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Focus

Taking Confusion Past Hearsay Hurdle

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Evidence of actual confusion, or the lack thereof, is often the dispositive factor in trademark infringement cases. Over the last dozen years, the Central and Northern Districts of California have issued conflicting rulings on the admissibility of testimony concerning conversations with third parties to prove actual confusion.

In a recent Central District case, the court held that such evidence was not hearsay or that it fell within the state of mind exception to the hearsay rule. In doing so, the court distinguished two prior Central District cases in which the court reached the opposite conclusion. The 9th Circuit has not yet ruled on this issue, but the California district court cases provide some guidance as to how plaintiffs can best ensure that third-party testimony regarding actual confusion can be admitted.

Actual confusion is one of the eight factors used in the 9th Circuit to determine likelihood of confusion, the test for trademark infringement. *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341 (9th Cir. 1979). Evidence of actual confusion "constitutes persuasive proof that future confusion is likely." *Thane Intern. Inc. v. Trek Bicycle Corp.*, 305 F.3d 894 (9th Cir. 2002).

While evidence of actual confusion is not necessary to prove likelihood of confusion, it can strengthen a plaintiff's case. Where evidence of actual confusion has been shown, the likelihood of confusion is actually increased. See *Morningside Group Ltd. v. Morningside Capital Group*, 182 F.3d 133 (2d Cir. 1999).

Obtaining admissible evidence of actual confusion directly from customers can be difficult, particularly early in litigation. *G. D. Searle & Co. v. Chas. Pfizer & Co.*, 265 F.2d 385 (7th Cir. 1959) (holding that it is inherently impossible to prove more than a few instances of actual confusion because a consumer who has been confused usually doesn't make a complaint that can be traced or does not learn of the mistake until months later). One form of such evidence that may be easier to obtain are declarations of a trademark owner or its employees concerning communications with third parties who have been confused.

The 9th Circuit has not yet ruled on the admissibility of declarations and testimony of employees to show actual confusion. However, the recent 'Conversive' holding is aligned with those of the 2nd, 3rd, 4th, 5th and 10th circuits in admitting such evidence.

Until recently, the Central District of California has ruled that such declarations constitute inadmissible hearsay. In *Avery Dennison Corp. v. Acco Brands Inc.*, No. 99-1877, 1999 WL 33117262, *53 (C.D. Cal. Oct. 12, 1999), the plaintiff submitted employee declarations to prove actual confusion of clients. The court upheld the defendant's hearsay objection, pointing to the lack of identification of the people confused and the failure of some of the declarations to state the reason for the confusion.

Similarly, in *Fierberg v. Hyundai Motor America*, 44 U.S.P.Q.2d 1305, 1306 (C.D. Cal. 1997), the court sustained objections to unauthenticated letters attached to the plaintiff's employee's declaration because those confused were unidentified and the purported confusion was not specific to infringement alleged.

Finally, in *Alchemy II Inc. v. Yes! Entertainment Corp.*, 844 F.Supp. 560 (C.D. Cal. 1994), the court stated that a declaration by an employee that a third party was confused was inadmissible hearsay and "hardly compelling evidence of likelihood of confusion."

However, in *Conversive Inc. v. Conversagent Inc.*, 433 F.Supp.2d 1079, (C.D. Cal. 2006), the court reached the opposite conclusion. The plaintiff, a software developer, alleged that the defendant infringed its federally registered trademarks. To support its claim, the plaintiff submitted the declaration and deposition testimony of its sales personnel regarding conversations they had with potential purchasers.

In response to the defendant's hearsay objection, the plaintiff argued that the out-of-court statements were not offered for the truth of the matter asserted (Fed. R.Evid. 801(c)), and alternatively that the statements were within an exception to the hearsay rule because they show the witnesses' state of mind (Fed.R.Evid. 803(3)) The court agreed with plaintiff and admitted the testimony as evidence of actual confusion.

The *Conversive* court distinguished *Avery Dennison, Fierberg, and Alchemy II,* stating that "none of these cases discuss the issue of whether the statements are offered for their truth or whether the state-of-mind exception to the hearsay rule applies [and] [f]or that reason, the court does not find them persuasive."

This Northern District is also split on the admissibility of evidence of actual confusion. In *Ultrapure Systems Inc. v. Ham-Let Group*, 921 F.Supp. 659 (N.D. Cal. 1995), the court admitted evidence of statements made by customers at trade shows over a hearsay objection. However, in *Metro Publishing, LTD v. San Jose Mercury News, Inc.*, 861 F.Supp. 870 (N.D. Cal. 1994), the court held that employee declarations regarding customer confusion were hearsay where no indication was given as to why the third parties were confused. Further, in *Powerfood Inc. v. Sports Science Institute*, 1993 U.S. Dist. LEXIS 2191 (N.D. Cal. 1993), the court held that a declaration stating that numerous complaints were received from confused customers was hearsay.

The 9th Circuit has not yet ruled on the admissibility of declarations and testimony of employees to show actual confusion. However, the recent *Conversive* holding is aligned with those of the 2nd, 3rd, 4th, 5th and 10th circuits in admitting such evidence. In several of these cases there were indicia of the reliability of the consumer comments. For example, in *Fun-Damental Too v. Gemmy Industries, Corp.*, 111 F.3d 993 (2d Cir. 1997), a national sales manager testified that retail customers were confused. In *Armco, Inc. v. Armco Burglar Alarm Co., Inc.*, 693 F.2d 1155 (5th Cir. 1982), an employee testified that two of his acquaintances were confused. In *Jordache Enterprises Inc. v. Hogg Wyld*, 828 F.2d 1482 (10th Cir. 1987), the testimony was that associates had called to ask if there was an affiliation between Lardashe jeans and Jordache.

The testimony provided in these cases is distinguishable from, and more reliable than, testimony that unidentifiable consumers were confused. Only the 8th Circuit rejected such evidence as unreliable, stating that "the vague evidence of misdirected phone calls and mail is hearsay of a particularly unreliable nature given the lack of an opportunity for cross-examination of the caller or sender regarding the reason for the 'confusion.' " *Duluth News-Tribune v. A Mesabi Publishing Co.*, 84, F.3d 1093 (8th Cir. 1996).

By allowing employee declarations regarding instances of actual confusion into evidence, the problem of identifying individual confused consumers, and obtaining their declarations, is alleviated. Since evidence of actual confusion is substantial proof that future confusion is likely, this case makes it easier for plaintiffs to prevail on their trademark infringement claims as a whole.

The likelihood that such evidence will be admitted in California federal courts is increased if the declarations submitted provide indicia of reliability. Plaintiffs should be sure their employee declarations identify the actual customers who were confused, and tie the source of confusion to their trademark infringement claim.

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