

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.<sup>1</sup> 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

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<sup>1</sup>The 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.<sup>2</sup> 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  
"\_\_\_\_\_".<sup>3</sup>

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

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<sup>2</sup>Pure 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.

<sup>3</sup>Each 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 (7<sup>th</sup> 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 (7<sup>th</sup> 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.<sup>4</sup> 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 (7<sup>th</sup> 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

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<sup>4</sup>**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 (7<sup>th</sup> 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 (7<sup>th</sup> 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.<sup>5</sup> *U.S. Structures, Inc., v. J.P. Structures, Inc.*, 130 F.3d 1185, 1190 (6<sup>th</sup> Cir. 1997); *Burger King Corp. v. Mason*, 710 F.2d 1480, 1492 (11<sup>th</sup> 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.

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<sup>5</sup>The 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 (7<sup>th</sup> 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.<sup>6</sup>

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 (4<sup>th</sup> ed. 2003). However, according to the U.S. Patent & Trademark Office, an association may use the mark both to

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<sup>6</sup>**15 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.

identify collectively its members as well as the products it sells or endorses.

This is made clear in the Trademark Manual of Examining Procedures (“TMEP”), wherein it states, “[N]othing in the Trademark Act prohibits the use of the same mark as a membership mark by members and, also, as a trademark or a service mark by the parent organization.” TMEP § 1304.03.

The 1988 amendment to 15 U.S.C. § 1054, enacted in an effort to eliminate any confusion as to whether there exists a prohibition regarding the use of a certification mark<sup>7</sup> by the owner to identify goods applies as compared to collective mark, also dictates such an interpretation. 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 19:100 (4th ed. 2004). In short, the prohibition does not apply to collective marks; pursuant to the language of 15 U.S.C. § 1054, a collective mark receives the same protection as a trademark.

These authorities notwithstanding, there are some judicial opinions which seem to threaten the ability of fraternal organizations and similar associations to license the use of their registered names or emblems in connection with products – cases cited by Pure Country in support of its defense to Plaintiffs’ claims. We address these cases below.

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<sup>7</sup>A certification mark (i.e. “Good Housekeeping Seal of Approval,” “Union Label,” “Underwriters Laboratories”) is distinguishable from a collective mark in that it is not used to identify the products or services of any one entity, but is owned by a single entity and used to distinguish the products of numerous manufacturers that meet specific criteria. 3 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 19:19 (4th ed. 2004).

### Aesthetic Functionality

Defendant relies on the holding in *International Order of Job's Daughters*, 633 F.2d 912 (9<sup>th</sup> Cir. 1981), involving a suit by a young women's fraternal organization (Job's Daughters), against a maker of jewelry for trademark infringement for creating jewelry bearing the emblems of the organization without their permission. In that case, the Ninth Circuit developed what it described as an "aesthetic functionality" test to determine whether or not trademark protection is warranted when a product bears the identifying mark of an organization. That court reasoned that a person buying a ring with the Job's Daughters insignia did not purchase the ring because the buyer believed it to be made by the Job's Daughters organization, but because the ring functioned aesthetically to allow the buyer to identify with the organization. The Ninth Circuit reasoned that "trademark law is concerned only with the identification of the maker, sponsor or endorser of the product so as to avoid confusing consumers." *Id.* at 917; *but compare, CAE, Inc. v. Clean Air Engineering, Inc.*, 267 F.3d 660, 672 (7<sup>th</sup> Cir. 2001)(Lanham Act said to have been passed to protect both consumer confidence and a businesses' goodwill). Thus, copying a functional feature which constitutes the actual benefit the consumer wishes to purchase or obtain is not prohibited. *Id.*

While followed in a couple of subsequent court decisions, this notion of aesthetic functionality has not generally caught on elsewhere. *Compare, Board of Governors of University of North Carolina v. Helpingstine*, 714 F.Supp. 167

(M.D.N.C. 1989)(agreeing with the *Job's Daughters* analysis that trademark law was not violated where the consumer was buying a T-shirt with a university insignia not because he believed the shirt was made by the university, but rather to identify with the university through its athletic or other endeavors) with, *W.T. Rogers Co., Inc. v. Keene*, 778 F.2d 334, 340 (7<sup>th</sup> Cir. 1985) (noting that it would be unreasonable to deny trademark protection for a symbol or design valued by the consumer for its intrinsic pleasingness as much as for the information it may convey about who actually made the product, and contrasting that view with the *Job's Daughters* decision, prompting the 7<sup>th</sup> Circuit to state, “ We reject the contrary intimations in some cases from the Ninth Circuit.”)

Our research discloses that the aesthetic functionality analysis in *Job's Daughters* “has been limited, if not rejected,” even in subsequent Ninth Circuit decisions. See, e.g. *First Brands Corp. v. Fred Meyer, Inc.*, 809 F.2d 1378, 1382 n.3 (9<sup>th</sup> Cir. 1987). It has been expressly rejected by several other circuits as well which have found the reasoning to be factually unsupported, circular or too finely drawn. *Brunswick Corp. v. Spirit Reel Co.*, 832 F.2d 513, 518 (10<sup>th</sup> Cir. 1987); *University of Georgia Athletic Ass'n v. Laite*, 756 F.2d 1535, 1546 n.28 (11<sup>th</sup> Cir. 1985); *In re DC Comics, Inc.*, 689 F.2d 1042 (C.C.P.A. 1982). We believe the Seventh Circuit would not likely accept the aesthetic functionality approach in resolving trademark applications and issues. Therefore, we reject its application here as well.

No Historical Control Over Insignia by Fraternal Organizations

Defendant next cites the fact that Plaintiffs have not maintained historical control over their insignia to defeat their entitlement to trademark protection, relying on a Fifth Circuit case denying trademark protection to a fraternal organization where a jeweler other than the authorized “official” jeweler of the organization made jewelry incorporating its emblems. In *Supreme Assembly, Order of Rainbow For Girls v. J.H. Ray Jewelry Co.*, 676 F.2d 1079 (5<sup>th</sup> Cir. 1982), the fraternal organization (“Rainbow Girls”) had registered its emblem as a collective membership mark in 1962, and entered into a licensing arrangement in 1973 with a specific jeweler, Stange Company, Inc., allowing Stange to manufacture jewelry bearing the Rainbow Girls emblem and agreeing to purchase all its jewelry requirements from Stange, in order to benefit from discounts or royalties in exchange. *Id.* at 1081. In addition to the fraternal emblem, the jewelry also bore the trademark of Stange. *Id.* Rainbow Girls purchased and marketed jewelry for its own needs, including membership pins and status attainment awards and for sale at its annual assembly meetings. *Id.* Stange also marketed various jewelry items directly to the membership. *Id.*

J.H. Ray Jewelry Co., a Dallas company, had for twenty-five years (1952-1977) been allowed to display and market Rainbow Girls jewelry at the annual meetings of the Rainbow Girls Grand Assembly of Texas. *Id.* It purchased the

jewelry from Stange as well as from other manufacturers. *Id.* In 1977, the Grand Assembly of Texas informed Ray Jewelry that it would no longer be allowed to sell its jewelry at the annual Texas assembly. *Id.* However, Ray Jewelry did not accede to a total restriction, continuing to sell Rainbow Girls jewelry at its retail outlet, including jewelry made by and purchased from Stange. *Id.* In 1980, Stange also directly asked Ray Jewelry to discontinue the sale of Rainbow Girls jewelry. Though Ray Jewelry had last purchased Rainbow Girls jewelry from Stange in 1977, it retained some Rainbow Girls jewelry in inventory, including items manufactured both by Stange and other “non-official” jewelers. *Id.* When Ray Jewelry refused to cease sales, Stange and the Rainbow Girls brought suit against it. *Id.*

The Fifth Circuit affirmed the district court’s decision in favor of Ray Jewelry. *Id.* at 1086. Having determined that plaintiffs had failed to adduce evidence of a likelihood of confusion as to the origin, approval or endorsement of the jewelry being sold by Ray Jewelry, the district court also found a lack of historical custom or practice among fraternal organizations to control the manufacture of jewelry bearing their insignia which might otherwise lead a reasonable purchaser to believe that the fraternal organization had approved the jewelry. *Id.* at 1083. The trial court noted that the lack of historical custom or practice by fraternal organizations in general, and Rainbow Girls specifically, reduced the likelihood that a buyer would assume that the jewelry would have been manufactured and sold with the sponsorship of the Rainbow



Girls organization. It also found that the Stange trademark (“S”) on the jewelry it manufactured, along with the widely advertised fact that Stange was the “official jeweler” of Rainbow Girls, made it less likely that a consumer would be confused by the presence of Rainbow Girls insignia on non-officially manufactured jewelry. *Id.*

Barely acknowledging the potential for inconsistency between this ruling and its earlier decision in *Boston Professional Hockey Assoc., Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004 (5<sup>th</sup> Cir. 1975), the Fifth Circuit held that, under the deferential “clearly erroneous” standard, it would defer to the district court’s finding of no likelihood of confusion. *Supreme Assembly, Order of Rainbow For Girls v. J.H. Ray Jewelry Co.*, 676 F.2d at 1083-85.<sup>8</sup> Pure Country cites this holding for the proposition that a historical lack of control over the use of the trademark can be significant enough to bar protection under the Lanham Act. However, that is not the proposition at the heart of the Fifth Circuit’s decision. The district court’s determination was clearly based on a lack of proof with respect to the element of “likelihood of confusion”, which was the true foundation for the appellate court affirming the decision. *Id.* at 1083-1084.

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<sup>8</sup>That the emblems were registered as collective membership marks was noted by the court, but had no apparent impact on its analysis. The court did not, as the defendant asks us to do in this case, limit or discount the protection afforded the mark simply because it was registered as a collective membership mark even though it was being used in connection with the sale of goods.

More than twenty years have passed since the Texas district court found “a historical lack of control” on the part of fraternal organizations with regard to the use of their emblems. To the extent that factor plays any role in the analysis, we think there is evidence here of attempts by the many plaintiffs, as well as other fraternal organizations, to gain control over the use of their marks. Further, in the case at bar, there is no separate trademark of the manufacturer on the afghans, and, as noted previously, precedent establishes as a matter of law that confusion is likely where a licensed manufacturer continues to sell goods bearing a trademark which it is no longer licensed to use. *U.S. Structures, Inc., v. J.P. Structures, Inc.*, 130 F.3d 1185, 1190 (6<sup>th</sup> Cir. 1997); *Burger King Corp. v. Mason*, 710 f.2d 1480, 1492 (11<sup>th</sup> Cir. 1983); *Bunn-O-Matic Corp. v. Bunn Coffee Service, Inc.*, 88 F. Supp.2d 914, 922 (C.D. Ill. 2000). Accordingly, we view the likelihood of confusion issue in our case as much more closely akin to the issue addressed by the Fifth Circuit in its decision in *Boston Professional Hockey Assoc., Inc. v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004 (5<sup>th</sup> Cir. 1975).

In *Boston Professional Hockey*, the Fifth Circuit found confusion of the purchasing public likely where a company intentionally duplicated and produced the trademarks of various professional hockey teams in the form of an embroidered patch for attachment to clothing. *Id.* at 1012. The court found the intentional duplication of a trademark whose source is well known leads to

self evident confusion. *Id.* Determining that the clearly erroneous standard applied, it nonetheless reversed the district court's finding of no likelihood of confusion, stating:

In this case, however, the district court overlooked the fact that the act was amended to eliminate the source of origin as being the only focal point of confusion. The confusion question here is conceptually difficult. It can be said that the public buyer knew that the emblems portrayed the teams' symbols. Thus, it can be argued, the buyer is not confused or deceived. This argument misplaces the purpose of the confusion requirement. The confusion or deceit requirement is met by the fact that the defendant duplicated the protected trademarks and sold them to the public knowing that the public would identify them as being the teams' trademarks. The certain knowledge of the buyer that the source and origin of the trademark symbols were in plaintiffs satisfies the requirement of the act. The argument that confusion must be as to the source of the manufacture of the emblem itself is unpersuasive, where the trademark, originated by the team, is the triggering mechanism for the sale of the emblem.

*Id.* at 1012.

The Seventh Circuit has not yet had occasion to discuss or even reference the *Rainbow Girls* decision, though it has observed and cited favorably the *Boston Hockey* discussion of "likelihood of confusion" under the clearly erroneous standard. See *Processed Plastic Co. v. Warner Communications, Inc.*, 675 F.2d 852, 857 (7<sup>th</sup> Cir. 1982). Here the insignias of the plaintiffs are the triggering mechanisms for the sale of the afghans, just as in *Boston Hockey*. Our decision is based first on the fact Pure Country is a past licensee, resulting in an automatic finding of likelihood of confusion upon

its continued sale of previously licensed merchandise, but if that analysis is determined not to carry the day, then we believe the Seventh Circuit would more likely adopt and follow the reasoning in *Boston Hockey* than the notion of an historical lack of control, as discussed in *Rainbow Girls*.

We base our educated hunch on a prior holding of the Seventh Circuit, wherein it stated: “[T]he ‘keystone’ of trademark infringement is ‘likelihood of confusion’ as to source, affiliation, connection or sponsorship of goods or services among the relevant class of customers and potential customers.” *Johnny Blastoff, Inc. v. Los Angeles Rams Football Co.*, 188 F.3d 427, 436 (7<sup>th</sup> Cir. 1999). From this, we conclude that members of the Greek organizations and their product-buying family and friends, who constitute the potential customers here, would likely be easily confused regarding the sponsorship of the afghans created and sold by Pure Country, a confusion exacerbated by the fact that Pure Country was formerly a licensed vendor and advertised itself as such.

*License Agreement Not Possessed by Registered Owners of the Marks*

Pure Country also raises a technical defense with regard to the trademark ownership status of some of the plaintiffs, as well as the identities of signatories to the licensing agreements. Defendant claims, for example, that the Delta Delta Delta and Sigma Nu trademarks are owned by the corporate affiliates of the fraternal organizations, while the licensing agreements with

Pure Country were in the names of the unincorporated fraternal organizations. In addition, the trademark registration for one plaintiff's insignia refers to Delta Tau Delta Fraternity, a New York not-for-profit corporation, which is inconsistent with the allegation in the Complaint which references Delta Tau Delta Fraternity Corporation (emphasis supplied). This error as to the true name of the registrant of the fraternal insignia, according to Pure Country, defeats Plaintiffs' entitlement to summary judgment.

Though defendant's assertions illustrate a degree of sloppiness on the part of Plaintiffs' counsel in drafting either the license agreements or the Complaint, they do not create any issue of material fact which would foreclose summary judgment. First, there is no factual dispute concerning the valid assignments of the insignia or the trademark registrations by the associations to their corporate affiliates. Nor is there a dispute as to whether the entities with which Pure Country had its license agreement were authorized to enter into those agreements. Pure Country apparently got what it bargained for in its former license agreements with the Greek organizations. Thus, it has no standing to capitalize on a technical or clerical error of this nature.

Secondly, a claim of unfair competition (Count II) does not require that the trademark exploited even be registered. If the words, terms, name or symbols used by a defendant on goods are misleading or cause confusion as to affiliations with the goods, the owner or senior user of such trademarks need not have registered them in order to pursue a claim for unfair competition

under the Lanham Act. *Boston Hockey*, 510 F.2d at 1010.

This theory of defense, therefore, has no legs and does not defeat Plaintiffs' summary judgment motion.

*Abandonment Through Naked Licensing*

We next examine Pure Country's affirmative defense that the Greek organizations "abandoned" their trademarks as a result of naked licensing. Naked licensing is the term used to describe an organization's lack of control over the use of its trademarks.

A trademark signals to a consumer that the owner of the trademark has control over the nature and quality of the goods or services sold. Uncontrolled licensing of the mark, sometimes referred to as naked licensing, allows the mark to be placed on goods of no particular specification and lessens the significance and accuracy of the quality control message which accompanies a trademark. See, 2 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* § 18:48 (4th ed. 2004). While some loss of quality control is inevitable when licensing a product, naked licensing results in the owner's abandonment of all trademark rights. *TMT North America, Inc. v. Magic Touch GmbH*, 124 F.3d 876, 885-86 (7<sup>th</sup> Cir. 1997). Successful assertion of this affirmative defense resulting in abandonment is an obviously harsh result; thus, a party attempting to establish abandonment via naked licensing faces a heavy burden of proof. *Id.*; see also, *Moore Business Forms, Inc. v. Ryu*, 960 F.2d 486, 489 (5th Cir.1992).

Here, Pure Country contends that the Greek organizations failed to keep control over the use of their insignia. For years, defendant asserts, there was no effort on the part of the plaintiffs to control the use of their marks. According to Pure Country, both the members and specialty product companies had unchecked permission to use the names and insignia of the Greek organizations on their products. Affinity was not even hired to implement a licensing and marketing program until the late 1990's. Pure Country maintains that there is substantial and revealing evidence in the record of plaintiffs' members purchasing non-licensed goods, such as caps, mugs and buttons, all bearing plaintiffs' registered insignia, including specially ordered goods, such as teeshirts with their trademarked Greek letters from local, unlicensed vendors. Further, Pure Country maintains that members of local chapters of the Greek organizations are rarely made aware of their organization's licensing program or efforts at quality control.

As a preliminary matter, we note that Pure Country's arguments with regard to evidence of naked licensing prior to the summer of 1999, when it abandoned its licensee status, have no effect on our decision. As indicated earlier (both in this entry and in the Magistrate Judge's March 31, 2003 entry on defendant's Motion to Compel), the doctrine of licensee estoppel preempts any challenge to the validity of a trademark which would be inconsistent with the terms of the license. *Smith v. Dental Products Co.*, 140 F.2d 140, 148 (7<sup>th</sup>

