LS145
Law & Economics

Professor Ingberman

Module 1C Appendix: Trademarks Pokémon

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Economic Role of Trademarks

<u>Source Identification</u>:

reduces consumers' costs of search

provides quality assurance, etc.

Economic role of trademarks is (in part) to <u>reduce</u> transaction costs!

Trademark Damages

A person commits a trademark infringement when he uses, without the consent of the owner, "any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale…or advertising of any goods or services…[and] such use is *likely* to *cause confusion, or to cause mistake, or to deceive*…." [15 USC §1114(1) (italics inserted)]

The Lanham Act[1] states that if a trademark violation has occurred, the plaintiff is entitled,

subject to the principles of equity, to recover

(1) defendant's profits,

(2) any damages sustained by the plaintiff

(3) the costs of the action.

[1] 15 USC §1117(a)

Lanham Act

- The court shall assess such profits and damages or cause the same to be assessed under its direction.
- In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed.
- The court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount.
- If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case.

Lanham Act Remedies

Assuming a finding of liability, the Lanham Act s. 1117 allows the plaintiff to potentially recover four things:

1) defendant's profits

2) any damages sustained by the plaintiff, and

3) the costs of the action, and

4) reasonable attorney's fees in an exceptional case.

All of these remedies are shaped by equitable and policy considerations.

Defendant's profits is the accounting remedy

"In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed."

This shift in the burden of proof is a key difference between an award of "defendant's profits" and an award of "damages".

Damages:

Profits lost by the plaintiff as a consequence of the infringement.

If an accounting has been ordered, this remedy would be available for any additional harm suffered that is not compensated for by the accounting.

This could happen if, for example, low-quality knock-offs cause the TM owner to lose sales to another competitor or product rather than the infringer.

Accounting Remedy: Law

There are three theories given by courts to explain the purpose and hence determine the "shape" of the accounting remedy:

1) compensation,

2) unjust enrichment, and

3) deterrence.

Compensation

Plaintiff is entitled to the profits made on the sales diverted to the defendant by the infringement.

But for the infringement, plaintiff would have made those sales.

Unjust Enrichment

Defendant has benefited from the unauthorized use of plaintiff's trademark and, in the interest of justice, should be required to disgorge that benefit.

Even if the plaintiff would not have made these sales, the defendant was not entitled to profit.

The focus here is not on identifying sales the plaintiff would have made but on identifying sales the defendant made that would not have been made but for the infringing use of the trademark.

Deterrence

To “take all the economic incentive out of trademark infringement.” Playboy Enterprises v. Baccarat Clothing 692 F.2d 1272, 1274(9th Cir. 1982).

“[T]he trial court’s primary function should center on making any violations of the Lanham Act unprofitable to the infringing party.” Id. At 1275.

Example

In a pure counterfeiting case and ignoring price changes due to changes in the number of competitors, the profits earned by the defendant are equal to the profits the plaintiff would have made on the infringing articles.

Disgorging those profits simultaneously compensates the plaintiff, removes any unjust enrichment and deters the defendant by eliminating the incentive to infringe.

Accounting or Damages

Based on Degree of Source Confusion

Lindy Pen Company, Inc. v. Bic Pen Corporation[2]

“an accounting of profits was inappropriate because Bic’s infringement was innocent and accomplished without intent to capitalize on Lindy’s trade name.”

[2] 982 F.2d 1400 (Ninth Circuit Court, 1993)

“Lindy’s trademark was weak and Bic’s infringement was unintentional. Moreover, Bic’s major position in the pen industry makes it clear that it was not trading on Lindy’s relatively obscure name.”

“The Supreme Court has indicated that an accounting of profits follows as a matter of course after infringement is found by a competitor.

Nonetheless, an accounting of profits is not automatic and must be granted in light of equitable considerations.

Where trademark infringement is deliberate and willful, this court has found that a remedy no greater than an injunction ‘slights’ the public.

This standard applies, however, only in those cases where the infringement is ‘willfully calculated to exploit the advantage of an established mark.’ [cites omitted].

The intent of an infringer is relevant evidence on the issue of awarding profits and damages and the amount. [cites omitted].”

Lindy was also denied recovery of damages because it did not “put forth sufficient proof of its lost profits.”

The Court held that there was an possibility of confusion between Lindy’s pens and Bic’s pens when the pens were sold over the telephone and that Lindy could be awarded damages if it could sufficiently prove either lost profits or unjust enrichment to Bic.

Since Lindy did not separate out their phone orders from the rest of their sales and did not show Bic’s phone sales, Lindy was denied damages.

In the 1960s, both Lindy and Bic produced pens marketed towards auditors and accountants. Lindy requested that Bic stop using the word “Auditor’s” on the pen barrel, and Bic complied. In 1965, Lindy trademarked the word “Auditor’s.” Bic did some research, and found that three other manufacturers used a variation of the word “Auditor’s” in their marketing, all without complaint from Lindy. In 1979, Bic produced a pen marketed as “Auditor’s Fine Point” and Lindy filed suit in 1980, claiming trademark infringement, unfair competition, breach of contract, and trademark dilution.

After several appeals and cross appeals, the Ninth Circuit Court affirmed the district court’s ruling that “an accounting of profits was inappropriate because Bic’s infringement was innocent and accomplished without intent to capitalize on Lindy’s trade name.”

“Lindy’s trademark was weak and Bic’s infringement was unintentional. Moreover, Bic’s major position in the pen industry makes it clear that it was not trading on Lindy’s relatively obscure name.” The Ninth Circuit Court used the following reasoning: “The Supreme Court has indicated that an accounting of profits follows as a matter of course after infringement is found by a competitor. [cites omitted]. Nonetheless, an accounting of profits is not automatic and must be granted in light of equitable considerations. [cites omitted].

Where trademark infringement is deliberate and willful, this court has found that a remedy no greater than an injunction ‘slights’ the public. [cites omitted]. This standard applies, however, only in those cases where the infringement is ‘willfully calculated to exploit the advantage of an established mark.’ [cites omitted].

The intent of an infringer is relevant evidence on the issue of awarding profits and damages and the amount. [cites omitted].”[1405]

Lindy was also denied recovery of damages because it did not “put forth sufficient proof of its lost profits.” “Trademark remedies are guided by tort law principles. [cites omitted]. As a general rule, damages which result from a tort must be established with reasonable certainty. [cites omitted.] The Supreme Court has held that ‘[d]amages are not rendered uncertain because they cannot be calculated with absolute exactness,’ yet, a reasonable basis for computation must exist. [cites omitted]. Many courts have denied a monetary award in infringement cases when damages are remote and speculative. [cites omitted].” [1407-1408]

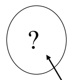
The Court held that there was a possibility of confusion between Lindy's pens and Bic's pens when the pens were sold over the telephone and that Lindy could be awarded damages if it could sufficiently prove either lost profits or unjust enrichment to Bic. [3] Since Lindy did not separate out their phone orders from the rest of their sales and did not show Bic's phone sales, Lindy was denied damages.

[3] 1407. The possibility of confusion is enough. While actual confusion helps to prove infringement, it is not required. Carley Gracie v. Rorion Gracie, 217 F.3d 1060, 1068 (9th Circuit Court of Appeals, 2000) interpreting Lindy Pen.

Lindy Pen

Possibility of Confusion

	% Confused	% Not Confused
In-person Sales	0	100%
Telephone Sales	?	?



Potential damages

Other Cases

Maier Brewing Company v. Fleischmann Distilling Corp., Maier Brewing Company v. James Buchanan & Co.[4]

[4] 390 F.2d 117 (Ninth Circuit Court, 1968)

Calculating damages according to the unjust enrichment standard is more effective in deterring trademark infringement than simply accounting for profits.

Cases exist where the infringement is entirely innocent; where rather than attempting to gain the value of an established name of another, the infringer has developed what he imagines to be a proper trade name only to find out later that his name caused confusion as to the source of, and therefore infringed, a product with a registered trademark.

In such a case, an injunction fully satisfies both the policy of the Act and the equities of the case.

James Buchanan manufactures Black & White Scotch abroad, and Fleischmann imports and distributes the scotch in the United States. Maier Brewing Company sells Black & White Beer.

The Ninth Circuit Court of Appeals held that the language of the Lanham Act and the Trade-mark Act of 1905 "apparently confers a wide scope of discretion upon the district judge in fashioning a remedy for a violation of the Act. The exercise of this discretion is expressly made 'subject to the principles of equity'…" [121] The court goes on to state that calculating damages according to the unjust enrichment standard is more effective in deterring trademark infringement than simply accounting for profits. [123]

"The utilization of this concept will not of course make an accounting of profits automatic. Situations will exist where it would be unduly harsh to grant such recovery.

Cases exist where the infringement is entirely innocent; where rather than attempting to gain the value of an established name of another, the infringer has developed what he imagines to be a proper trade name only to find out later that his name caused confusion as to the source of, and therefore infringed, a product with a registered trademark. [cites omitted].

In such a case an injunction fully satisfies both the policy of the Act and the equities of the case. [cites omitted]…All this, of course, would be carried out subject to the principles of equity. In certain cases an injunction will fully effectuate the polices of the Act; others will arise when there will be sufficient provable damages to effectuate the polices of the Act without the granting of an accounting for profits; and in still other cases only the granting of an accounting of profits will effectuate the policies of the Act." [123-124]

More recent cases based on Lindy Pen and Maier Brewing

Rolex Watch , USA v. Micha Mottale[5]

Rolex was not awarded damages based on Mottale's profits from the sale of the altered watches.

The lower court held that Rolex did not "adequately demonstrate what portion of Mottale's sales were attributable to altered 'Rolex' watches."

The court cited *Lindy Pen*, stating that "[i]t was Rolex's burden to show with reasonable certainty Mottale's gross sales from counterfeit altered "Rolex" watches."

[5] 179 F.3d 704 (9th Circuit Court of Appeals, 1999)

Mottale refurbishes and resells used Rolex watches using generic parts. He adds diamonds, changes the band, and sometimes changes the bezel of the watch. The court held that Mottale should be completely enjoined from using the word "Rolex" on any of the altered watches. [710]

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Sugai Products Inc. v. Kona Kaifarms et al.[6]

The court analyzed *Lindy*, and stated that whether or not the defendant would be required to disgorge profits would be based upon, but not limited to, the following factors:

[6] 1997 U.S. Dist. LEXIS 21503 (District Court, Hawaii)

(1) whether each plaintiff was actually injured,

(2) whether evidence exists of actual confusion between products,

(3) the relative positions of each plaintiff and defendant within the coffee industry,

(4) whether each plaintiff directly competes with each defendant, and

(5) whether policy considerations support disgorgement under circumstances presented by each plaintiff."

The court then stated that "[u]nder Ninth Circuit law, plaintiffs may seek disgorgement where:

(1) a defendant, who is a direct competitor of the plaintiff, should disgorge its profits from the alleged infringement as a rough estimate or surrogate for plaintiff's lost sales; or

(2) a defendant, which is not a direct competitor of plaintiff, should disgorge its profits obtained from a willful infringement to prevent unjust enrichment."

In 1996, one of the defendants was indicted for rebagging and selling Central American coffee as "kona coffee." The kona coffee growers sued the various defendants, alleging trademark violation and deceptive practices. This case was concerning class certification for the kona coffee growers. However, the court analyzed their damages under the Lanham Act to determine if they should qualify as a "class."

The court analyzed *Lindy*, and stated that whether or not the defendant would be required to disgorge profits would be based upon, but not limited to, the following factors: "(1) whether each plaintiff was actually injured, (2) whether evidence exists of actual confusion between products, (3) the relative positions of each plaintiff and defendant within the coffee industry, (4) whether each plaintiff directly competes with each defendant, and (5) whether policy considerations support disgorgement under circumstances presented by each plaintiff." [45]

The court then stated that "[u]nder Ninth Circuit law, plaintiffs may seek disgorgement where: (1) a defendant, who is a direct competitor of the plaintiff, should disgorge its profits from the alleged infringement as a rough estimate or surrogate for plaintiff's lost sales; or (2) a defendant, which is not a direct competitor of plaintiff, should disgorge its profits obtained from a willful infringement to prevent unjust enrichment." [45]

The court then goes to on state that disgorgement is not automatic even if it is a willful infringement.

Other Cases

[7] 34 F. 534 (N.D. California, 1988)

Benkert v. Feder et al. [7]

Damages in a counterfeit trademark infringement case would be the entire profits earned from the infringing goods.

C. Benkert & Son manufactured and sold boots with a stamped trademark. This business had been selling shoes for more than 30 years. C.F. Benkert & Son, a different company, sold over 250 dozen pairs of shoes with a trademark similar to C. Benkert & Sons stamped on their shoes, even though these shoes had not been manufactured by the original company.

The California Circuit Court stated that damages in a counterfeit trademark infringement case would be the entire profits earned from the infringing goods. The Court's reasoning was that "[o]ne who deliberately and knowingly uses another's trade-mark commits a palpable and unmitigated fraud…

He seeks to avail himself of the good reputation of another's goods, and puts his own goods,--- usually, if not always, of inferior quality,--- upon the market, thereby not only fraudulently cutting off the market from the party who has by years of labor, and at great expense, established a reputation for his wares, but in addition to this injury destroys or injures largely that reputation which is the foundation of the owner's business, by selling inferior goods under his trademark, thereby leading the world to believe that the inferior goods are his." [535]

G. & C. Merriam Co. v. Ogilvie[8]

In a situation where the defendant is not counterfeiting the plaintiff's trademark but there is a chance of confusion between the plaintiff's and defendant's product, the plaintiff is not allowed to recover full profits from the defendant.

[8] 170 F. 167 (First Circuit Court, 1909)

In 1909, G. & C. Merriam Company sued Ogilvie, claiming that they owned the trademark to the word "Webster" in connection with "dictionary." The Circuit Court held that Merriam did not own the trademark to the word "Webster" in connection with "dictionary," but Ogilvie had to clearly print on all their title pages that their dictionary was not the original "Webster's Dictionary. [168]

The First Circuit Court of Appeals held that in a situation where the defendant is not counterfeiting the plaintiff's trademark but there is a chance of confusion between the plaintiff's and defendant's product, the plaintiff is not allowed to recover full profits from the defendant. "It is certainly the law that, if the equity court perceives that an inquiry as to damages or profits would…yield no compensatory profits or damages proportionate to the cost of the investigation, it will not order an accounting for either…

Neither equity nor admiralty will encourage litigation where the results will probably be nominal." The Circuit Court also quoted the Second Circuit Court of Appeals, stating that in situations where "to attempt to segregate the profits resulting from the illegitimate use of the word, 'would require an excursion into the realms of conjecture and speculation, without hope of any tangible result,'" damages and accounting would not be awarded. [169-70]

Champion Spark Plug Co. v. Sanders et al. [9]

An accounting of profits will not be ordered simply because a trademark infringement occurred.

An accounting will be denied where an injunction will satisfy the equities of the case

[9] 331 U.S. 125 (1947)

Sanders collected, repaired, and reconditioned used Champion spark plugs. He then resold the spark plugs in packages labeled "Champion" and supplied the customers with Champion's charts concerning the use of the spark plugs. The inside box of the packaging indicates that the spark plugs are reconditioned. The lower courts held that Sanders infringed on Champion's trademark and engaged in unfair competition. The Supreme Court held that Sanders could not be prohibited from selling these spark plugs, as long as it was clearly labeled "repaired" or "used."

At this time, the Trade Mark Act of 1905 was still in force, but it contained similar provisions to the Lanham Act and the reasoning behind awarding or denying damages remains the same. Section 19 states "…upon a decree being rendered in any such case for wrongful use of a trade mark the complainant shall be entitled to recover, in addition to profits to be accounted for by the defendant, the damages the complainant has sustained thereby, and the court shall assess the same or cause the same to be assessed under its direction." [331 U.S. 125, 131 ft. 7]

The Supreme Court held that an accounting of profits will not be ordered simply because a trademark infringement occurred. An accounting will be denied where an injunction will satisfy the equities of the case. [131]

Trademark Roles

Source Identification

Functional Identification

<u>Plasticolor Molded Products v. Ford Motor Co.</u> 713 F.Supp 1329, 1349-50 (CD Cal. 1989).

Marketing of floor mats by Plasticolor with the Ford logo on them.

The logo is playing two potential roles in creating sales:

- It may be confusing consumers, who think they are buying a Ford product; and
- It may be conferring "functional" value because consumers want floor mats that display the logo of the car they are driving

The judges opinion:

“because the Lanham Act does not prohibit functional copying, Ford cannot recover profits from sales to consumers who were not confused as to the source of the floor mats. These consumers were interpreting the Ford marks in their functional, hence unprotected, capacity; Ford is not entitled to any recovery flowing from these sales. Ford can recover, however, to the extent that Plasticolor’s uses of the Ford marks were interpreted by purchasers as identifications of source. These sales, where the marks produced consumer confusion, represent classic examples of trademark infringement.

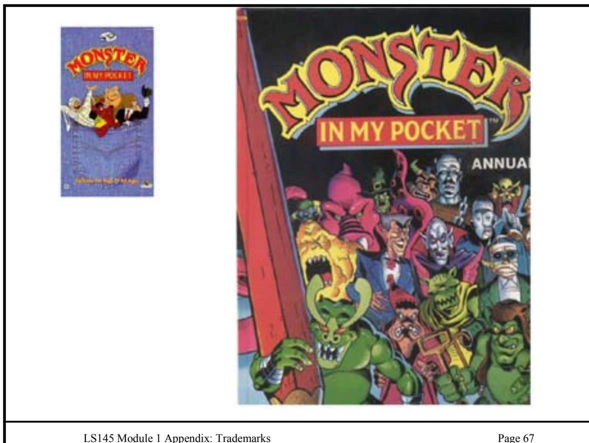
… Ford is thus entitled to an accounting of Plasticolor’s profits flowing from these sales only. Sorting out one type of sale from another should not be too difficult. The parties have submitted surveys indicating levels of purchaser confusion: We need simply determine an appropriate overall percentage of confusion and apply it to Plasticolor’s total profits in order to arrive at a figure representing profits attributable to confusion. Ford has the burden of proving only the total amount earned by Plasticolor on sales of Ford trademarked floor mats. Plasticolor then must prove (1) the percentage of that figure to be counted as profit, (2) the percentage of profit not attributable to consumer confusion, and (3) any other deductions it claims to be appropriate.”

International Order of Job’s Daughters v. Lindeburg 633 F2d 912 (9th Cir. 1980)

“In general, trademark law is concerned only with identification of the maker, sponsor or endorser of the product so as to avoid confusing consumers. Trademark law does not prevent a person from copying so-called “functional” features of a product which constitute the actual benefit that the consumer wishes to purchase, as distinguished from an assurance that a particular made, sponsored or endorsed a product. . .”

If the particular feature is an important ingredient in the commercial success of the product, the interest in free competition permits its imitation in the absence of a patent or copyright. On the other hand, where the feature or, more aptly, design, is a mere arbitrary embellishment, a form of dress for the goods primarily adopted for purposes of identification and individuality and, hence, unrelated to basic consumer demands in connection with the product, imitation may be forbidden.” 633 F.2d at 917.

Pokémon: Gotta Catch ‘em All



Differences between Pokemon and MIMP

MIMP	Pokemon
Based on real monsters	Based on fictional monsters
Figurines are one solid color	Figurines are multi-colored
"They're squishy!"	No squishiness
Designed to fit in pocket	Not designed to fit in pocket
Monsters defeat each other using a point system	Pokemon defeat each other depending on their "element"
Sold with "hidden" monsters in a multipack	Sold individually
Some monsters are rarer than others and harder to collect	All pokemon are equally collectable, no rares
Small "range" of toys [has figurines, monster vehicles]	Large "range" of toys [has figurines, talking figurines, walking figurines, large stuffed animals, etc]
Different types of MIMPs series [aliens, ponies, super scary spiders]	One type of pokemon series
Sold in series of 50	Not sure how they are sold – there are 201 different pokemon, but I'm under the impression that not all are made into figurines and the ones that are made into toys are all available at the same time.

How much should Pokémon pay MIMP?

Compensation:

Looking for those sales of Pokemon that would have gone to MIMP but for the consumer confusion.

Price to be applied to those sales—to get revenues—should be MIMP's price.

> "There is an essential distinction … between a deliberate attempt to deceive and a deliberate attempt to compete. Absent confusion, imitation of certain successful features in another's product is not unlawful and to that extent a 'free ride' is permitted." George Basch v. Blue Coral 968 F.2d 1532,1538 (2d Cir. 1992)

Unjust Enrichment

The sales on which Nintendo is unjustly enriched—got something it wasn't entitled to because it infringed--are those where there was consumer confusion in fact.

<u>Q:</u> Should unjust enrichment be measured as the difference between what Nintendo made under "Pokemon" as compared with a non-infringing name?

A: No. It incorrectly counts as "unjust" Nintendo's legitimate "free ride" on the functional aspects of "pocket monster."

Focus on Diverted Sales

It recognizes that the creation of confusion may not be a "wrongful act" per se, but

Rather the largely unavoidable consequence of the fact that using the functional features of "pocket monster" leads to some degree of consumer confusion

Deterrence

When source-identifying and functional features are merged in a trademark,

Absolute deterrence is overprotection:

- Would result in reduced competition over the non-functional features of the trademark, and
- Is contrary to the fact that the Lanham Act is intended to preserve competition over the underlying goods to which trademarks are attached.

"Optimal" deterrence would give a potential infringer the incentive to take all cost-effective steps to avoid consumer confusion while competing over all the features of a good to which consumers attach value.

Optimal deterrence remedy—which amounts to disgorging the defendant's profits on sales to confused consumers.

Damages Award

Any damages flowing from this should be restricted to marketing disabilities suffered by Morrison as a consequence of consumer confusion, and not as a consequence of Nintendo's competitiveness—the functional appeal of "pocket monsters" for example, or Nintendo's other investments and competitive appeal.

MORRISON ENTERTAINMENT GROUP INC., a California Corporation,Plaintiff-Appellant, v. NINTENDO OF AMERICA, INC., a Washington Corporation, etal., Defendants-Appellees.
MORRISON ENTERTAINMENT GROUP INC., a CaliforniaCorporation, Plaintiff-Appellee, v. NINTENDO OF AMERICA, INC., a WashingtonCorporation, et al., Defendants-Appellants.
No. 01-56694, No. 01-56961

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

CASE SUMMARY:

PROCEDURAL POSTURE: Plaintiff trademark holder sued defendant competitors in the United States District Court for the Central District of California for trademark infringement, intentional interference with prospective economic advantage, and violation of *Cal. Bus. & Prof. Code § 17200*. The competitors counterclaimed to cancel the trademark. The district court granted summary judgment for the competitors and dismissed the counterclaim. The parties appealed.

OVERVIEW: The trademark holder claimed that a mark held by the competitors for a video game was likely to cause reverse confusion with the holder's mark in that a consumer who saw the holder's product might think that the product was made by the competitors. The appellate court found no likelihood of confusion because, inter alia, (1) the marks differed significantly in sight, sound, and logo appearance; (2) although the marks had similar meanings, that similarity was not readily apparent and did not overcome the dissimilarities in sight and sound; and (3) the holder offered no evidence of actual confusion, while the competitors offered a survey showing that children in the target age group were unlikely to confuse the marks. The intentional interference claim involved a decision by a nonparty, and there was no evidence that the competitors were involved in that decision. The unfair trade practices claim under § 17200 could not go forward without a showing of likelihood of confusion. The competitors' counterclaim for cancellation of the holder's mark was moot because it was essentially an affirmative defense to the infringement claim.

OUTCOME: The judgment was affirmed.

I.

Morrison contends that the Pokemon trademark is likely to cause "reverse confusion" with its mark, Monster in My Pocket. In other words, a consumer who sees a Monster in My Pocket product might think that the product was made by the same people who make Pokemon.

[HN1] In reverse confusion cases, like forward confusion cases, in order to prevail on a trademark infringement action, a plaintiff must demonstrate a likelihood of confusion. To prevent summary judgment, a plaintiff must produce evidence sufficient to permit a reasonable trier of fact to find such a likelihood. See, e.g., Interstellar Starship Services, Ltd. v. Epix, Ltd., 184 F.3d 1107, 1109-10 (9th Cir. 1999).[**4] The [*784] test for demonstrating likelihood of confusion traditionally turns on "whether a 'reasonably prudent consumer' in the marketplace is likely to be confused as to the origin of the good ... bearing one of the marks" or confused as to endorsement or approval of the product. See Dreamwerks Prod. Group, Inc. v. SKG Studio, 142 F.3d 1127, 1129 (9th Cir. 1998); see also 15 U.S.C. § 1114 (Lanham Act § 32). In evaluating whether a consumer is likely to be confused we consider the eight non-exclusive Sleekcraft factors. Dreamwerks, 142 F.3d at 1129 (citing AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979)). Because no single factor is dispositive, we focus here only on the factors that are particularly instructive as to possible confusion between the two marks at issue.

The marks are significantly different in sight and sound. The two marks look very different when written out as text. Pokemon is a single word with seven letters and an accented "e." In contrast, Monster in My Pocket contains four separate words, two of which begin with "m."

When they appear in their logo form, [**5] as they do on all products, it is even more clear that these marks are dissimilar. Pokemon appears in yellow typeface with a blue border and bubbly cartoon-like lettering. The Monster in My Pocket logo, in contrast, is predominantly green. The lettering uses a gothic-style font with jagged edges suggestive of ghouls and goblins. The "in My Pocket" portion of the logo is on a second line and surrounded by a box.

Pokemon and Monsters in My Pocket also sound very different. Pokemon is a three syllable single word beginning with a "p." Monster in My Pocket sounds nothing like this -- it has four words and six syllables total. The mark also begins with a "Ma" sound rather than a "Po" sound.

The meanings of the two marks are somewhat similar. The congruence in meanings, although not immediately apparent, stems from the fact that Pokemon is derived from the nickname for the Japanese version of the game, which is sold under the trademark Pocket Monster. In Japan, Pocket Monster is commonly shortened to "po-kay-mon." "Pocket monster" is undeniably similar, although not identical, in meaning to "monster in my pocket." n2 The similarity in meaning has less[**6] force than it might otherwise, however, as that similarity is not apparent to the casual observer, who will not know that Pokemon is short for "pocket monster." Instead, most observers are likely to simply view Pokemon as a fanciful word with no inherent meaning at all.

Because we decide that Pokemon does have a similar meaning to Monster in My Pocket, we do not further address the Plaintiff's argument that Pokemon is the foreign language equivalent of "Pocket Monster." See McCarthy on Trademarks § 23:37 [HN2] (the foreign equivalents doctrine is pertinent only to the meaning aspect of the similarity of marks factor).

Further, any similarity in meaning between the two marks is not sufficient to overcome the very significant differences in the sight and sound of the mark. When the sight, sound, and meaning of the two marks are evaluated in combination, it is clear that the marks overall, and as encountered in the marketplace, are not similar.

Morrison has presented no evidence of actual[**7] confusion as to the source, affiliation, or endorsement of either its product or Nintendo's. The declarations upon which Morrison relies do not recount any specific instance of this type of actual confusion. Instead, they simply speculate that there may be some instances of future confusion.

[*785] Morrison's best argument is that people who encounter Monster in My Pocket may think it is a "knock-off" of Pokemon. To the extent that such a showing would constitute trademark infringement, a question we need not decide, Morrison has failed to provide sufficient evidence of this type of confusion.

Morrison first relies on an ebay auction site for evidence that consumers think Monster in My Pocket is a knock-off of Pokemon. That site instead suggests the opposite conclusion -- that Pokemon was "inspired" by the Monster in My Pocket video.

Second, Morrison points to one declaration that suggests confusion regarding whether Monster in My Pocket is a knock-off of Pokemon. This declaration of Gerry Hurst, by a promoter of Monster in My Pocket, states that he has been asked by consumers whether Morrison's product is a "knock-off." Nowhere in the declaration does[**8] Hurst suggest that consumers think Monster in My Pocket is a knock-off because of the trademarks themselves. Instead, the single specific example he points to demonstrates that one industry insider thought that Monster in My Pocket was a copy of Pokemon because of similarities between the products, not because of anything related to the trademarks. Thus, this so-called confusion evidence does not support a § 32 Lanham Act claim.

Although Morrison is not required to conduct a survey in order to demonstrate actual confusion, such surveys are often used by plaintiffs to bolster their cases. The absence of such a survey is somewhat telling here, where there is an actual confusion survey in the record conducted by Nintendo showing that children in the target age-group are unlikely to confuse the two trademarks. Morrison has the burden to establish actual confusion and has failed to do so.

Nor are any of the other Sleekcraft factors sufficient to support Morrison's trademark infringement claim on the current record. [HN3] Evidence that the marks are used on similar or even identical product lines and in the same marketing channels and are sold to careless purchasers cannot[**9] support a finding of likelihood of confusion where the marks are objectively not similar and there is no persuasive evidence of actual confusion. See, e.g., *Chesebrough-Pond's, Inc. v. Faberge, Inc., 666 F.2d 393, 395-98 (9th Cir. 1982)* (allowing use of Match for line of men's toiletries despite existence of Macho for similar products); see also *Lang v. Retirement Living Publ'g Co., 949 F.2d 576, 578-79, 584 (2d Cir. 1991)* (holding that defendant's use of New Choices for the Best Years for a magazine did not infringe the trademark New Choice Press used for a publisher of books and tapes). Cf. *Miss World (UK) Ltd. v. Mrs. America Pageants, Inc., 856 F.2d 1445, 1446-47, 1450-52 (9th Cir. 1988)* (deciding that there is no likelihood of confusion between Mrs. America and Miss World as names for beauty pageants, given the different appearance, sound, and meaning of the marks and the unconvincing evidence of actual confusion). We conclude that no rational trier of fact could find a likelihood of confusion on the evidence presented. We therefore affirm the district court's grant of summary judgment to Nintendo on the[**10] trademark infringement claim.

II.

Morrison contends that even if this court affirms the district court's finding that there is no likelihood of confusion, it should reverse the grant of summary judgment as to the intentional interference with prospective economic advantage and unfair trade practices claims. Morrison's intentional interference claim is based on Warner Brothers' refusal to allow Morrison [*786] to reacquire the video rights to the Monster in My Pocket video. Warner Brothers is not a party to this lawsuit, and there is no evidence that any of the defendants were involved in its decision. Accordingly, the district court's grant of summary judgment to Nintendo on the intentional interference claim was correct.

Morrison's unfair competition claim brought under *California Business & Professions Code § 17200*, cannot go forward without a showing of likelihood of confusion. Morrison makes no separate allegations other than those made in the trademark infringement action, to support his unfair competition claim. This court has previously held that [HN4] in cases arising out of trademark infringement cases, actions pursuant to § 17200 are "substantially congruent to claims made under[**11] the Lanham Act," and require a finding that there is likelihood of confusion. See *Entrepreneur Media, Inc. v. Smith, 279 F.3d 1135, 1153* (quoting *Cleary v. News Corp., 30 F.3d 1255, 1263 (9th Cir. 1994))*. Because there is no likelihood of confusion, Morrison's unfair competition claim cannot survive.

III.

The final issue before us is the district court's dismissal of Nintendo's counterclaim cause of action to cancel Morrison's trademark. [HN5] "A petition to cancel a registration of a mark [may] be filed by any person who believes that he is or will be damaged ... by the registration of [the] mark ...." *15 U.S.C. § 1064.*

In its pleadings, Nintendo's only stated basis for believing that it had been or would be damaged by Morrison's trademark was Morrison's "civil action alleging infringement of its registered trademark" -- that is, this case. Answer P 73. In other words, the cancellation counterclaim was essentially an affirmative defense to Morrison's infringement cause of action. Nintendo no longer has this interest in canceling the trademark, because the infringement action by Morrison has failed on other grounds. Thus, [**12] Nintendo's cause of action for cancellation is moot because it no longer presents a live controversy. See *City of Erie v. Pap's A.M., 529 U.S. 277, 287, 146 L. Ed. 2d 265, 120 S. Ct. 1382 (2000).*

AFFIRMED.