotation omitted). A protectable trademark can be
25 established where the plaintiff has a federally registered mark in good or services, a descriptive
26 mark that has acquired a secondary meaning in the market, or a suggestive mark that is inherently
27 distinctive and protectable. *Applied Info. Scis. Corp.*, 511 F.3d at 970.

28 Here, Macy's has registered the eight Heritage Marks at issue for clothing (and for some

1 Heritage Marks, handbags) on the USPTO’s principal register. *See* Lo Cicero Dec., Exhs. F-M.
2 Registration of a mark on the USPTO’s principal register is prima facie evidence of a valid
3 trademark. *Applied Info Scis. Corp.*, 511 F.3d at 970. Thus, where a plaintiff pursues a trademark
4 action involving a registered trademark, the burden of proving the invalidity of the trademark falls
5 on the defendant. *Id.* at 970 n.2; *see also* *Yellow Cab Co.*, 419 F.3d at 927. The defendant can
6 only overcome the registered mark’s presumption of validity by showing by a preponderance of
7 evidence that the mark is not protectable. *Zobmondo Entm’t, LLC v. Falls Media, LLC*, 602 F.3d
8 1108, 1114 (9th Cir. 2010).

9 Strategic Marks argues raises two argument for why the registered trademarks are invalid:
10 (1) Macy’s use of the disputed marks is “merely ornamental,” and (2) Macy’s use of the disputed
11 marks does not constitute “bona fide commercial use.” *Opp.* at 9.

12 a. Ornamental Use

13 In general, a designation that is solely “ornamental” cannot be a trademark. *Bobosky v.*
14 *Adidas AG*, 843 F. Supp. 2d 1134, 1143 (D. Ore. 2011). Rather, a designation must “identify the
15 goods as coming from a certain source and distinguish it from other sources” *Id.* at 1142
16 (citing 15 U.S.C. § 1127); *see also* *In re Expo ’74*, 189 U.S.P.Q. 48, 49 (1975). Whether a
17 designation is used as ornamentation has been treated by courts as a question of fact. *Bobosky*,
18 843 F. Supp. 2d at 1143. However, “[m]erely because a design, symbol, or designation is
19 decorative or ornamental does not mean that it cannot also serve the trademark purpose of
20 identifying the source of the goods that bear it.” *Id.* at 1142; *see also* *Ithaca Indus., Inc. v.*
21 *Essence Commc’ns, Inc.*, 706 F. Supp. 1195, 1206 (W.D.N.C. 1986). Instead, the Patent Office
22 Trademark Trial and Appeal Board has long held that ornamentation on apparel, including shirts
23 manufactured by third parties, qualify as trademark use if the particular ornamentation serves as an
24 indication of a secondary source of origin, *e.g.*, the source of a shirt other than the direct
25 manufacturer. For example, if a t-shirt with the stylized “Cal” logo was sold, Champion may be
26 the direct manufacturer but the University of California, Berkeley, would be the secondary source
27 that authorized Champion to produce and distribute the shirt bearing the school’s registered
28 trademark.

1 This principle is illustrated by *In re Olin Corp.*, where the applicant sought to register a
 2 stylized “O” for use on t-shirts. 181 U.S.P.Q. 182 (1973). The applicant, Olin Corporation, had
 3 previously registered the “O” for use on its skis as a trademark. In finding that the mark could be
 4 registered for use on t-shirts, the Board explained:

5 It is a matter of common knowledge that T-shirts are “ornamented”
 6 with various insignia, including college insignias, or “ornamented”
 7 with various sayings such as “Swallow Your Leader”. In that sense
 8 what is sought to be registered could be construed to be ornamental.
 9 If such ornamentation is without any meaning other than as mere
 10 ornamentation it is apparent that the ornamentation could not and
 11 would not serve as an indicia of source. Thus, to use our own
 12 example, “Swallow Your Leader” probably would not be considered
 13 as an indication of source.

14 The “ornamentation” of a T-shirt can be of a special nature which
 15 inherently tells the purchasing public the source of the T-shirt, not
 16 the source of manufacture but the secondary source. Thus, the name
 17 “New York University” and an illustration of the Hall of Fame,
 18 albeit it will serve as ornamentation on a T-shirt will also advise the
 19 purchaser that the university is the secondary source of that shirt. It
 20 is not imaginable that Columbia University will be the source of an
 21 N.Y.U. T-shirt. Where the shirt is distributed by other than the
 22 university the university’s name on the shirt will indicate the
 23 sponsorship or authorization by the university.

24 *Id.* Thus, the Board found that the stylized “O” was an arbitrary symbol that, as used on shirts,
 25 served as an identifier of the secondary source, Olin Corporation. *Id.* at 183.

26 Applying these principles, the Board has since found that marks such as “EXPO ‘74” and
 27 “Mork & Mindy” are protectable trademarks that identify secondary sources because although the
 28 mark was “certainly part of the ornamentation,” they “also indicate[d] source or origin in the
 proprietor of the [mark] in the same sense as the stylized ‘O’ in Olin.” *In re Paramount Pictures
 Corp.*, 213 U.S.P.Q. 1111, 1113 (1982); *In re Expo ’74*, 189 U.S.P.Q. at 49 (finding that mark
 “EXPO ‘74” could serve a trademark function where it would be conspicuously displayed on the
 front of the t-shirt because the mark “advises the purchaser that the applicant ‘EXPO ‘74’ is a
 secondary source of that T-shirt.”). Thus, unlike the hypothetical example “Swallow Your
 Leader” in *Olin*, which “plainly would not be perceived by purchasers as serving any source-
 indicating function,” marks such as “Mork & Mindy” “would be and is so perceived.” *Id.* at 1115.

In applying these Board decisions, the district courts have usually looked at whether an

1 unregistered (or invalidly registered) mark warrants trademark protection. *E.g.*, *Bobosky*, 843 F.
2 Supp. 2d at 1145-46 (finding that the trademark registration of the phrase “WE NOT ME” was
3 invalid because the plaintiff lacked the bona fide intent to use the phrase on all goods listed in his
4 initial intent-to-use application, but that there was a question of fact as to whether the plaintiff had
5 acquired a valid unregistered trademark).

6 This Court has found one case where a court determined that a registered trademark was
7 void based on a finding of ornamentation. In *Tovey v. Nike, Inc.*, the plaintiff registered the mark
8 “BOOM YO!” No. 1:12CV448, 2014 WL 3510975, at *1 (N.D. Ohio July 10, 2014). The district
9 court held that the presumption of validity afforded by the registration of the mark was rebutted by
10 the defendants’ evidence that the plaintiff did not use the same design, color, font, or font size on
11 all of the items he produced, and that the location of “BOOM YO!”, which was prominently
12 displayed, varied from item to item. *Id.* at *9. The plaintiff also did not use “TM” in connection
13 with the phrase. *Id.* Thus, court concluded that the mark was not used to identify the source of the
14 goods because the plaintiff “used the mark -- which consists of a common word -- in different
15 fonts, font sizes, designs, colors and locations on his goods . . . and he did not designate the phrase
16 BOOM YO! as a trademark on the goods.” *Id.* In short, the plaintiff’s use of the mark “lacked the
17 consistent and repetitive use of a designation as an indicator of source that is the hallmark of a
18 trademark.” *Id.* (citation omitted).

19 *Tovey* is inapposite. Here, in contrast to *Tovey*, the disputed marks are well-known marks
20 that were specifically chosen by Strategic Marks precisely because they are well-known and there
21 remains favorable consumer recollection and feelings towards the brands. *See Lo Cicero Dec.*,
22 Exh. P (Kassoff Dep.) at 42:15-20, 43:7-16. Unlike the generic phrases or common words at issue
23 in cases like *Bobosky* (“WE NOT ME”) and *Tovey* (“BOOM YO”), the disputed marks are
24 arbitrary terms that have “no other perceived significance” except for source, similar to other
25 arbitrary marks like “Kodak” and “Dreft.” *See In re Paramount*, 213 U.S.P.Q. at 1112.
26 Additionally, on the shirts, the marks are followed by “TM,” clearly indicating to the consumer
27 that the mark is being used as a trademark. Strategic Marks also presents no evidence that the
28 marks were used in different fonts or designs; instead, they are used in the same font across

1 different products. *See* Ashurov Dec., Exh. I.

2 Instead, as explained at the hearing on this matter, Strategic Marks’s primary argument is
3 that because Macy’s no longer operates the regional brands, the marks have been abandoned and
4 can now be used by any other individual. Thus, Strategic Marks seems to contend that principles
5 of abandonment should be used to inform consumer perception, *i.e.*, whether a consumer would
6 view the disputed marks purely as ornamental rather than also source-identifying. However,
7 Strategic Marks admits that it knows of no specific case in which a court has found that as a matter
8 of law, consumers would no longer associate a mark with the source after a store is closed, and the
9 Court could not find any. *But see In re Expo ’74*, 189 U.S.P.Q. at 49-50 (1975 decision finding
10 that the mark “EXPO ’74” identified the source of the good, which was a 1974 exposition that had
11 already taken place).

12 This is not surprising. Simply because a store has ceased operations does not mean that its
13 proprietor or owner does not maintain a valid interest in the registered trademark of the business.
14 A trademark can still exist and be owned even after a store closes.² If an accused infringer uses
15 the mark, a consumer may still be confused as to whether the owner of the trademark authorized or
16 licensed the infringer. *See Burger King Corp.* 710 F.2d at 1492 (“The unauthorized use of a
17 trademark which has the effect of misleading the public to believe that the user is sponsored or
18 approved by the registrant can constitute infringement”); *Rearden LLC v. Rearden Commerce,*
19 *Inc.*, 683 F.3d 1190, 1209 (9th Cir. 2012) (the plaintiff’s “trademark claim rests on the notion that
20 consumers could be more inclined to do business with [the defendant] because they mistakenly
21 believe that its services are sponsored by or affiliated with [the plaintiff]”). It does not matter
22 whether the public knows the identity of the owner of the mark. *E.g., Osawa & Co. v. B & H*
23 *Photo*, 589 F. Supp. 1163, 1179 (S.D.N.Y. 1984) (“It is of little significance to the establishment
24 of trademark rights whether the public can identify correctly by name the owner of the mark”);
25 *Premier Dental Prods. Co. v. Darby Dental Supply Co.*, 794 F.2d 850, 856 (2d Cir. 1986) (“the
26 consuming public need not know of [the trademark owner] by name”); *Nw. Corp. v. Gabriel Mfg.*

27 _____
28 ² Although a valid mark may legally be abandoned, 15 U.S.C. § 1127, a claim of abandonment is not asserted here.

1 Co., Case No. 95-c-2004, 1996 U.S. Dist. LEXIS 19275, at *26 (N.D. Ill. Dec. 10, 1996) (“there is
2 no requirement that a trademark be used in association with the name of the trademark owner”);
3 *Clearly Food & Beverage Co., Inc. v. Top Shelf Beverages, Inc.*, 102 F. Supp. 3d 1154, 1159,
4 1168 (W.D. Wash. 2015) (analyzing likelihood of confusion where the plaintiff bought the
5 trademark from a company that had filed for bankruptcy, with the intent of reintroducing the
6 product under that trademark).

7 In arguing the Heritage Marks are only ornamental, Strategic Marks cites the Trademark
8 Manual of Examining Procedures (TMPEP), which requires that the examining attorney consider
9 the significance of the proposed mark, as well as the “size, location, and dominance of the
10 proposed mark, as applied to the goods, to determine whether ornamental matter serves a
11 trademark function.” TMPEP § 1202.03(a). For example, “[a] small, neat and discrete word or
12 design (e.g., small design of animal over pocket or breast portion of shirt) may be likely to create
13 the commercial impression of a trademark, whereas a larger rendition of the same matter
14 emblazoned across the front of a garment (or a tote bag, or the like) may be likely to be perceived
15 merely as a decorative or ornamental feature of the goods.” *Id.* However, as pointed out by
16 Macy’s, an examining attorney would already have considered these factors in finding that the
17 disputed marks could be registered on the principal registrar, and Strategic Marks presents no
18 factual evidence that a consumer would not believe the mark was source-identifying rather than
19 purely ornamental. The size, location or dominance of the mark as used by the accused infringer
20 is only a factor in assessing whether it is ornamental. *See Bobosky*, 843 F. Supp. 2d at 1145.
21 Where as here the mark is arbitrary and has a well-known association with a source (as here)
22 rather than constituting some generic term without any such association, and particularly where
23 “TM” appears next to the mark or the accused products, the marks are not ornamental.

24 Finally, Strategic Marks relies on the expert report of Mr. Joe Mendelson, who is acting as
25 a “branding expert.” Ashurov Dec., Exh. O (Mendelson Report) at ¶ 7; Opp. at 11-12.³ With

26
27 ³ Macy’s has requested, although not formally moved, that Mr. Mendelson’s report be stricken as
28 inadmissible hearsay and comprised of improper legal conclusions. The Court will not strike Mr.
Mendelson’s report at this juncture, although the weight to be given it will be limited, as further
discussed below.

1 respect to ornamentation, Mr. Mendelson opines that “[t]here is no connection in the consumers’
2 mind between the token use of the old store marks on souvenirs or promotional items such as
3 ‘totes and T’s,’ with what once were grand businesses and retail platforms that were vibrant and
4 engaging parts of their communities.” *Id.* at ¶ 40. However, the report establishes no basis for
5 this opinion or how Mr. Mendelson came to this conclusion; there is no indication that he spoke to
6 any consumer about the specific marks or products at issue. Moreover, Mendelson acknowledges
7 the Heritage Marks are strong and that consumers are well familiar with the stores that were
8 affiliated with the marks. *See id.* at ¶ 41 (“Some consumers still remember the old history of the
9 stores and their personal experiences at the old retail department stores that used to operate under
10 the nameplates at issue in this case, and many even still feel nostalgia for these stores as they
11 existed in their heyday.”). More importantly, Mr. Mendelson fails to address the proper legal
12 standard. He does not address and hence does not deny that consumers may still be confused
13 about whether the use of the marks by Strategic Marks were authorized or licensed by the
14 secondary source – the actual owner or registrant of the marks. Mr. Mendelson’s report fails to
15 create a genuine issue of material fact as to whether Macy’s has a protectable interest in the
16 disputed marks.

17 Thus, the marks at issue are not purely ornamental, but well-known, strong marks that
18 indicate a source, as emphasized by the use of “TM” on the shirts immediately following the
19 marks.

20 b. Use in Commerce

21 Strategic Marks next argues that the registered trademarks are invalid because the disputed
22 marks are not used in commerce. As defined by the statute, the term “use in commerce” requires
23 “bona fide use of the mark in the ordinary course of trade, and not made merely to reserve a right
24 in a mark.” 15 U.S.C. § 1127. For purposes of the statute, a mark is deemed to be used in
25 commerce on goods when: “(A) it is placed in any manner on the goods or their containers or the
26 displays associated therewith or on the tags or labels affixed thereto . . . and (B) the goods are sold
27 or transported in commerce.” *Id.*; *see also Chance v. Pac-Tel Teletrac Inc.*, 242 F.3d 1151, 1159
28 (9th Cir. 2001) (“the ‘use in commerce’ requirement includes (1) an element of actual use, and (2)

1 an element of display.”)

2 There can be no real question that Macy’s offers products displaying the disputed
3 trademark for commercial sale on its website, and Strategic Marks presents no real evidence to the
4 contrary. Instead, Strategic Marks argues that the Court should apply a “totality of the
5 circumstances test” to determine whether the disputed marks are adequately used in commerce.
6 Opp. at 12. However, the totality of circumstances test is typically used to determine if protection
7 to a particular trademark exists *prior* to actual sales. *See Rearden LLC*, 683 F.3d at 1203 n.5
8 (explaining that “protection prior to actual sales may arise where the totality of the circumstances
9 establishes a right to use the trademark”); *Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp.*,
10 174 F.3d 1036, 1052 (9th Cir. 1999) (“we have indeed held that trademark rights can vest even
11 before any goods or services are actually sold if the totality of one’s prior actions, taken together,
12 can establish a right to use the trademark”) (internal citations and modifications omitted); *Chance*,
13 242 F.3d at 1158 (explaining that the Ninth Circuit had previously found that “the totality of the
14 appellee’s acts, prior to its first sale, was sufficient to show adoption of its mark and use in a way
15 sufficiently public to identify or distinguish the marked goods in an appropriate segment of the
16 public mind.”) (internal citations and modifications omitted). Thus, “even if a party completes the
17 initial sale of its services only after its opponent has done so, that party still could establish prior
18 use of the contested mark based on its prior non-sales activities.” *Rearden LLC*, 683 F.3d at 1206.

19 Here, Strategic Marks does not argue that based on the totality of the circumstances test, it
20 used the disputed marks prior to Macy’s. Instead, Strategic Marks argues that the Court should
21 apply the totality of circumstances test to find that Macy’s *actual* sales activities are not genuine.
22 It cites no authority for applying the totality of the circumstances test to this circumstance. Even if
23 the totality of the circumstances test could be applied, Strategic Marks provides no evidence to
24 support its claim, such as sales figures or a showing that the products sold on the Heritage Shop
25 website have never in fact been available for sale. The Court finds there is no genuine factual
26 dispute as to whether the disputed marks were used in commerce, and concludes that Macy’s has a
27 protectable interest in the disputed marks.

28

1 2. Likelihood of Confusion

2 Because the Court finds that Macy’s marks are valid, the Court must look next to whether
3 Strategic Marks’s use of the disputed trademarks creates a “likelihood of confusion.” “The
4 ‘likelihood of confusion’ inquiry generally considers whether a reasonably prudent consumer in
5 the marketplace is likely to be confused as to the origin or source of the goods or services bearing
6 one of the marks or names at issue in the case.” *Rearden LLC*, 683 F.3d at 1209. “[A] plaintiff
7 must show more than simply a possibility of such confusion.” *Id.* In the Ninth Circuit, the courts
8 usually look at the eight *Sleekcraft* factors: (1) strength of the mark, (2) proximity of the goods, (3)
9 similarity of the marks, (4) evidence of actual confusion, (5) marketing channels used, (6) type of
10 goods and the degree of care likely to be exercised by the purchaser, (7) defendant’s intent in
11 selecting the mark, and (8) likelihood of expansion of the product lines. *Id.* (citing *AMF Inc. v.*
12 *Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979), *abrogated in part on other grounds by*
13 *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 810 n.19 (9th Cir. 2003)). This multi-
14 factor test “must be applied in a flexible fashion, [as t]he *Sleekcraft* factors are intended to
15 function as a proxy or substitute for consumer confusion, not a rote checklist.” *Id.* Thus, “[a]
16 determination may rest on only those factors that are most pertinent to the particular case before
17 the court, and other variables besides the enumerated factors should also be taken into account
18 based on the particular circumstances.” *Id.*

19 a. Strength of the Marks

20 The parties dispute the strength of the disputed marks. The strength of a disputed mark is
21 based on whether the mark is “inherently distinctive;” thus, “an arbitrary or fanciful mark . . . will
22 be afforded the widest ambit of protection from infringing uses,” as compared to marks that are
23 descriptive or suggestive. *Sleekcraft*, 599 F.2d at 349.

24 The Court finds that the disputed marks are strong. The marks are arbitrary, rather than
25 descriptive or suggestive or the products being sold, and would likely be considered an indication
26 of the product’s source. *See id.* Further, even Strategic Marks admits that the marks are strong, as
27 it specifically chose the disputed marks because they are well-known. *See* Kassoff Dep. at 43:7-
28 12. This factor weighs in favor of finding a likelihood confusion.

1 b. Proximity of the Goods

2 The proximity of the goods looks at how related the goods are; “[f]or related goods, the
3 danger presented is that the public will mistakenly assume there is an association between the
4 producers of the related goods, though no such association exists. The more likely the public is to
5 make such an association, the less similarity in the marks is requisite to a finding of likelihood of
6 confusion.” *Sleekcraft*, 599 F.2d at 350 (citation omitted).

7 Here, the goods are related because both the authorized trademarked goods sold by Macy’s
8 and the unauthorized goods sold by Strategic Marks are t-shirts emblazoned with the disputed
9 marks. While Strategic Marks argues that the types of goods offered are “quite different” because
10 its ultimate goal is to “provide online retail[er] store services, not sell t-shirts,” it is undisputable that
11 Strategic Marks is in fact currently offering t-shirts branded with the disputed marks for sale on its
12 website. *See* Ashurov Dec., Exh. F. Because there is no real dispute that the goods are closely
13 related, this factor weighs in favor of finding a likelihood of confusion.

14 c. Similarity of the Marks

15 Similarity of the marks looks at the “sight, sound, and meaning,” of the marks. *Sleekcraft*,
16 599 F.2d at 351; *Rearden LLC*, 683 F.3d at 1211. Any similarities should be weighed more
17 heavily than differences. *Id.* Here, the parties do not and cannot dispute that the marks are exactly
18 the same. *See* Mot. at 15-17. This factor therefore weigh heavily in favor of finding a likelihood
19 of confusion.

20 d. Evidence of Actual Confusion

21 Macy’s has not presented evidence of actual confusion. However, the Ninth Circuit has
22 found that while “[e]vidence that use of the two marks has already led to confusion is persuasive
23 proof that future confusion is likely,” “[b]ecause of the difficulty in garnering such evidence, the
24 failure to prove instances of actual confusion is not dispositive.” *Sleekcraft*, 599 F.2d at 352-53.
25 Thus, “this factor is weighed heavily only when there is evidence of past confusion or, perhaps,
26 when the particular circumstances indicate such evidence should have been available.” *Id.* at 353.

27 Strategic Marks presents as evidence Mr. Mendelson’s report, in which he opines that
28 confusion is unlikely because Macy’s shut down the regional department stores, so consumers are

1 unlikely to believe that Macy's is now reopening the department stores. Mendelson Report at ¶¶
 2 51-52. But as noted above, the fact that the regional departmental stores affiliated with the
 3 Heritage Marks are closed does not invalidate the registrability and enforceability of the marks.
 4 Consumers may still be confused as to whether the alleged infringing goods are authorized by and
 5 affiliated with the owner or registrant of the mark. As noted above, Mr. Mendelson's report is not
 6 evidence sufficient to create a genuine dispute of material fact. Strategic Marks also argues that it
 7 has made no sales and generated no revenue through the use of the disputed marks. Opp. at 16.
 8 However, the fact that Strategic Marks has not yet sold any products is not evidence that
 9 consumers are unlikely to be confused. The Court finds that this factor is neutral as to whether
 10 there is a likelihood of confusion.

11 e. Marketing Channels

12 “Convergent marketing channels increase the likelihood of confusion.” *Sleekcraft*, 599
 13 F.2d at 353. Here, the products are both sold on-line, although on different websites. This factor
 14 weighs very slightly in favor of likelihood of confusion, as the Ninth Circuit has recognized that
 15 “[t]oday, it would be the rare commercial retailer that did not advertise online, and the shared use
 16 of a ubiquitous marketing channel does not shed much light on the likelihood of consumer
 17 confusion.” *Network Automation, Inc. v. Advanced Sys. Concepts*, 638 F.3d 1137, 1151 (9th Cir.
 18 2011); *see also Playboy Enters. v. Netscape Commcn's Corp.*, 354 F.3d 1020, 1028 (9th Cir.
 19 2004) (noting that the marketing channels factor is “equivocal” where the parties both used the
 20 Internet because “[g]iven the broad use of the Internet today, the same could be said for countless
 21 companies. Thus, this factor merits little weight.”).

22 f. Type of Goods and Purchaser Care

23 “Likelihood of confusion is determined on the basis of a ‘reasonably prudent consumer.’”
 24 *Brookfield Commc'ns, Inc.*, 174 F.3d at 1060. The “reasonably prudent consumer” is dependent
 25 on the circumstances; such a consumer is expected “to be more discerning - and less easily
 26 confused - when he is purchasing expensive items, and when the products being sold are marketed
 27 primarily to expert buyers.” *Id.* (citation omitted). “On the other hand, when dealing with
 28 inexpensive products, customers are likely to exercise less care, thus making confusion more

1 likely.” *Id.*; *see also E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1293 (9th Cir.
2 1992) (finding no clear error where district court found that consumers tend to exercise less care
3 when purchasing wine and cheese).

4 Here, the products at issue are relatively inexpensive. For example, a Marshall Field’s t-
5 shirt on the Macy’s site is \$24.00, while the same shirt on Retro Department Stores is \$29.99. *See*
6 *Ashurov Dec.*, Exh. N. Given the low prices, it is unlikely that consumers would exercise much
7 care in determining whether the shirt is licensed or not, thus making confusion more likely.

8 Strategic Marks argues that it has a disclaimer on Retro Department Store’s homepage,
9 stating that the website is “not affiliated with any of the former owners/users of the trademarks
10 referenced on this website.” *Opp.* at 16; *see also Lo Cicero Dec.*, Exh. E. However, it produces
11 no evidence that this disclaimer, in relatively small font compared to the remainder of the
12 homepage, is or would be effective. *See HBO, Inc. v. Showtime/The Movie Chanel, Inc.*, 832 F.2d
13 1311, 1315-16 (2d Cir. 1987) (requiring the infringing user “to demonstrate the effectiveness of
14 proposed disclaimers,” and noting that many academics “have concluded that disclaimers are
15 frequently not effective”); *Toho Co., Ltd. v. William Morrow & Co., Inc.*, Case No. CV 98-0925
16 DT (Mcx), 1998 U.S. Dist. LEXIS 11920, at *8-9 (C.D. Cal. Apr. 15, 1998) (“In the case of
17 disclaimers, the infringer has an affirmative duty to come forward with evidence sufficient to
18 demonstrate that the proposed material would significantly reduce the likelihood of consumer
19 confusion”) (citation omitted). Furthermore, even assuming that anyone reads the disclaimer, the
20 disclaimer only states that the website is not affiliated with *former* owners of the trademarks; this
21 disclaimer still fails to inform consumers that the website is entirely unaffiliated with *current*
22 owners of the mark, who in this case is Macy’s. Given the low price point and the lack of any
23 evidence that the disclaimer is effective, this factor weighs in favor of finding a likelihood of
24 confusion.

25 g. Intent

26 The Ninth Circuit has found that “[w]hen the alleged infringer knowingly adopts a mark
27 similar to another’s, reviewing courts presume that the defendant can accomplish his purpose: that
28 is, that the public will be deceived.” *Sleekcraft*, 599 F.2d at 354. Here, the evidence shows that

1 Strategic Marks specifically chose the disputed marks at issue because consumers still hold strong
2 feelings for the brands. Kassoff Dep. at 43:7-12. Furthermore, given that there was an ongoing
3 suit involving the same parties, there is no real question that Strategic Marks’ decision to expand
4 its allegedly infringing activity was deliberate. Thus, this factor weighs in favor of finding a
5 likelihood of confusion.

6 h. Likelihood of Expansion

7 Finally, “a ‘strong possibility’ that either party may expand his business to compete with
8 the other will weigh in favor of finding that the present use is infringing.” *Sleekcraft*, 599 F.2d at
9 354. Furthermore, “[w]hen goods are closely related, any expansion is likely to result in direct
10 competition.” *Id.* Here, Strategic Marks has stated that it intends to expand its business to sell
11 products other than shirts. Opp. at 16. This suggests a likelihood of other direct competition in
12 the future, further supporting a finding of likelihood of confusion.

13 i. Finding of Likelihood of Confusion

14 In sum, there is no genuine issues of material fact with respect to any of the *Sleekcraft*
15 factors, most of which support a finding of likelihood of confusion and the remainder of which are
16 neutral. Because Strategic Marks’s infringing activity consists of the deliberate sale of the same
17 product sold by Macy’s (t-shirts), bearing the same exact mark, and sold at a relatively
18 inexpensive price which likely results in limited consumer care, the Court finds that there is a high
19 likelihood of confusion, and thus grants Macy’s motion for partial summary judgment.

20 ///
21 ///
22 ///
23 ///
24 ///
25 ///
26 ///
27 ///
28 ///


1 **IV. CONCLUSION**

2 For the reasons stated above, the Court **GRANTS** Macy's motion for partial summary
3 judgment. The Court finds as a matter of law that Macy's has a protected interest in the registered
4 trademarks, and that there is a high likelihood of confusion based on Strategic Marks's use of the
5 same exact mark on the same products.

6 This order disposes of Docket No. 31.

7
8 **IT IS SO ORDERED.**

9
10 Dated: February 1, 2016

11 
12 _____
13 EDWARD M. CHEN
14 United States District Judge
15
16
17
18
19
20
21
22
23
24
25
26
27
28