

1 UNITED STATES COURT OF APPEALS
2
3 FOR THE SECOND CIRCUIT
4

5
6
7 August Term, 2004
8

9 (Argued: March 2, 2005

Decided: October 12, 2005)

10
11 Docket No. 04-2907-cv
12

13
14 LOUIS VUITTON MALLETIER,

15
16 *Plaintiff-Appellant,*
17

18 v.
19

20 BURLINGTON COAT FACTORY WAREHOUSE CORP.,

21
22 *Defendant-Appellee,*
23

24 FOUR SEASONS HANDBAGS COMPANY, AND JOHN DOES 1-10,

25
26 *Defendants.*
27

28
29
30 Before: CALABRESI, POOLER, and B.D. PARKER, *Circuit Judges.*
31

32
33
34 Plaintiff-Appellant appeals the district court's denial of a preliminary injunction against
35 the alleged infringement of its trademarks by Defendant-Appellee. Vacated and remanded.
36

37
38 THEODORE C. MAX, Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C. (Charles A.
39 LeGrand, *of counsel*), New York, NY, *for Plaintiff-Appellant.*
40

41 ROBERT S. WEISBEIN, Darby & Darby (Edward V. DiLello and Atul R. Singh, *of counsel*),
42 New York, NY, *for Defendant-Appellee.*
43
44
45

1 CALABRESI, *Circuit Judge*:

2 When faced with the claim that two products are confusingly similar, a person's natural
3 reaction is to place the two products side-by-side, and then, looking back and forth at them, to
4 ascertain how comparable the two goods are. This process of simultaneous observation is,
5 without doubt, an efficient way of identifying similarities and differences between products.
6 One can understand, then, why district courts would engage in such a process as part of their
7 resolution of trademark infringement suits under the Lanham Act, 15 U.S.C. § 1051 *et seq.*
8 However, while simultaneous comparison may be a useful heuristic means of identifying the
9 similarities and differences between two products, the ultimate conclusion as to whether a
10 substantial number of consumers are likely to be confused by the similarities must be reached
11 with a focus on actual market conditions and the type of confusion alleged. Where products in
12 the relevant market are not typically displayed in the same locations, centering on whether they
13 are likely to be distinguished when viewed simultaneously is incorrect, and will result in a faulty
14 likelihood-of-confusion analysis.

15 In this case, it appears that the district court (Berman, *J.*) denied a preliminary injunction,
16 at least in part on the basis of an inappropriate focus on the likelihood that consumers would be
17 confused when viewing the products side by side. We therefore vacate the judgment and remand
18 for further proceedings.

20 **I. BACKGROUND**

21 Plaintiff-Appellant Louis Vuitton Malletier ("LVM") is a famous French fashion design
22 firm engaged in the business of designing, manufacturing, importing, advertising, selling and
23 distributing designer luggage, handbags, travel leather accessories, high fashion apparel and

1 accessories. LVM owns the federally registered Louis Vuitton Toile Monogram Designs (“Toile
2 marks”), its flagship handbag design, which was first introduced in France in the spring of 1896.
3 LVM also owns the unregistered Louis Vuitton Monogram Multicolore Designs (“Multicolore
4 mark”), developed in 2002 by New York fashion designer Marc Jacobs and Tokyo-based artist
5 Takashi Murakami and introduced in the spring of 2003. The Multicolore marks are updated
6 versions of the traditional Toile marks, slightly rearranged and printed in a variety of colors on
7 white or black leather surfaces. Since their introduction two years ago, they have been very
8 successful, and (despite a selling price of between \$400 and \$4,000 per Multicolore bag)
9 production has not kept up with demand.

10 LVM’s Toile marks consist of eight trademarks registered with the U.S. Patent and
11 Trademark Office (“PTO”). Three of those marks are “incontestable” under 15 U.S.C. § 1065,
12 which provides that a registered mark in continuous use for a five-year period is presumptively
13 valid.¹ The Toile Designs feature “entwined LV initials with three motifs, a curved diamond
14 with a four-point star inset, its negative, and a circle with a four-leafed flower inset.” It is these
15 three motifs, which have been used for nearly a century on LVM’s handbags, clothing, and
16 jewelry, that are “incontestable” under the Lanham Act.

17 In October 2002, Louis Vuitton introduced four new collections of “multicolored patterns
18 and styles of handbag and accessory designs based upon [the Toile marks],” one of which
19 featured the Multicolore mark. The Multicolore mark consists of the Louis Vuitton Toile
20 Monogram pattern in 33 colors on either a white or black background and includes the four-
21 leafed flower inset and the positive and negative of the curved diamond with a four-point star

¹ “Incontestability” does not, however, mean that a mark is unassailable. For example, the owner of an “incontestable” registered mark may still lose rights in the mark if it is shown, for instance, that the mark was fraudulently registered, or that it was abandoned through three or more continuous years of non-use. *See* 15 U.S.C. § 1115.

1 inset. As previously mentioned, the Multicolore mark, which includes visual elements of
2 LVM's registered Toile trademarks (including the "four-leafed flower inset"), has become
3 "extremely popular," but is currently unregistered.

4 In the United States, both the Toile and the Multicolore LVM handbags are sold in more
5 than 90 Louis Vuitton stores, as well as through LVM's affiliated website, www.eluxury.com.
6 LVM bags are also available at "exclusive department and specialty retail stores" such as
7 Neiman Marcus, Macy's, Bloomingdale's, and Saks Fifth Avenue. To date, LVM has sold over
8 47,000 of its Multicolore bags in the United States, with sales totaling over \$25 million.

9 Defendant-Appellant Burlington Coat Factory ("BCF") is a discount clothing and
10 accessory retail chain with 341 retail stores in 42 states. BCF also conducts extensive commerce
11 through its website, www.bcfdirect.com. Burlington has become famous for selling name-brand
12 fashions and accessories at discount prices. At the time relevant to this lawsuit, BCF's website
13 claimed to sell "the very best designer and famous label fashions, 20% - 60% off department
14 store prices." See www.bcfdirect.com (via www.archive.org capture, October 2003). But despite
15 the presence of other famous fashion brands, LVM has never sold its Toile or Multicolore bags
16 in BCF's stores or on BCF's website.

17 On October 10, 2003, Burlington began offering for sale a line of beaded handbags
18 ("BCF bags") with colorful designs reminiscent of the LVM Multicolore bags. Specifically, the
19 BCF bags are "[1] beaded on their entire exterior surface; [2] decorated with the letters 'NY'
20 standing for 'New York;' and [3] also decorated with an assortment of shapes, including circles,
21 diamonds and flowers," on a white or black background. These bags, manufactured by Four
22 Seasons under the "Pengyuan" name, were sold by BCF using the sales code and style number
23 "LVTN" (apparently shorthand for "Louis Vuitton") at a price of \$29.98 per bag. *Id.* BCF sold

1 approximately 1,700 such bags before this litigation began.

2 BCF's buyer, Clare Larson, testified that, when she purchased the bags at issue, she was
3 immediately aware that they would remind consumers of LVM's popular Multicolore bags. In
4 Larson's words:

5 From the first time [I] saw samples of the [BCF bags], I was aware that their
6 design pattern would call to mind products offered by Vuitton, among other
7 manufacturers, which are also decorated with criss-cross patterns featuring a letter
8 or monogram, and which are currently popular in the marketplace. I considered
9 that the look of the [BCF bags] might make BCF customers think of other popular
10 handbag styles, including Vuitton bags. However, this was certainly not the only
11 reason BCF chose to buy the [BCF bags].
12

13 BCF, in its brief to this Court, states that the bags were purchased, in part, because of their
14 resemblance to LVM's bags, and that, in addition to Larson, "others at BCF were aware that the
15 pattern of the [BCF bags] might call to mind handbags offered by other manufacturers, including
16 (but not only) [LVM]." But it also asserts that other factors were important in the purchasing
17 decision, including price and the bag's unique beaded fabric.

18 Upon learning of the BCF "Pengyuan" bags in January 2004, LVM started an
19 investigation into their origin. On February 20, 2004, LVM issued to BCF a cease-and-desist
20 letter specifically addressing the BCF bags. BCF and LVM then began negotiations that ran
21 through March 2004. The negotiations broke down on April 6, 2004, when BCF sent LVM a
22 letter, confirming its refusal to stop selling the BCF bag.

23 The next day, LVM brought suit against BCF, the Four Seasons Handbag Company
24 ("Four Seasons") and John Does 1-10. In its complaint, LVM claimed trademark infringement
25 and counterfeiting under 15 U.S.C. §§ 1114, 1116, unfair competition and false designation of
26 origin under 15 U.S.C. § 1125(a), trade dress infringement under 15 U.S.C. § 1125(c), and
27 trademark dilution under 15 U.S.C. § 1125(c). It also asserted related claims of unfair

1 competition and trademark dilution under state law, including N.Y. General Business Law
2 § 360-1 and the general common law of New York. LVM sought, *inter alia*, disgorgement of
3 profits, treble and punitive damages, costs, and attorney's fees, along with injunctive relief
4 barring BCF's continued sale of the allegedly infringing handbags.

5 On May 6, 2004, the district court (Berman, *J.*) held oral argument on LVM's motion for
6 a preliminary injunction. At that hearing, BCF presented a consumer survey conducted by
7 Walter McCullough, president of Monroe Mendelsohn Research, Inc. The McCulloch study
8 purported to demonstrate that the BCF handbags were not likely to create point-of-sale confusion
9 with LVM's handbags. McCulloch's report concluded that "[t]otal likely confusion [equaled]
10 [l]ess than 10%" among women 18 and older.

11 In rebuttal, LVM presented the testimony of Dr. Robert C. Sorensen, who took issue with
12 the methodology and conclusions of the McCullough report. Sorensen contended that the
13 sampling methodology for the McCullough report, as well as the order in which products were
14 displayed and questions were asked, systematically lowered the incidence of point-of-sale
15 confusion. If these errors were corrected, Sorensen asserted, consumer confusion would equal at
16 least 18%, and perhaps much more if only self-identified "fashion-conscious" consumers were
17 sampled. LVM did not, however, submit its own survey evidence on the issue of confusion.

18 On May 24, 2004, the court denied LVM's request for a preliminary injunction. The
19 court determined that, because point-of-sale confusion was unlikely, LVM had not established a
20 sufficient probability of success on the merits of its trademark infringement claims. For related
21 reasons, it rejected the state and federal dilution claims and the state unfair competition claims as
22 a basis for a preliminary injunction. Upon making that finding, the court also – at BCF's request
23 – dissolved the standing temporary restraining order ("TRO").

1 Vuitton filed a timely notice of appeal. It also moved for a stay of judgment pending
2 that appeal. On August 3, 2004, we granted that motion and stayed the dissolution of the TRO.
3 We now vacate the district court's judgment and remand the case for further proceedings.

4 II. DISCUSSION

5 We review for abuse of discretion a district court's decision to deny a motion for a
6 preliminary injunction. *See, e.g., Brennan's, Inc. v. Brennan's Restaurant, L.L.C.*, 360 F.3d 125,
7 129 (2d Cir. 2004). To constitute an abuse of discretion, the district court's decision must have
8 rested on an error of law or a clearly erroneous finding of fact. *See Green Party of New York*
9 *State v. New York State Bd. of Elections*, 389 F.3d 411, 418 (2d Cir. 2004). To identify the
10 presence or absence of confusion under the Lanham Act, we first look to the factors our court set
11 out in *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492, 495 (2d Cir. 1961).² "A
12 district court's findings with regard to each individual factor are subject to the clearly erroneous
13 standard of review, but the ultimate issue of the likelihood of confusion is reviewed *de novo*."
14 *Streetwise Maps, Inc. v. VanDam, Inc.*, 159 F.3d 739, 743 (2d Cir. 1998).

15 To obtain a preliminary injunction, a plaintiff must establish: "(1) the likelihood of
16 irreparable injury in the absence of such an injunction, and (2) either (a) likelihood of success on
17 the merits or (b) sufficiently serious questions going to the merits to make them a fair ground for
18 litigation plus a balance of hardships tipping decidedly" in its favor. *Federal Express Corp. v.*
19 *Federal Espresso, Inc.*, 201 F.3d 168, 173 (2d Cir. 2000). In trademark disputes, "a showing of

² The Lanham Act protects against several types of consumer confusion, including *point-of-sale* confusion, *see Lois Sportswear, U.S.A., Inc. v. Levi Strauss & Co.*, 799 F.2d 867, 872 (2d Cir. 1986), *initial interest* confusion, *see Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 260 (2d Cir. 1987), and *post-sale* confusion, *see Lois Sportswear*, 799 F.2d at 872, and the *Polaroid* factors must be applied with an eye toward each of these. *See id.*

1 likelihood of confusion establishes both a likelihood of success on the merits and irreparable
2 harm.” *Hasbro, Inc. v. Lanard Toys, Ltd.*, 858 F.2d 70, 73 (2d Cir. 1988) (citation omitted).

3 Of salient importance among the *Polaroid* factors is the “similarity of the marks” test,
4 which attempts to discern “whether the similarity of the marks is likely to cause confusion
5 among potential customers.” *Arrow Fastener Co., Inc. v. Stanley Works*, 59 F.3d 384, 394 (2d
6 Cir. 1995). To apply this factor, courts must analyze the mark’s overall impression on a
7 consumer, considering the context in which the marks are displayed and “the totality of factors
8 that could cause confusion among prospective purchasers.” *Gruner + Jahr USA Pub. v. Meredith*
9 *Corp.*, 991 F.2d 1072, 1078 (2d Cir. 1993).

10 The district court found that the BCF and LVM bags “project a wholly different
11 impression” so that customers are likely to view them as dissimilar and therefore unlikely to be
12 confused by their similarities. However, the district court’s analysis of the similarity factor
13 appeared to display an inappropriate focus on the likelihood that customers would be confused
14 when viewing the bags simultaneously, whereas serial viewing is the appropriate focus given the
15 market conditions and LVM’s claims of initial-interest and post-sale confusion. Thus, the
16 district court stated that:

17 The Court concludes upon this application that the [BCF bags] are not similar to
18 the Louis Vuitton Handbags—indeed, they appear very different. *Significant*
19 *differences between the handbags are easily discernible whether one views the*
20 *handbags side-by-side or from a distance.* The [BCF bags] are made from very
21 different materials, *i.e.*, shiny beads and cheaper cloth, and they project a wholly
22 different impression from that of the Louis Vuitton Handbag. *See Barbault Aff.* at
23 ¶ 43 (noting difference between “cheap” [BCF bag] materials and “finest
24 materials” of Louis Vuitton Handbags); *Larson Aff.* at ¶ 17 ([BCF bag] design is
25 “irregular” and “quirky and cartoon-like” while Louis Vuitton Handbags are
26 “crisp and absolutely symmetrical, giving a clean-edged ordered look”). It is
27 unlikely that the [BCF bag] would be confused with a Louis Vuitton. *See, e.g.,*
28 *Meese, Inc. v. International Leisure Prods., Inc.*, No. 03 Civ. 8684, 2003 WL
29 22902594 at *4 (S.D.N.Y. Dec. 9, 2003) (no similarity of marks where “the two
30 products, when visually inspected, appear very different”).

1
2 (emphasis added).

3 While a district court’s simultaneous comparison of two products is not an inappropriate
4 heuristic means of investigating similarities and differences in their respective designs on the
5 way to an ultimate conclusion as to whether the products are likely to leave similar impressions
6 on consumers, district courts must be careful to maintain a focus on the ultimate issue of the
7 likelihood of consumer confusion.³ As a result, the Lanham Act requires a court to analyze the
8 similarity of the products in light of the way in which the marks are actually displayed in their
9 purchasing context. *See, e.g., Fun-Damental Too, Ltd. v. Gemmy Indus. Corp.*, 111 F.3d 993,
10 1004 (2d Cir. 1997) (“the test of confusion [under the Lanham Act] is not whether the products
11 can be differentiated when [they] are subject to a side-by-side comparison. Instead, we must
12 ask whether they create the same general overall impression such that a consumer who has seen
13 [plaintiff’s] trade dress would, upon later seeing [defendant’s] trade dress alone, be confused.”)
14 (emphasis added); *American Home Prods. Corp. v. Johnson Chem. Co.*, 589 F.2d 103, 107 (2d
15 Cir. 1978) (“The test [for likelihood of confusion] is not whether the consumer will know the
16 difference if he sees the competing products on the same shelf.”); *Harold F. Ritchie, Inc. v.*
17 *Chesebrough-Pond’s, Inc.*, 281 F.2d 755, 762 (2d Cir. 1960) (“While a side by side comparison
18 of the trademarks... would enable an attentive observer to differentiate them, this is not the test

³ We emphasize that our “similarity of the marks” test – especially when the comparison is between marks on identical product types (here, handbags) – does not require an identity of marks. For example, in *Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway and Sons*, 523 F.2d 1331 (2d Cir. 1975), both Grotrian-Steinweg and Steinway sold the same class of products – pianos. We noted that the impression created by the “Grotrian-Steinweg” and “Steinway” marks were sufficiently similar to counsel in favor of finding a trademark infringement, because, although the marks were hardly identical, “a potential American purchaser of the kind of piano which the parties sell, upon hearing the name ‘Grotrian-Steinweg,’ would associate Grotrian’s product with Steinway’s.” *Id.* at 1340. Thus, a significant similarity in appearance, or in sound, is all that is needed. Even if a consumer can differentiate between two products, the question is whether, and to what degree, the look of the junior user’s product calls to mind the senior user’s product. It follows that, in the context of the case before us, the handbags need not be identical, but only similar, for there to be a likelihood of confusion.

1 to be applied. It is the general overall impression which counts.”). Whether simultaneous
2 viewing by consumers is likely to result in confusion is not relevant when it is serial viewing that
3 is at issue given the market context or the type of confusion claimed. In such a case, a district
4 court must ask not whether differences are easily discernable on simultaneous viewing, but
5 whether they are likely to be memorable enough to dispel confusion on serial viewing.

6 The need for a contextual analysis, rather than a simple focus on whether simultaneous
7 viewing is likely to cause confusion, is grounded in the purpose of the Lanham Act. That Act
8 seeks to eliminate the confusion that is created in the marketplace by the sale of products bearing
9 highly similar marks. *See, e.g., Park ‘n Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 198
10 (1985) (noting that the Lanham Act’s aim is not only to encourage investments in strong
11 trademarks, but also “to protect the ability of consumers to distinguish among competing
12 producers”) (*citing* S. Rep. No. 1333, 79th Cong., 2d Sess., 3-5 (1946)); *Centaur Commc’ns, Ltd.*
13 *v. A/S/M Commc’ns, Inc.*, 830 F.2d 1217, 1220 (2d Cir. 1987) (stating that the Lanham Act’s
14 purpose is “to prevent consumer confusion regarding a product’s source ... and to enable those
15 that fashion a product to differentiate it from others on the market”) (internal citation omitted).

16 Accordingly, a court that seeks to discern confusion without regard to the marketplace
17 frustrates (however unintentionally) Congress’s intent. Though two products may be readily
18 differentiated when carefully viewed simultaneously, those same products may still be
19 confusingly similar in the eyes of ordinary consumers encountering the products individually
20 under typical purchasing conditions, and that “real world” confusion is the confusion that the Act
21 seeks to eliminate.⁴ As a result, courts must evaluate the likely effect on consumers of the

⁴ As noted above, however, point-of-sale confusion is not the only confusion which the Lanham Act seeks to prevent; other forms of confusion, including reverse confusion, initial interest confusion, and post-sale confusion may also be actionable. *See, e.g., Banff, Ltd. v. Federated Dep’t Stores, Inc.*, 841 F.2d 486, 490-91 (2d Cir. 1988) (reverse confusion); *Mobil Oil Corp. v. Pegasus Petroleum Corp.*, 818 F.2d 254, 260 (2d Cir. 1987) (initial interest confusion); *Lois Sportswear*, 799 F.2d at 872 (post-sale

Page 10

1 marks' similar and dissimilar features with a focus on market conditions, even if the products
2 appear to be adequately different in a non-marketplace setting.

3 In the case before us, the district court's finding that no likelihood of confusion existed appears to have
4 been the result, at least in part, of an inappropriate focus on the effect on consumers of simultaneous viewing of the
5 handbags. The parties concede that, in the actual marketplace, these products are not sold side-by-side, and are
6 instead sold in different stores and on different websites. Under the circumstances, a focus on the likely effect of
7 simultaneous viewing on consumers was legally erroneous. We therefore vacate the district court's denial of a
8 preliminary injunction that LVM sought on the basis of its Lanham Act claims. On remand, the court should give
9 particular weight to any evidence submitted by the parties addressing the overall impression that consumers are
10 likely to have of the handbags when they are viewed sequentially, and in different settings, rather than
11 simultaneously.⁵

12 III. CONCLUSION

13 The district court's denial of LVM's request for a preliminary injunction is VACATED,
14 and the case REMANDED for further proceedings not inconsistent with this opinion.

15

confusion).

⁵ LVM asserts that it is entitled to a preliminary injunction on the basis of its non-Lanham Act claims, including unfair competition and trademark dilution under New York law. We have previously noted that New York's unfair competition statute requires a likelihood of confusion analysis that is similar to that required by the Lanham Act. *See W.W.W. Pharm. Co., Inc. v. Gillette Co.*, 984 F.2d 567, 576 (2d Cir. 1993). We therefore remand this claim to the district court as well.

For similar reasons, we remand LVM's claim for dilution under New York law. Under New York General Business Law § 360-1 (McKinney Cum. Supp. 2004), a plaintiff may receive an injunction against dilutive harms, including trademark "blurring," upon demonstrating a likelihood of dilution. *See, e.g., Hormel Foods Corp. v. Jim Henson Prod., Inc.*, 73 F.3d 497, 506 (2d Cir. 1996). We have held that this "likelihood of dilution" must be determined using a multi-factored test, part of which requires a court to discern the "similarity of the marks" in the same manner as one would under the Lanham Act. *See Sports Auth., Inc. v. Prime Hospitality Corp.*, 89 F.3d 955, 966 (2d Cir. 1996). In view of our disposition of the Lanham Act claims, we also remand, for further consideration, LVM's claim of dilution under New York law.