

20-3369

IN THE
United States Court of Appeals
FOR THE SECOND CIRCUIT

◆ ◆ ◆

HAMILTON INTERNATIONAL LTD.,

Plaintiff-Appellant,

—against—

VORTIC LLC, dba VORTIC WATCH Co.,
VORTIC TECHNOLOGY LLC, ROBERT THOMAS CUSTER,

Defendants-Appellees.

ON APPEAL FROM THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF NEW YORK

BRIEF AND SPECIAL APPENDIX FOR PLAINTIFF-APPELLANT

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CORPORATE DISCLOSURE STATEMENT

In accordance with Fed. R. App. P. 26.1, the Plaintiff/Appellant Hamilton International, Ltd., a Swiss corporation located at Mattenstrasse 149, 2503 Biel/Bienne, Switzerland, states that it is an affiliated company of the Swatch Group, Ltd., which is publicly traded on the Swiss Stock Exchange.

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I. JURISDICTIONAL STATEMENT

This is an appeal from a final decision of the district court for the Southern District of New York in the matter of *Hamilton International, Ltd. v. Vortic LLC, d/b/a Vortic Watch Co., et. al.*, 17-cv-5575 (AJN), in which the court ruled that Appellees were entitled to judgment on all claims. Special Appendix (“SPA”) 1. Judgment was entered on September 11, 2020. SPA-17.

Appellant, Hamilton International, Ltd. (“Appellant” or “Hamilton”), alleged that Appellees Vortic LLC, d/b/a Vortic Watch Co., Vortic Technology LLC, and Robert Thomas Custer (collectively, “Vortic” or “Appellees”), infringed the famous HAMILTON trademark by advertising and selling wrist watches that incorporate the dials and rebuilt movements from antique HAMILTON pocket watches. Hamilton asserted claims against Vortic for (i) infringement of the HAMILTON trademark in violation of 15 U.S.C. § 1114 and the common law, (ii) counterfeiting of the HAMILTON trademark in violation of 15 U.S.C. § 1127, (iii) dilution of the HAMILTON trademark in violation of 15 U.S.C. § 1125 and New York Gen. Bus. Law § 360-1, and (iv) unfair competition in violation of 15 U.S.C. § 1125, New York Gen. Bus. Law § 360-1, and the common law.

Appellate jurisdiction is premised upon 28 U.S.C. § 1291.

On October 2, 2020, Hamilton filed a timely notice of appeal. Joint Appendix (“A”) A-422.

II. STATEMENT OF ISSUES PRESENTED FOR REVIEW

1. Did the district court err by first determining whether Vortic's purported disclaimers eliminated a likelihood that consumers would mistakenly believe that Vortic's wrist watches bearing original HAMILTON trademarks on their dials and movements (the "Accused Vortic Watch" or "Accused Vortic Watches"), were manufactured by, affiliated with, or sponsored by Hamilton before weighing the *Polaroid*¹ factors to determine likelihood of confusion?

2. Did the district court err by finding that Vortic met its burden of proving that purported disclaimers eliminated the likelihood that consumers of the Accused Vortic Watch would mistakenly believe that they were from, authorized or sponsored by Hamilton?

3. Did the district court err by finding that several *Polaroid* did not weigh in favor of finding a likelihood of confusion because the court had already found that Vortic's purported disclaimers eliminated any likely confusion?

4. Did the district court err in disregarding evidence of actual consumer confusion?

5. Did the district court err in failing to consider pre-disclaimer sales?

¹ *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492 (2d Cir. 1961).

6. Did the district court err in finding no likelihood of initial interest or downstream confusion?

7. Did the district court err in finding that Vortic's sale of the Accused Vortic Watch did not counterfeit the HAMILTON trademark?

8. Did the district court err in finding that Vortic's sale of the Accused Vortic Watch did not dilute the HAMILTON trademark?

9. Did the district court err in finding that Vortic did not unfairly compete with Hamilton?

III. STATEMENT OF THE CASE

This case was tried without a jury on February 19, 2020. On September 11, 2020, Judge Alison J. Nathan issued Findings of Fact & Conclusions of Law which found in favor of the Appellees on all claims. SPA-1.

The Accused Vortic Watch is constructed by encasing a dial, and a rebuilt and modified movement, often taken from non-working, antique Hamilton pocket watches into a wrist watch case manufactured by Vortic. A-370 at ¶ 12-13; A-371 at ¶ 17-18; A-372 at ¶ 21-22; A-215-225. These watch movements are assembled using parts from several antique Hamilton pocket watches. A-190-A204; A-67, ln. 19 – A-69, ln. 13 (Mr. Custer testified as follows at trial “Q. You also said during the interview that some of the movements you encounter were totally shot, and I'm quoting here: "Totally shot, you know, rusted out, or who knows what's wrong with it. You know, all the jewels are broken. Something like that," didn't you? A.I did say that, yes.” A-68, ln. 8-13). Other modifications to the original movement are made as well. A-69, ln. 14 – 18; A-70, ln. 24 – A-72, ln. 2. The Hamilton trademark is clearly visible on the original dial of the Accused Wrist watch as well as on its movement through its clear case back. A-34, ln. 21 – A-35, ln. 9; A-215-225; A-368.

The central issue in this case is whether a substantial number of purchasers of the Accused Vortic Watch are likely to be confused and believe that it is from

Hamilton, or that it is endorsed or sponsored by Hamilton. This determination is made by considering the eight (8) *Polaroid* factors.

In cases where an accused trademark is a likely to cause consumer confusion as to source, origin or affiliation, the infringer may rebut that determination by proving that “disclaimers” on the product and/or advertising eliminate the likelihood of confusion. It is the alleged infringer’s burden to prove that the disclaimers eliminate confusion, and that burden increases as the likelihood of confusion, as determined by first weighing the *Polaroid* factors, becomes greater. Indeed, if there is a significant likelihood of confusion, it is unlikely that any disclaimer would be sufficient.

The district court reversed this process. First, the Court evaluated whether Appellees’ purported disclaimers eliminated consumer confusion, despite not having undertaken a *Polaroid* analysis to determine whether there was a likelihood of confusion, and if so, how significant that likelihood was. The Court further erred by not requiring Appellees to prove how effective the purported disclaimers were in eliminating significant confusion among likely consumers.

Additionally, when considering the effectiveness of the purported disclaimers the district court erred by determining that the Accused Vortic Watches were “modified genuine products,” SPA-3, and then concluding that A...Vortic’s

advertisements and marketing materials, as well as the watch itself, provided full disclosure under *Champion*.[@] SPA-5.

The facts in *Champion*² are not analogous to the facts in this case. In *Champion*, the court considered whether the defendants infringed the CHAMPION trademark by selling “modified genuine products,” *i.e.*, repaired, intact Champion spark plugs that bore the original CHAMPION trademark, but which also had “repaired” or “used” stamped on each spark plug.

The Accused Vortic Watches are not “modified genuine products.” Rather, they are new wrist watches manufactured by Appellees by placing reconstructed and modified Hamilton pocket watch movements into new wrist watch cases built by the Appellees along with a refurbished, authentic Hamilton dial on which the HAMILTON trademark is visible through the crystal. The court should have applied precedent from cases evaluating new products that bear the trademark owner’s original marks, such as *Bulova Watch Co. v. Allerton Co.*, 328 F.2d 20 (7th Cir. 1964), in which the Seventh Circuit enjoined the defendants from selling re-cased watches using Bulova movements since the defendants’ “substitution of a different crown and case ... resulted in a different product,” such that the “case [was] not Bulova’s and its fitting [did] not represent Bulova’s workmanship.” *Id.* at 24.

² *Champion Spark Plug Co. v. Sanders*, 331 U.S. 125, 127 (1947).

The district court undertook the Polaroid analysis only after erroneously determining that “... Vortic’s advertisements and marketing materials, as well as the watch itself, provided full disclosure under *Champion*.” SPA-5. The court, however, erred in holding that factors clearly indicating a likelihood of confusion did not weigh in Appellant’s favor, *e.g.*, the similarity of the marks, because it had previously determined that the purported disclaimers eliminated any likelihood of confusion. SPA-11.

Appellant recognizes that the district court's findings of fact are accorded significant deference, and that an error concerning a single, or even multiple *Polaroid* factors would not necessarily require the reversal of the decision. The district court, however, made numerous clearly erroneous findings when evaluating the *Polaroid* factors. It is respectfully urged that because a correct evaluation of the *Polaroid* factors leads to the unavoidable conclusion that the appearance of the original and identical HAMILTON marks on the Accused Vortic Watches is likely to cause consumers to mistakenly believe that they are manufactured by, affiliated with, or sponsored by Hamilton, and because Appellees failed to carry their burden of proving the effectiveness of their purported disclaimers, the district court’s decision should be reversed and judgement should be entered in Appellant’s favor on all claims.

IV. STANDARD OF REVIEW

In cases on appeal from a bench trial the appellate court reviews "... the District Court's findings of fact for clear error, but we review *de novo* its conclusions of law and its resolution of mixed questions of fact and law." *MacWade v. Kelly*, 460 F.3d 260, 267 (2d Cir. 2006); *see also* Fed. R. Civ. P. 52(a)(6). "[A] finding is 'clearly erroneous' when although there is evidence to support it, the reviewing court on the entire evidence is left with the definite and firm conviction that a mistake has been committed." *Anderson v. City of Bessemer City, N.C.*, 470 U.S. 564, 573, (1985) (internal quotation marks omitted).

In the context of trademark infringement, the issue of a likelihood of confusion is a conclusion of law reviewed *de novo*. *See Arrow Fastener Co., Inc. v. Stanley Works*, 59 F.3d 384, 391 (2d Cir. 1995); *Patsy's Brand, Inc. v. I.O.B. Realty, Inc.*, 317 F.3d 209, 215 (2d Cir. 2003).

V. **FACTUAL BACKGROUND**

A. **Hamilton**

Appellant is the owner of Federal Trademark Registration Nos. 741,279 and 2,181,720 for HAMILTON. A-226; A-227. They were entered on the Principal Register of the United States Patent and Trademark Office on November 27, 1962, and August 18, 1998 respectively. *Id.* The 741,279 registration indicates that the HAMILTON trademark was first used in commerce in 1909. The mark has been in continuous use since then. A-312 ¶ 4.

Hamilton watches have been a fixture in America culture since 1892. A-254-264; A-312 ¶ 6. During World War II Hamilton produced thousands of marine chronometers that met the toughest standards for accuracy and reliability for which it was awarded the U.S. Army-Navy “E” Award for excellence in the production of military equipment. A-257. Other notable events in Hamilton’s history include Elvis Presley wearing a Hamilton Ventura watch in the 1961 film “Blue Hawaii” and Stanley Kubrick asking Hamilton to specially design a wrist watch and desk clock for “2001: A Space Odyssey.” A258 – A259. Today, Hamilton is the official timekeeper of the Red Bull Air Race world championship and cooperates closely with leading international air squadrons. A-261. As a result of this long and storied history, HAMILTON is one of the most famous trademarks in the United States and is entitled to the strongest protection available under the Lanham Act.

Currently, Hamilton services and sells, through authorized retailers, off and on-line, as well as directly via its E-commerce site, <https://shop.hamiltonwatch.com>, wrist watches and pocket watches in the U.S. bearing the HAMILTON trademark. A-313 ¶¶ 7 and 11.

As the result of the sale of time pieces bearing the HAMILTON trademark for the last 110 years, and Hamilton's marketing and advertising promoting the HAMILTON trademark during that time, the HAMILTON trademark have acquired remarkable commercial strength and is now universally recognized and famous among the general public. A-313 ¶¶ 7, 10, 11; A-314 ¶¶ 12 – 14.

B. Appellees' Infringement of the HAMILTON Trademark

In June 2015, Appellees began distributing wrist watches made by placing modified Hamilton pocket watch movements and dials into wrist watch cases they manufactured. A-80, ln. 23 – A-81, ln. 2; *see* A-188 – A-189. The Accused Vortic Watch was called “The Lancaster.” A-372 ¶¶ 21 – 22; A34, ln. 21 – A-35, ln. 9. The Accused Vortic Watch, pictured below, prominently displayed the HAMILTON trademark on both the face and movement. A-215 – A- 225; A-368; A-378.



Indeed, HAMILTON is the only trademark seen when the watch is being worn and it is located at the usual place in the upper half of its dial where a watch brand is classically affixed. Vortic's purpose in so prominently displaying the mark is clear. That is, to increase the desirability and pricing of the Accused Vortic Watch by trading on Appellant's goodwill and reputation and interfering with its right to control the quality of watches bearing HAMILTON. A-50, ln. 25 – A-54, ln. 9; A-214; A-134, ln. 14 – A-136, ln. 20; A-310.

The parts of two or three Hamilton pocket watch movements were often required to assemble one working wrist watch movement used in the Accused Vortic Watch. A-67, ln. 19 – A-68, ln. 13; A-69, lns. 4 -13; A-72, ln. 3 – A-73, ln. 6; A-136, ln. 21 – A-139, ln. 20. Further, in order to function as a wrist watch Vortic has to modify the original lever set mechanism of the Hamilton pocket watch movement. A-69, lns. 14 – 18; A-70, ln. 24 – A-72, ln. 20; A-73, lns. 7 - 22. Moreover, Mr. Custer has stated that early versions of the Accused Vortic Watch were fragile and were not to be worn on a daily basis. A-211; A-59, ln. 24 – A-60, ln. 8; A-61, ln. 18 – A-63, ln. 3; A-132, ln. 15 – A-133, ln. 4.

Despite the fact that the Hamilton movement has been modified and re-cased, Vortic tells its customers that the antique movements in its watches, including the Hamilton movements, are the movements that came from the original factories. Plaintiff's Trial Ex. 34 (page 63, line 15 to line 20).

The appearance of the HAMILTON trademark on its wrist watches is important to Vortic. Mr. Custer acknowledged that the appearance of the HAMILTON trademark represents quality to Vortic's customers and makes the Accused Vortic Watch more desirable. A-52, ln. 6 – A-54, ln. 9; A-135, lns. 3 - 21. This is undoubtedly why Vortic stresses the name and history of the manufacturers of the movements in its advertising. The same can surely be said with regard to the Accused Vortic Watches that bear the HAMILTON trademark. Indeed, Vortic described the Accused Vortic Watch on its Twitter feed as “A #Hamilton #Railway #Special in our nickel plated #3Dprinted #StainlessSteel #AmericanArt...” because Vortic believed it was important to advise its consumers that the Accused Vortic Watch has a Hamilton Railway Special movement. A-214; A-52, lns. 2 – 5.

Mr. Custer even acknowledged that Vortic sells more watches because of the appearance of the Waltham trademark on the watch face and on the movement of a watch similar to the Accused Vortic Watch – but with a Waltham movement. A-54, ln. 25 – A-55, ln. 15. The same can surely be said with regard to the impact of displaying the HAMILTON trademark on the Accused Vortic Watch.

The purported “disclaimer” considered by the district court that was placed on Appellees' website and advertising materials *after* they received Appellant's cease and desist letter on July 10, 2015 (A-315; ¶ 19 of the Affidavit of the Direct Testimony of Mamy Murielle Raveloson) continues to advise consumers that the

Accused Vortic Watch includes, and benefits from the quality of a genuine Hamilton pocket watch movement when, in fact, they do not. In determining that there is “full disclosure” under *Champion*, the district court relied, *inter-alia*, on Exhibit 2 to the Affidavit of Direct Testimony of Robert Thomas Custer for Trial (trial Exhibit H; A-369 – A-377) regarding Appellees’ disclaimers. SPA-5-6; A-369-77 at ¶ 41; *see*, A-19 (district court DKT # 142). Exhibit 2 and Exhibit 2A to Mr. Custer’s direct testimony affidavit were not proffered nor received into evidence at trial. *See* A-28, ln. 4 – A-30, ln. 12; A-31, ln. 13 – A-32, ln. 4; A-187. Consequently, these documents were not identified in counsels’ February 20, 2020, joint letter to the district court confirming the courtroom clerk’s list of admitted trial exhibits. *See*, A-185, lns. 11 – 18. The documents should not have been considered by the district court for any purpose.

Moreover, disclaimers do not cure clear cases of likely confusion. Indeed, consumer studies show that disclaimers are ineffective in curing customer confusion over similar marks and often aggravate confusion over brands.³ Importantly, the Accused Vortic Watch does not, and could not bear an adequate disclaimer because of size limitations. As a result, there is not just a likelihood of downstream confusion, it is certain.

³ *See* J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 23:51 (12/2018).

VI. ARGUMENT

A. The District Court Erred in Finding Appellees Met their Burden of Proving That Disclaimers Eliminated the Likelihood of Confusion

1. The District Court Erred by Evaluating the Purported Disclaimers Before Determining Likelihood of Confusion

The district court erred by reversing the proper order of the analysis, namely to first determine how likely confusion was by considering the *Polaroid* factors, and with this as a benchmark, determining whether Appellees met their burden of proving that the purported disclaimers reduced the likelihood of confusion to a minimal level. In doing so, the district erred as a matter of law.

Each *Polaroid* factor must be evaluated independently to determine the likelihood of confusion, and only with the severity of the likely confusion as a context can it be determined whether a purported disclaimer is sufficient to effectively reduce or eliminate the likelihood of confusion. *See, ProFitness Physical Therapy Center v. Pro-Fit Orthopedic and Sports Physical Therapy P.C.*, 314 F.3d 62, 70 (2d Cir. 2002) (in cases of "minimal or moderate" confusion, "disclaimers might be effective," but in cases of "more substantial" confusion the infringer has the burden to prove that a disclaimer would "significantly reduce" the likelihood of confusion).

Indeed, where confusion is highly likely courts have held that a disclaimer

cannot cure a clear case of likely confusion.⁴ In the *Charles of the Ritz*, this Court held that where the likelihood of confusion is substantial and the infringer fails to produce any evidence to support its contention that a disclaimer would reduce customer confusion, the disclaimer should be rejected. *Charles of Ritz Group, Ltd. v. Quality King Distributors, Inc.*, 832 F.2d 1317, 1324 (2d Cir. 1987).

The district court's evaluation of the effectiveness of the Appellees' purported disclaimers was erroneous as it had not undertaken the necessary predicate of weighing the *Polaroid* factors to determine how likely it was that the prominent display of HAMILTON on the Accused Vortic Watch would confuse customers.

2. The Burden of Proof

An accused infringer has an affirmative burden to present "evidence sufficient to demonstrate that any proposed materials would significantly reduce the likelihood of confusion." *Home Box Office, Inc. v. Showtime/Movie Channel, Inc.*, 832 F.2d

⁴ See, e.g., *Marquis Who's Who, Inc. v. North American Ad. Assoc., Inc.*, 426 F. Supp. 139 (D.D.C. 1976), *affd without op.*, 574 F.2d 637 (D.C. Cir. 1978) (disclaimer insufficient); *Boston Professional Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc.*, 510 F.2d 1004 (5th Cir. 1975), *cert. denied*, 423 U.S. 868 (1975) (reversing lower court injunction permitting use with disclaimer: "insufficient to remedy the ille-gal confusion"); *United States Jaycees v. Philadelphia Jaycees*, 639 F.2d 134 (3d Cir. 1981) (disclaimer not sufficient); *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228 (10th Cir. 2006) (vague disclaimer on web site does not dispel the likelihood of initial interest confusion caused by use of plaintiff's trademark in defendant's metatag).

1311, 1315 (2d Cir. 1987); *Charles of the Ritz*, 832 F.2d at 1318 (noting that the defendant, after being held to infringe, “failed to introduce empirical evidence that the disclaimer actually lessens consumer confusion as required to overcome such a previous finding”)(emphasis added);. The law is the same in other Circuits.⁵

The Seventh Circuit has stated that “[e]specially where the infringement in issue is a verbatim copying of the plaintiffs name, we are convinced that plaintiffs reputation and goodwill should not be rendered forever dependent on the effectiveness of fine-print disclaimers often ignored by consumers.” *International Kennel Club, Inc. v. Mighty Star, Inc.*, 846 F.2d 1079, 1093 (7th Cir. 1988).

3. The District Court Erred in Finding the Accused Vortic Watch to Be “Modified Genuine Products” and Analogous to the Repaired Spark Plugs in *Champion*

The district court’s conclusion that A...Vortic’s advertisements and marketing materials, as well as the watch itself, provided full disclosure under *Champion*,@SPA-5, relied on its erroneous postulate that the Accused Vortic Watch

⁵ See *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1243 (10th Cir. 2006) (adopting the *Home Box Office* view that it is defendant's "heavy burden" to prove that a disclaimer is effective), *TrafficSchool.com, Inc. v. Edriver Inc.*, 653 F.3d 820, 829 (9th Cir. 2011) (defendant failed to carry its "heavy burden" of proving that a less drastic disclaimer on its web site would dispel confusion), *CFE Racing Products, Inc. v. BMF Wheels, Inc.*, 793 F.3d 571, 595 (6th Cir. 2015) (reversed the district court's order permitting a defendant to continue using an infringing mark if accompanied by a disclaimer because of a lack of evidence "that a disclaimer would be effective in eliminating the risk of confusion.”).

is a “modified genuine products,” SPA-3, and “.... that the Lancaster compares favorably with the sparkplugs from *Champion*.” SPA-8.

In *Champion* the Supreme Court held that a where a trademarked product is *repaired, restored or reconditioned* into operable condition, the trademark can be retained on the product so long as it is clearly, distinctly, and permanently marked on the product itself, as well as on the packaging, that the item is used and was repaired. The Supreme Court found it significant that “‘Repaired’ or ‘Used’ [was] conspicuously stamped on the otherwise unaltered plugs and their packaging indicated that the defendant had done the restoration.” *Champion* at 127.

Champion is not applicable because the Accused Vortic Watch is not a repaired Hamilton Pocket watch, *i.e.*, it is not a modified genuine Hamilton product. The Accused Vortic Watch is a *new watch* that contains various Hamilton parts. Neither the Accused Vortic Watch nor any purported disclaimer state that the Hamilton movements have been modified,⁶ repaired, and restored.

⁶ The district court erroneously minimized Appellees’ failure to disclose removal of the lever set from consumers by concluding “The only modification to the movement mechanism referenced in the record is the replacement of one lever which makes it easier for users to change time.” A-412.

The *Bulova*, *Meece*,⁷ and *Michel*,⁸ cases are on point and controlling. These cases hold that use of an original equipment manufacturer's trademark on a product in which the original device is "buried" or changed as not to retain the characteristics of the original device infringe the mark. In *Bulova* the defendant transferred a BULOVA watch movement, bearing the "BULOVA" trademark on the dial, from their original Bulova cases into diamond-decorated cases defendants purchase from a watch case manufacturer. The court held that because the case was a "necessary and integral" part of a complete watch, the substitution of a case for the genuine BULOVA case resulted in a different product and enjoined the defendant from using the BULOVA mark on the watch dial. *Bulova Watch Co. v. Allerton Co.*, 328 F.2d 20, 23 (7th Cir. 1964) ("The watch is no longer a BULOVA watch."). The Court further noted that the structure of a watch was such that "no appropriate and readable legend could be placed thereon which would satisfy the disclosure requirements the facts and circumstances here demand." *Bulova* at 24.

⁷ *Rolex Watch USA v. Meece*, 158 F.3d 816 (5th Cir.1998).

⁸ *Rolex Watch USA v. Michel Co.*, 179 F.3d 704 (9th Cir.1999).

Here, as in *Bulova*, *Meece*, and *Michel*, it should be held that as a matter of law, because the Hamilton movements are extensively modified, neither advertising nor the Accused Vortic Watch itself satisfy the disclosure requirement.⁹

4. The District Court Erred in Finding the Appellees Met Their Burden of Proving the Disclaimers Eliminated the Likelihood of Confusion

As is evident from the evaluation of the *Polaroid* factors *infra*, the likelihood of confusion is so significant that no disclaimer would be adequate. However, even if that were not the case, the Appellees did not meet their burden of proving that their purported disclaimers reduced the likelihood of consumers confusion, and the district court clearly erred in finding that they did.

Indeed, consumer studies indicate that disclaimers are ineffective in curing customer confusion over similar marks. Jacoby & Raskopf, "Disclaimers in Trademark Infringement Litigation: More Trouble Than They Are Worth?" 76 Trademark Rep. 35 (1986) (consumer studies indicate that disclaimers are not sufficient to ne-gate consumer confusion over similar marks); Jacoby & Szybillo, "Why Disclaimers Fail," 84 Trademark Rep. 224, 237 (1994) ("disclaimers relying on brief negator words such as 'no' and 'not' are not likely to be effective. It makes no difference that one cannot tell whether the respondents did not read the

⁹ N.Y. Arts & Cult. Aff. Law § 33.09(6) prohibits the use of the original maker's trademark on goods that have been repacked or rebottled.

information provided or read the information but did not fully comprehend it. The outcome was the same.").

In *Home Box Office, Inc.*, 832 F.2d 1311 (2d Cir. 1987), this Court expressed its skepticism regarding the effectiveness of a disclaimer in the context of trademark infringement. There, the court noted that an alleged infringer bears “a heavy burden . . . to come forward with evidence sufficient to demonstrate that any proposed materials would significantly reduce the likelihood of confusion.” The Court further held that:

Requiring infringing users such as Showtime to demonstrate the effectiveness of proposed disclaimers is supported by cases from other circuits in which the use of a disclaimer by an infringing user has been found not to be sufficient to avoid consumer confusion in the marketplace. In addition, we note that there is a body of academic literature that questions the effectiveness of disclaimers in preventing consumer confusion as to the source of a product.

Id. at 1316 (citations omitted).

Appellees offered no proof on the effectiveness of their disclaimers. During trial the court correctly required that exhibits attached to any witnesses’ direct testimony affidavits be moved into evidence. *See*, A-31, lines 10-12, A-141, line 23 to A-144, line 12, and A-185, lines 11-18. Importantly, the primary disclaimer documents relied on by the district court, Exhibits 2 and 2A to the Custer Affidavit, were not admitted into evidence and should not have been considered by the court for any purpose. *See*, SPA-5 – SPA-6; A-26, ln. 16 – A-30, ln. 12; A-31, ln. 13 – A-32, ln. 4; A-187.

No empirical evidence was adduced to show the disclaimers' effectiveness, and Appellees did not offer even minimal evidence about the "ordinary purchaser, buying under the normally prevalent conditions of the market and giving the attention such purchasers usually give in buying that class of [services]." *McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1137 (2d Cir. 1979).

Moreover, the court erred by not finding that it was significant that the purported disclaimers failed to disclose the removal of the lever set mechanism from the Hamilton movements.SPA-9. The district court's finding that "Plaintiff has put forth no reason to believe that this apparently slight modification is particularly significant to consumers or that it is somehow material to a likelihood of confusion," reversed the burden of proof. *Id.*

Because the district court shifted the burden of proof on the effectiveness of disclaimers it implicitly held that a disclaimer is presumed effective unless and until the mark holder proves it is not. This Court made clear, however, in *Home Box Office, Inc.* that no reasonable trier of fact could conclude that a disclaimer was effective unless and until "infringing users . . . demonstrate the effectiveness of proposed disclaimers." *Home Box Office, Inc.*, 832 F.2d at 1316.

None of the Appellants' purported disclaimers disclose the extent of the modification to the Hamilton movement. For that reason, a substantial number of consumers are likely to mistakenly believe that the Accused Vortic Watch is a

genuine Hamilton pocket watch transformed into wristwatch which includes a genuine Hamilton movement, and that the movement will deliver the quality and reliability associated with Hamilton watches.

Even the district court appeared to doubt whether Appellees met their burden in proving the effectiveness of their purported disclaimers in its comment that “Mr. Custer’s testimony to the effect that neither he nor his company encountered individuals who were confused about the relationship or lack thereof between Vortic and Hamilton would seem to meet this burden [of proving that the full disclosure is effective], particularly given Vortic’s small size”.SPA-8 (emphasis added).

However, Mr. Custer’s self-serving statement is not proof that the purported disclaimers eliminate confusion among the “ordinary purchaser, buying under the normally prevalent conditions of the market and giving the attention such purchasers usually give in buying that class of [services].” *McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1137 (2d Cir. 1979). Appellees did not offer, and the district court cited no evidence the disclaimers were read by customers, or that they understood the extent of the modifications to the Hamilton movements or that the wrist watch was not from, affiliated with or sponsored by Appellees.¹⁰ Indeed, there

¹⁰ Nor did the Appellants offer any evidence of when they began using the purported disclaimers. Notably, they offered no evidence that any disclaimers were included with their initial crowd funding sales.

is no evidence in the record that would support the following district court findings of fact:

- “... all of Vortic’s advertising and marketing materials in the record would accurately convey to the ordinary prudent purchaser that the only connection of any kind between Hamilton and Vortic is that Vortic used antique Hamilton watch movements and parts for its Lancaster watch.” SPA-5.

- “... Any viewer of this advertisement would come away with an accurate understanding of the relationship between Vortic and Hamilton.” SPA-6.

- ... “Vortic’s website and marketing materials do not suggest any affiliation or sponsorship between Vortic and Hamilton but rather convey accurately that the restored Hamilton movements and parts are only ‘constituent[s] in the article now offered as new and changed.’” SPA-6.

- “... This is full disclosure that would prevent substantial numbers of ordinary prudent purchasers from being confused.” SPA-6.

- “... the watch itself, viewed in isolation, provides full disclosure by the standard elucidated in Champion.” SPA-6.

- “... the watch obviously presents to a viewer as restored antique pocket watch movement, face, and hands that have been reincorporated into a new wrist watch.” SPA-6.

- “... the watch itself would convey to any ordinary prudent purchaser that the watch was made by Vortic and that the Hamilton mark is only displayed because Hamilton created the original movement, face, and hands that have subsequently been restored.” SPA-7.

- “... the Lancaster itself provides more disclosure as to the extent of the modification and restoration.” SPA-7.

- “... the Lancaster not only provides full disclosure as to the extent of the modification and restoration, but also provides full disclosure as to the identity of the restorer and modifier.” SPA-8.

- “Vortic’s use of vintage parts from other antique Hamilton watches to complete its restorations... is a technique that virtually anyone would expect in the restoration of an antique watch movement.” SPA-9.

Although the foregoing findings are of what the consumer takeaway would be from the purported disclaimers, Appellants offered no evidence at trial concerning the consumer takeaway from its advertisements or their impact on whether consumers are likely to be confused, *i.e.*, they have not met their burden of proving that the “disclaimers” on their website and point of purchase materials would significantly reduce the likelihood of confusion.

The foregoing findings of fact should be set aside as they were unsupported by fact and clearly erroneous. Fed. R. Civ. P. 52(a). The fact that some evidence supports a district judge's findings does not preclude this Court from treating those findings as clearly erroneous. Moreover, the absence of any supporting evidence mandates that conclusion. *Miles v. New York State Teamsters Conference Pension and Retirement Fund Employee Pension Benefit Plan*, 698 F.2d 593, 600 n.5 (2d Cir. 1983).

B. The District Court Erred in Finding No Likelihood of Confusion

1. The *Polaroid* Factors

As there has never been any meaningful doubt concerning the protectability

of the HAMILTON[®] trademark, the decision below focused entirely on the issue of whether "numerous ordinary prudent purchasers are likely to be misled or confused as to the source of the product in question because of the entrance in the marketplace of defendant's mark." *See Cadbury Beverages*, 73 F.2d 474, 477-78, *quoting Gruner + Jahr USA Publishing v. Meredith Corporation*, 991 F.2d 1072, 1077 (2d Cir. 1993).

This Court applies the *Polaroid* factors to determine whether there is a likelihood of confusion. *Polaroid Corp. v. Polarad Elecs. Corp.*, 287 F.2d 492, 495 (2d Cir. 1961). The *Polaroid* factors are namely (i) the strength of the HAMILTON trademark, (ii) the degree of similarity between Hamilton's and Appellees' marks, (iii) the proximity of their products in the market place, (iv) the likelihood that Hamilton will bridge the gap, (v) instances of actual consumer confusion, (vi) Appellees' good faith in using the HAMILTON trademark, (vii) the quality of the Accused Vortic Watches, and (viii) the sophistication of relevant consumers. *Id.*

The relevant confusion is confusion not only as to source, but also as to affiliation, connection or sponsorship. As the Second Circuit remarked:

The consumer confusion triggering the Lanham Act, however, need not be solely as to the origin of the product. Confusion as to the origin of goods or services is indeed the basis for one type of Lanham Act claim ... Neither [Lanham Act] § 32 nor § 43(a), however, speaks solely to confusion about the origin of goods or services.

Famous Horse Inc. v. 5th Ave. Photo Inc., 624 F.3d 106, 108 (2d Cir. 2010). *See International Information Systems Sec. Certification Consortium, Inc. v. Security University, LLC*, 823 F.3d 153, 161-162 (2d Cir. 2016), *cert. denied*, 137 S. Ct. 624 (2017).

In the Second Circuit appellate panels have repeatedly emphasized that the multifactor *Polaroid* analysis must be exhaustive and explicit. If any factor is deemed inapplicable, the court should explain why.¹¹ In *Natural Organics, Inc., v. Nutraceutical Corp. and Solaray, Inc.*, 426 F.3d 576 (2d Cir. 2005), the Court explained that:

... it is "incumbent upon the district judge to engage in a deliberate review of each factor, and, if a factor is inapplicable to a case, to explain why."... In *Nabisco Inc. v. Warner-Lambert Co.*, 220 F.3d 43, 46 (2d Cir. 2000), we observed that "in an appropriate case, the 'similarity of the marks' factor can be dispositive." The prospect that the similarity factor may predominate in balancing the *Polaroid* factors does not, however, discount the importance on appeal of having in the record the district court's findings on all potentially applicable *Polaroid* findings.

Id. at 479.

Here, the district court simply disregarded the *Polaroid* factors that favored

¹¹ See, e.g., *Arrow Fastener Co., Inc. v. Stanley Works*, 59 F.3d 384, 400 (2d Cir. 1995) ("[I]t is incumbent upon the district judge to engage in a deliberate review of each factor, and, if a factor is inapplicable to a case, to explain why.... The steady application of *Polaroid* is critical to the proper development of trademark law, for it is only when the *Polaroid* factors are applied consistently and clearly over time that the relevant distinctions between different factual configurations can emerge. Litigants are entitled to the illumination and guidance this common-law process affords, and appellate courts depend on it for the performance of their assigned task of review The efficacy of the multi-factor approach that Judge Friendly wisely set out to address this difficult situation depends on thorough, careful, and consistent application of the doctrine by district courts."); see also *Hewlett-Packard Co. v. Packard Press, Inc.*, 281 F.3d 1261, 1265 (Fed. Cir. 2002) (noting the likelihood of confusion analysis "considers all DuPont factors for which there is evidence of record" but may focus on dispositive factors).

Hamilton. It erred in concluding that the strength of the Hamilton mark, similarity of the marks, proximity of the products, bridging the gap, and the quality of the products *Polaroid* factors are not relevant in this case. SPA-10. Had the district court evaluated these factors correctly, it would have concluded that every factor points toward the inevitable conclusion that the appearance of the HAMILTON trademark on the Accused Vortic Watch is likely to confuse consumers.

Each factor is discussed below in turn.

a. The Strength of the Hamilton Trademark

Although the district court found that the HAMILTON mark is “relatively strong”, it did not acknowledge that this factor supported a finding of a likelihood of confusion, apparently because “Plaintiff has put forth scant evidence of distinctiveness in the marketplace,” SPA-11, erroneously suggesting that there are other time piece manufacturers that identify themselves as “Hamilton.”

The strength of a trademark is measured by “the distinctiveness of the mark, or more precisely, its tendency to identify the goods sold under the mark as emanating from a particular, although possibly anonymous, source.” *McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1131 (2d Cir. 1979); *see also Paddington Corp. v. Attiki Importers Distr.*, 996 F.2d 577, 585 (2d Cir. 1993); *Clinique Labs. v. Dep Corp.* 945 F. Supp. 547, 551 (S.D.N.Y. 1996).

The HAMILTON trademark should be found to be both conceptually and

commercially strong for several reasons. First, its incontestable registrations establish that it is distinctive and entitled to the highest level of protection. See 15 U.S.C. § 1115; *Sporty's Farm L.L.C. v. Sportsman's Mkt., Inc.*, 202 F.3d 489, 497 (2d Cir. 2000); *Cadbury Bevs., Inc. v. Cott Corp.*, 73 F.3d 474, 479 (2d Cir. 1996).

Secondly, the HAMILTON trademark is fanciful and conceptually strong, *i.e.*, it does not communicate anything concerning the product it is associated with, and thus it "is entitled to the most protection the Lanham Act can provide." *Id.*

Third, HAMILTON is also "commercially" strong. In determining commercial strength courts look to the exclusivity of use of the mark, extent of advertising, consumer studies, extent of sales, and evidence of intentional copying. See *e.g.*, *George & Co. v. Imagination Entm't Ltd.*, 575 F.3d 383, 395 (4th Cir. 2009). Hamilton's evidence demonstrates the commercial strength of its trademark.¹² Hamilton's mark has been used in commerce to promote and sell watches for over 100 years and has acquired tremendous commercial strength as a result of its sales, marketing, and advertising. A-314 at ¶¶ 12-14.

The strength of the trademark factor, therefore, heavily favors Appellant.

¹² The scope of protection afforded a strong mark is broad. *Times Mirror Magazines, Inc. v. Field & Stream Licenses Co.*, 294 F.3d 383, 390 (2d Cir. 2002).

b. The Similarity of The Marks

When evaluating the likelihood of confusion, the district court dismissed the significance of several *Polaroid* factors, including the similarity of the marks factor, because the court had already determined that the Appellees' purported disclaimers eliminated any likelihood of confusion. The district court found that "there is no question that the Lancaster contains the Hamilton mark.", it nevertheless concluded that because of the purported disclosures "[t]his factor therefore would not support a finding of a likelihood of confusion". SPA-11.

In this case the similarity of the marks factor requires little discussion. Appellees' mark is an identical counterfeit of the HAMILTON trademark. *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 436 (9th Cir. 2017), cert. denied, 138 S. Ct. 1984 (2018) ("Placing an identical mark on identical goods creates a strong likelihood of confusion, especially when the mark is fanciful."). *Id.* at 429.

The similarity of the marks factor, therefore, weighs strongly in favor of Plaintiff Hamilton. *See Westinghouse Elec. Corp. v. General Circuit Breaker & Elec. Supply Inc.*, 106 F.3d 894, 900 (9th Cir. 1997) ("Of course a copy of a mark is no more likely to confuse the public than is the original; in fact, the public is more likely to be deceived by an original mark because it serves as a perfect imitation.").

It was an error for the district court to find that "This [similarity of the marks] factor therefore would not support a finding of a likelihood of confusion." SPA-11.

c. The Proximity of Products Factor

The District Court erred in finding “the proximity of the products factor would essentially be a wash, “because “Plaintiff has not put forth any evidence that it makes a watch similar to the Lancaster, such as a wrist watch that looks like a pocket watch or any kind of restored watches.” SPA-11 (emphasis added). However, the record clearly established that parties sell identical products identified by the HAMILTON mark, namely wrist watches. Importantly, the Accused Vortic Watch does not, as the district court stated, look “like a pocket watch.” Nor is it a “restored watch.” It is a new wrist watch. Here, there is no meaningful distinction between the parties’ products or the markets in which they are sold. The parties sell identical products, i.e., wrist watches, and which are already in competitive proximity. This factor, therefore, strongly favors Hamilton.

d. Bridging the Gap

This factor also considers the degree of proximity of the goods or services. *Virgin Enterprises Ltd. v. Nawab*, 335 F.3d 141 (2d Cir. 2003). The district court erred in not finding the bridging the gap factor favors the Appellant, purportedly because “Plaintiff has not submitted any evidence for this factor.” SPA-12.

However, the record clearly establishes that the parties’ products are identical, i.e., wrist watches. *See*, A-312-313, ¶¶ 6 – 8; A-254 – A-264; A-34, ln. 19 – A-35, ln. 9; A-215-A-225; A-368. Because they are already in competitive proximity there

is, therefore, no gap to bridge. The law is clear that where there is no gap to bridge - confusion is even more likely, and the district court should have so found. *Fundamental Too. Ltd. v. Gemmy Indus. Corp.*, 111 F.3d 993,1003 (2d Cir.1997); *Charles of the Ritz v. Quality King Distribs., Inc.* 832 F .2d 1317, 1322 (2d Cir. 1987); *see also, Home Shopping Club v. Charles of the Ritz*, 820 F. Supp. 763, 771 (S.D.N.Y. 1993) (“Where, as here, the products are virtually identical, questions of bridging the gap do not arise.”).

Where, as here, there is no meaningful distinction between the parties’ products or the markets in which they are sold, there is no “gap” to be bridged. *Clinique*, 945 F. Supp. at 555 (“the ‘mass’ and ‘class’ markets are not truly distinct, and no gap is left to be bridged”); *Home Shopping Club v. Charles of the Ritz*, 820 F. Supp. 763, 771 (S.D.N.Y. 1993) (“Where, as here, the products are virtually identical, questions of bridging the gap do not arise.”).

The factor favors Appellant.

e. Quality of the Accused Vortic Watches

“This factor is primarily concerned with whether the senior user’s reputation could be jeopardized by virtue of the fact that the junior user’s product is of inferior quality.” *Arrow Fastener Co., Inc. v. Stanley Works*, 59 F.3d 384, 398 (2d Cir. 1995).

The district court erred in finding “there is virtually no evidence in the record about the durability, reliability, or overall quality of Plaintiff’s products.” SPA-12;

see, A-314, ¶¶ 6, 12; A-254 – A-264. However, this factor evaluates the quality of defendant's products. Importantly, the district court disregarded the fact that Mr. Custer has publicly stated that the quality of the accused watches – at least initially – was suspect. He testified as follows:

Q. Mr. Custer, in November of 2014, at that time, did you believe that wearing American Artisan Series watches on your wrist would jar them more than usual and that they should only be worn on special occasions?

A. At that time -- like my counsel described, I had never made a watch before. I had never held a watch in my hands that was valued at more than a few \$100. And so I -- yes, I did type and say these things that are on the screen just in trying to answer this potential customer's question and address his concern....

A-59, ln. 24 – A-60, ln. 8.

Although Mr. Custer clearly believed at one time that the Accused Vortic Watch was fragile and not intended to be worn every day, A-211, the district court chose to accept Mr. Custer's self-serving explanation at trial that when he made these comments he was "just speculating." SPA-12.

Even if the quality of the Appellees' watches were not in question, a similar quality of the products tends to create confusion as to source because of that very similarity of quality. *See, Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 505 (2d Cir. 1996)("A product of equal quality promotes confusion misleading the consumer to believe that they come from the same source."); *Paco Sport, Ltd. v. Paco Rabanne Perfumes*, 234 F.3d 1262 (2d Cir. 2000), *citing Nikon Inc. v. Ikon Corp.*, 987 F.2d 91,95 (2d Cir.1993).

Because Hamilton's good will and reputation should not be placed in the Appellees' hands, this factor also favors a finding of likelihood of confusion.

f. Actual Confusion

Although only a limited number of the Accused Vortic Watch have been sold or given away, actual confusion occurred. At trial, Appellant introduced an email received by the brand manager of its Canadian affiliate received on July 2, 2015, with Vortic's advertisements for the Accused Vortic Watches attached. A-228 – A-230. The email read “[h]ope you are doing well sorry to bring you trouble again .. my friend is looking for a vintage hamilton as per attached. Would it be available? if so how much would it be?” A-229.

The district court erred in concluding that “the text of the email is quite vague. It is unclear if the sender's friend is interested in a product that is similar to Vortic's or actually thinks that Vortic's product was made by or is affiliated with Hamilton.” SPA-12 – SPA-13. The text of the email leaves no doubt that when its author encountered Vortic's advertisement, she mistakenly believed that the Accused Vortic Watch was a Hamilton product.

When asked whether the Vortic ad was attached to the email, the witness authenticating the email stated that she thought so based on her “assumption” and then stated that “I don't remember actually.” A-152, lns. 8 - 16. Based on that testimony the court found that “Ms. Raveloson seemed genuinely unsure as to

whether the ad was attached to the email as well as the email provenance generally,” and held that: “[d]ue on these apparent deficiencies as to Exhibit 22’s reliability, if not its authenticity, the Court concludes that it does not support a finding of actual confusion.” SPA-13. However, the text of the email leaves no doubt the Vortic ad was attached. It reads “... my friend is looking for a vintage hamilton as per attached. Would it be available? if so how much would it be?” (emphasis added). A-229 - 230.

The district court further erred in finding that “...Mr. Custer’s testimony to the effect that neither he nor his company encountered individuals who were confused about the relationship or lack thereof between Vortic and Hamilton would seem to meet this burden, particularly given Vortic’s small size.” SPA-8. Aside from this testimony being self-serving hearsay, the court cites to no authority that allows the dismissal of evidence of actual confusion merely because the accused infringer testifies that he is not aware of any.

“... [I]t is self evident that the existence of actual consumer confusion indicates a likelihood of consumer confusion.” *Virgin Enterprises Ltd. v. Nawab*, 335 F.3d 141, 151 (2d Cir. 2003); *see also Morningside Group Ltd. v. Morningside Capital Group, L.L.C.*, 182 F.3d 133, 141-42 (2d Cir. 1999) (“actual confusion is often the most telling indication that confusion is likely.”).

The district court erred in not finding that the evidence of actual confusion strongly favored a finding of likelihood of confusion.

g. Appellees' Bad Faith

When analyzing the good faith of an accused trademark infringer courts consider “whether the defendant adopted its mark with the intention of capitalizing on plaintiff's reputation and goodwill and any confusion between his and the senior user's product.” *Lang v. Retirement Living Pub. Co., Inc.*, 949 F.2d 576, 583 (2d Cir. 1991) (internal quotation marks and citation omitted). “[W]here the allegedly infringing mark is identical to the registered mark, and its use began subsequent to the plaintiff's trade-mark registration, the defendant must carry the burden of explanation” as to its use of the mark. *Kiki Undies Corp. v. Promenade Hosiery Mills, Inc.*, 411 F.2d 1097, 1101 (2d Cir. 1969).

Appellees willfully continued to infringe the HAMILTON trademark for three years after receiving Hamilton's July 15, 2015, cease-and-desist letter, and after this action was filed. Mr. Custer testified, that Vortic began selling and gifting the Accused Vortic Watch in November 2014, and continued to do so through November 2018. A-188-A-189; A-35, ln. 10 – A-14, ln. 14.

Appellees' continued sales, coupled with knowledge of that their use of the HAMILTON trademark traded on Hamilton's good will and reputation, demonstrates bad faith. *See Flat Rate Movers, Ltd. v. FlatRate Moving & Storage, Inc.*, 104 F. Supp. 3d 371, 381 (S.D.N.Y. 2015) ("Courts have found that a defendant's bad faith where 'a defendant receives a cease and desist letter but

continues the infringing conduct.""); *Fendi Adele S.R.L. v. Burlington Coat Factory Warehouse Corp.*, 689 F. Supp. 2d 585, 600 (S.D.N.Y. 2010); *Gucci Am., Inc. v. Guess", Inc.*, 868 F. Supp. 2d 207, 248 (S.D.N.Y. 2012); *Louis Vuitton Malletier, S.A. v. Hyundai Motor Am.*, 2012 WL 1022247, at *24-25 (S.D.N.Y. Mar. 22, 2012).

Since the Appellees had "actual knowledge of [Hamilton's] mark ... 'it seems clear that deliberate copying has occurred.'" *Pfizer, Inc. v. Y2K Shipping Trading, Inc.*, 2004 WL 896952, (E.D.N.Y. March 26, 2004), at *5. Indeed, Appellees acknowledged that the association with the HAMILTON trademark provides value and marketability. A-51, line 9 to A-55, line 15. Where, plaintiff has shown both "awareness and similarity, the burden shifts to [defendants] to show that the adoption of the junior mark was done in good faith." *Pfizer, Inc.* at *5.

There is no evidence other than Mr. Custer's self-serving testimony that supports the district court's conclusion that "... the benefit Mr. Custer sought was no more than what he fairly believed he was entitled to by including restored, genuine antique Hamilton movements, hands, and faces," and that "[d]efendants demonstrated good faith in producing the Lancaster." SPA-13.

The district court erred in finding that the Appellees met their burden of proving that it displayed the HAMILTON mark on their wrist watches in good faith.

h. Consumer Sophistication

The consumer sophistication factor "examines the amount of care and

attention a consumer takes in evaluating a product before making a purchase," and there was no evidence in the record as to the amount of care and attention Appellees' consumers take in evaluating the Accused Vortic Watch. *See, Kraft Gen. Foods, Inc. v. Allied Old English, Inc.*, 831 F. Supp. 123, 133 (S.D.N.Y. 1993).

Without citing any evidence of who the Appellees' potential customers were, or the nature of their purchase decision, the district court found that "[t]he potential customer base for the Lancaster would be particularly attuned to the disclosure provided and would almost certainly seek out easily accessible information about the watch before making this substantial investment." SPA-14.

Even if the court's finding in this regard were supported by evidence, when, as here, there is a high degree of similarity between the parties' products and marks, "the sophistication of the buyers cannot be relied on to prevent confusion." *McGregor-Doniger*, 599 F.2d at 1137. Even sophisticated customers are not "immune from error" and may be confused by similar trademarks, especially when used on similar or identical goods. *Syntex Labs., Inc. v. Norwich Pharmacal Co.*, 315 F Supp.45, 51 (S.D.N.Y. 1970), *aff'd*, 437 F.2d 566 (2d Cir. 1971).

Moreover, the appearance of the counterfeit HAMILTON trademark on the face and movement of the Accused Vortic Watch is likely to cause purchasers to believe that either the entire watch, or the face and movement are products originating with the Hamilton, have the quality they expect from the Hamilton, and

the Hamilton stands behind and warrants the watch. Moreover, "counterfeits by their very nature, cause confusion." *Gucci Am., Inc. v. Duty Free Apparel, Ltd.*, 286 F. Supp. 2d 284, 287 (S.D.N.Y. 2003); *see* § III. *infra*.

As the Second Circuit said in *Omega Importing Corp. v. Petri-Kine Camera Company, Inc.*, "... the supposed sophistication of camera buyers cannot be relied on to prevent confusion." 451 F.2d 1190 (2d Cir. 1971).

2. The *Polaroid* Factors Weigh in Favor of a Finding of Trademark Infringement

A balancing of the foregoing factors conclusively demonstrates that confusion is exceedingly likely. Hamilton's mark is both fanciful and incontestable. Appellees are using an identical mark. The products are the same and marketed through the same channels of trade. There is no product gap to bridge. Appellees acted in bad faith. Actual confusion has occurred. The average consumer is likely to be confused by a watch bearing the HAMILTON trademark on the face and movement. The undisputed facts, therefore, establish a likelihood of confusion. Indeed, here, where Hamilton's mark is famous, there likely is a greater risk of confusion. *See Guthrie System v. Contextmedia, Inc.*, 826 F.3d 27, 41 n. 437 (2d Cir. 2016) ("[A] mark similar to a famous mark is more likely to cause confusion, or at least more likely to cause a more widespread confusion, than a mark similar to a relatively unknown one.").

The law of trademark infringement as applied to the circumstances in this

case was perhaps most succinctly stated by Professor McCarthy who has said that:

... where the defendant does not merely restore the product, but creates a new design through a reconstruction which is extensive or basic, the original trademark cannot be used on the product under any circumstances....

J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 25:40, at 128-130 (9/2017).

For the forgoing reasons it is respectfully asked that this court find that the district court erred in finding “the *Polaroid* factors do not favor a finding of infringement,” SPA-14, and because every *Polaroid* factor favors Hamilton, that the Court enter judgement in Hamilton’s favor.

3. Initial Interest Confusion Is Likely

"[P]oint-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." *Malletier v. Burlington Coat Factory Warehouse Corp.*, 426 F.3d 532 (2d Cir. 2005).

“Initial-interest” confusion occurs when a potential purchaser initially assumes “either that [Defendant’s] product is made by [Plaintiffs] or that [Plaintiffs] sponsor[] [Defendant’s] line.” *Kompan A.S. v. Park Structures, Inc.*, 890 F. Supp. 1167, 1180 (N.D.N.Y. 1995). Even if that confusion by the time of purchase is dispelled, trademark injury has already occurred:

Misled into an initial interest, a potential Steinway buyer may satisfy himself that [defendant’s] less expensive Grotrian-Steinweg is at least as good, if not

better, than a Steinway . . . This confusion, or mistaken belief as to the companies' interrelationships, can destroy the value of the trademark which is intended to point to only one company. Thus, the mere fact that purchasers may be sophisticated or discriminating is not sufficient to preclude the likelihood of confusion.

Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons, 365 F. Supp. 707, 717 (S.D.N.Y. 1973) (finding likelihood of confusion), *aff'd*, 523 F.2d 1331 (2d Cir. 1975).

The court erred in finding that "Plaintiff has not articulated any basis on which to conclude that the appearance of its mark on the inner workings of the watch—visible only upon close inspection—would result in initial interest confusion among members of the public." SPA-10. Here the district court failed to acknowledge that the HAMILTON mark prominently appears of the dial of the Accused Vortic Watch and is the only trademark that is visible when it is worn.

Initial interest confusion is evaluated using a six-factor test, the factors of which overlap the *Polaroid* factors. *Sanmedica Int'l, LLC v. Amazon.com, Inc.*, 2015 U.S. Dist. LEXIS 50470. "These factors are not exhaustive. And they should not be applied mechanically; some factors may carry far more weight than others depending on the circumstances." *1-800 Contacts, Inc. v. Lens.com, Inc.*, 722 F.3d 1229, 1239 (10th Cir. 2013). They are: (a) the degree of similarity between the marks; (b) the intent of the alleged infringer in adopting its mark; (c) evidence of actual confusion; (d) the relation in use and the manner of marketing between the goods or services marketed by the competing parties; (e) the degree of care likely to be

exercised by purchasers; and (f) the strength or weakness of the marks.

The evidence that favors a finding of likelihood of confusion under *Polaroid*, including the evidence of actual confusion discussed in Section III. A. 5. *supra* is evidence of a likelihood of initial interest confusion.

4. Post-Sale Confusion Is Likely

“Post-sale” confusion occurs when a buyer “purchases a knockoff and passes it off to the public as the genuine article, thereby confusing the viewing public.” *Hermès Int’l v. Lederer de Paris Fifth Ave., Inc.*, 219 F.3d 104, 109 (2d Cir. 2000); *see also Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-LeCoultre Watches, Inc.*, 221 F.2d 464, 466 (2d Cir. 1955) (“Plaintiff’s wrong thus consisted of the fact that such a visitor would be likely to assume that the clock was an Atmos clock.”).

This distinction is particularly relevant. No disclaimer in Appellees’ advertising could be effective when the Accused Vortic Watch is resold or worn at a later stage. Hamilton’s reputation in the mind of a downstream purchaser unaware of the disclaimer is even more likely to be tarnished and damaged when an Accused Vortic Watch, which prominently displays the HAMILTON trademark on the dial and on the movement through the clear case back, does not live up to the purchaser’s expectations.

People who observe the watch on a purchaser’s wrist, or subsequent

purchasers are similarly likely to be confused. *See, Landscape Forms, Inc. v. Columbia Cascade Co.*, 113 F.3d 373, 382 (2d Cir. 1997); *cf. United States v. Hon*, 904 F.2d 803, 804-08 (2d Cir. 1990) (affirming conviction under 18 U.S.C. § 2320, which incorporates the confusion requirement in the civil Lanham Act, where judge instructed jury that they could find "likelihood of confusion" by someone merely viewing the watch). In this case, any perceived consumer sophistication does not reduce the likelihood of confusion.¹³

As the Appellant has shown that its HAMILTON mark is relatively strong, which the district court acknowledged, A-414, the district court erred in not finding “that the Plaintiff has not shown that the [Hamilton] mark’s strength is of a kind such that the views of non-purchaser members of the public ‘are somehow related to the goodwill of the aggrieved manufacturer,’” SPA-11, and that for that reason finding that post sale confusion is not likely.

**C. The District Court Erred in Finding Appellees
Did Not Counterfeit the HAMILTON Trademark**

¹³ *See Karl Storz Endoscopy America, Inc. v. Surgical Technologies, Inc.*, 285 F.3d 848, 62 (9th Cir. 2002) (Downstream users of rebuilt medical endoscopes (such as physicians who use the rebuilt instrument) could be deceived as to the origin of the instrument even if the hospital was aware that it contained many nongenuine parts.); *Cartier, a division of Richemont North America, Inc. v. Symbolix, Inc.*, 2005 WL 1330786 (S.D.N.Y. 2005) ("particularly where there is an active secondary market,... post-sale confusion to downstream purchasers is likely to occur where the defendant offers a cheap knockoff copy of the original manufacturer's more expensive product.").

After correctly noting that “to prevail on a counterfeiting claim, Plaintiff must show that use of the counterfeit mark is ‘likely to cause confusion, or to cause mistake, or to deceive,’” relying on its determination that there was no likelihood of confusion, the district court found for Appellees on the counterfeiting claim. SPA-15 (citations omitted).

However, because the Appellees did infringe the HAMILTON mark, as set forth *supra*, judgment on Appellees’ counterfeiting should also be entered.

In *Leviton Mfg. Co. v. Fastmac Performance Upgrades, Inc.*, 2014 U.S. Dist. LEXIS 84024, the Court faced facts analogous to those here. The defendants manufactured “U-Sockets”, *i.e.*, an AC wall outlet with two built-in USB ports that can charge compatible devices. Defendants produced U-Sockets by taking wall outlets and plates bearing Leviton trademarks and modified them by adding non-Leviton voltage transforming circuitry and cutting holes in the wall plate to accommodate USB ports.

The Court in *Leviton* noted that “[a] product is deemed counterfeit if it contains an original mark that is likely to deceive the public as to its origin.” *Id.* at *13, *citing Cartier v. Aaron Faber, Inc.*, 512 F. Supp. 2d 165, 169 (S.D.N.Y. 2007) (emphasis added), *citing Cartier v. Symbolix, Inc.*, 386 F. Supp. 2d 354, 361 (S.D.N.Y. 2005); *see also Westinghouse Electric Corp. v. General Circuit Breaker & Electric Supply Inc., et al.*, 106 F.3d 894, 899-900 (9th Cir. 1997) (holding that

retaining the original Westinghouse trademarks on used, reconditioned circuit breakers sold by circuit breaker vendors constituted trademark counterfeiting under section 32(1)(a)).

The *Leviton* court further noted that since defendants used a counterfeit mark the offending product should be considered inherently confusing. *Id.*, citing *Gucci Am., Inc. v. Duty Free Apparel, Ltd.*, 286 F. Supp. 2d 284, 287 (S.D.N.Y. 2003) ("[C]ounterfeits, by their very nature, cause confusion.").

As in the *Leviton* case, because the Appellees have so materially changed the Hamilton movement by rebuilding it and mounting it in a non-Hamilton case, the HAMILTON trademark as it appears on the Accused Vortic Watch is “spurious” and clearly confuses the public. It is, therefore, respectfully requested that the Court enter a judgment of trademark counterfeiting.

**D. The District Court Erred by Finding
Appellees Did Not Dilute the HAMILTON Trademark**

To prevail on a dilution claim under New York General Business Law § 360-114 a plaintiff must show: (1) that the trademark is truly distinctive, and (2) a likelihood of dilution by blurring or famishment. *Microban Prods. Co. v. API Indus., Inc.*, No. 14 Civ. 41 KPF, 2014 WL 1856471, at *14 (S.D.N.Y., May 8, 2014).

¹⁴ Count V of the Complaint [Doc. 1] seeks relief under NY Gen. Bus. Law § 360-1.

Appellant has established the first element. "A mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner." 15 U.S.C. § 1125(c)(2)(A). In determining whether a mark is "famous," courts consider the: (1) the duration, extent, and geographic reach of advertising and publicity of the mark; (2) the amount, volume and geographic extent of sales of goods or services offered under the mark; (3) the extent of actual recognition of the mark; and (4) whether the mark was registered. *Id.* at 15.

All of these factors are met for the HAMILTON trademark. First, the HAMILTON trademark has been used in commerce since 1909. A-312, ¶ 4; A-226; A-227.

Hamilton promotes the HAMILTON trademark through significant advertising and marketing in outdoor media and social media, and in trade and consumer magazines. A-313, ¶ 10. Hamilton also promotes its brand and sells its watches through its website. *Id.* at ¶ 11. Second, the Hamilton's U.S. sales of timepieces under the HAMILTON trademark are extensive. In 2017, Hamilton sold

¹⁵ Fame is not a requirement of the New York antidilution statute, N.Y. Gen. Bus. Law § 360-1. Therefore, to succeed on a dilution claim under New York law, a plaintiff "must prove (1) that the trademark is truly distinctive or has acquired secondary meaning, and (2) a likelihood of dilution either as a result of 'blurring' or 'tarnishment.'" *Strange Music, Inc. v. Strange Music, Inc.*, 326 F. Supp. 2d 481, 496 (S.D.N.Y. 2004) (citation omitted).

30,000 watches in the U.S. in 2018, Hamilton's projected sales volume is \$14.5 million. *Id.* There no doubt that HAMILTON is a household name and has been for many years. Fourth, the HAMILTON trademark was registered in 1962, and has achieved incontestable status. Further, the HAMILTON trademark is presumptively distinctive because it is registered and incontestable. 15 U.S.C. § 1115.

For these reasons the HAMILTON trademark should be deemed famous as a matter of law. *See, Coty Inc. v. Excell Brands, LLC*, 277 F.Supp.3d 425, 459 (S.D.N.Y. 2017) (Lady Gaga marks used on perfume held famous and distinctive based on her prominence as an entertainment and recording artist).

The *Polaroid* factors are effectively the same as those required to establish the second element required to prevail on a claim of dilution under New York law. *See Microban*, 2014 WL 1856471, at *14 (granting summary judgment on plaintiffs New York trademark dilution claim because first five New York factors "are 'closely analogous' to the *Polaroid* factors" and the *Polaroid* factors favored plaintiff).

A dilution claim under New York law can also be founded upon a showing of either blurring or tarnishment. *Hormel Foods Corp. v. Jim Henson Prods., Inc.*, 73 F.3d 497, 506 (2d Cir. 1996); *Deere & Co. v. MTD Prods., Inc.*, 41 F.3d 39, 42 (2d Cir. 1994); *Clinique*, 945 F. Supp. at 561.

Dilution by blurring is the gradual diminishment of a famous mark's "ability . . . to clearly and unmistakably distinguish one source through unauthorized use."

Hormel, 73 F.3d at 506 (citation omitted). “[D]ilution [by blurring] occurs when the unauthorized use of a famous mark reduces the public’s perception that the mark signifies something unique, singular, or particular.” H.R. Rep. No. 109-23, at 4 (2005), reprinted in 2006 U.S.C.C.A.N. 1091, 1092 (citation omitted).

Each of the six factors that courts look to when determining whether the accused conduct creates a likelihood of dilution by blurring lean strongly in Hamilton’s favor. It is, therefore, respectfully requested that the Court find that the district court erred in finding for Appellees on Hamilton’s dilution claim.” SPA-15 (citations omitted).

**E. The District Court Erred in Dismissing
Appellant’s Unfair Competition Claim**

After correctly stating that “[t]he standard for a trademark infringement claim under 15 U.S.C. § 1114(1) is the same as the standard for an unfair competition claim under 15 U.S.C. § 1125(a),” the district court then found that “[b]ecause Appellees are entitled to judgment on the trademark infringement claim, they are entitled to judgment on these claims as well.” SPA-15 – SPA-16.

Appellant has established above that the HAMILTON trademark is protectable, that the appearance of the HAMILTON trademark on the Accused Vortic Watches is likely to cause confusion, and that Appellees acted in bad faith. Appellant is therefore entitled to judgment on its Federal and state common law

unfair competition claims.¹⁶

VII. Conclusion

For the reasons stated herein, it is respectfully requested that the Court vacate the decision below and enter judgment in Appellee's favor on all counts.

Dated: December 14, 2020
New York, New York

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¹⁶ To prevail on its New York common law unfair competition, claim the plaintiff must establish facts "identical to a Lanham Act claim, save for the additional requirement that plaintiff show defendant's bad faith." *Heptagon Creations, Ltd. v. Core Grp. Mktg. LLC*, 2011 WL 6600267, at *9 (S.D.N.Y. Dec. 22, 2011), *see also Legends Are Forever Inc. v. Nike, Inc.*, 58 F. Supp. 3d 197, 206 (N.D.N.Y. 2014); *Boarding Sch. Rev., LLC v. Delta Career Educ. Corp.*, 2013 WL 6670584, at *3 (S.D.N.Y. Mar. 29, 2013).

CERTIFICATE OF COMPLIANCE WITH RULE 32(a)(7)

Counsel for the plaintiff/appellant certifies by the signature below that the Brief of Plaintiff/ Appellant is in compliance with Fed. R. App. P. 32(a). The brief uses a 14 point proportionally spaced typeface (Times New Roman) in compliance with Fed. R. App. P. 32(a)(5)(A) and the word processing system used to prepare the brief (Word 2010) indicates that the entire brief contains 10472 words (exclusive of the Table of Contents and Table of Authorities), as required by Fed. R. App. P. 32 (a)(7)(B)(I).

Dated: December 14, 2020
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SPECIAL APPENDIX

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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

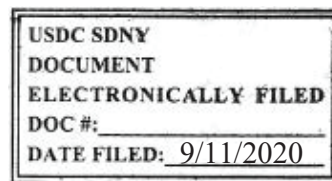
Hamilton International Ltd.,

Plaintiff,

—v—

Vortic LLC, *et al.*,

Defendants.



17-CV-5575 (AJN)(OTW)

FINDINGS OF FACT &
CONCLUSIONS OF LAW

ALISON J. NATHAN, District Judge:

This litigation involves a watch previously sold by Defendant Vortic LLC (“Vortic”). Plaintiff Hamilton International Limited (“Hamilton”), a Swiss watchmaker, argues that the watch infringed on its trademark and brings claims of infringement, counterfeiting, dilution, and unfair competition. A one-day bench trial was held on February, 19, 2020.

For the following reasons, the Court finds that the product at issue was unlikely to cause confusion and enters judgment for Defendants on all claims.

I. BACKGROUND

The background of this case is described in detail in the Court’s previous Opinions, and it only briefly recounts it here. *See* Dkt. No. 115 (“SJ Op.”); Dkt. No. 128 (“Reconsideration Op.”). Vortic is a watchmaker that specializes in restoring antique pocket watches and converting them into wristwatches. *See* Custer Direct Testimony Affidavit (“Custer Aff.”) ¶¶ 15-17. Vortic’s majority owner and co-founder is Defendant Robert Custer. Tr. 9-10. From 2014 to 2016, Vortic sold a watch called “The Lancaster,” named after Lancaster, PA, where the Hamilton Watch Co. was originally located. Custer Aff. ¶¶ 21, 34. It was made with a historic, restored, “Railroad-Era” movement produced by the Hamilton Watch Company. *Id.* ¶ 22. In

this context, “movement” refers to the internal mechanism of the watch with antique hands and face attached. All of the antique parts Vortic uses come from 1894 to 1950, although it is not clear exactly where parts for the Lancaster fall in that range. Tr. 78. The other parts of the wristwatch are produced by Vortic and the ultimate product is also assembled by Vortic. Custer Aff. ¶ 17, 18, 22. The “Hamilton” mark remains visible on the antique face of the watch. *See* Exhs. I, 12. The Lancaster has a Gorilla Glass back which makes the internal workings visible, and “Hamilton” can also be seen on one part of the movement. *Id.* Around the ring in the rear of the watch is engraved “Vortic,” along with “The Lancaster” and a serial number. *Id.* In total, 58 watches were either sold or gifted. Tr. 14. Hamilton, which is still in existence, but has since relocated to Switzerland, became aware of The Lancaster and sent Vortic a cease and desist letter. On July 21, 2017, Hamilton launched this action against Vortic and the company’s founder, Robert Custer.¹ *See* Dkt. No. 1.

II. TRADEMARK INFRINGEMENT

A. Legal Standard

The Court recounts the applicable legal standard as described in its summary judgment opinion. *See* Dkt. SJ Op. at 3-5. A “plaintiff in a trademark infringement action must show that defendant (1) without consent, (2) used in commerce, (3) a reproduction, copy or colorable imitation of plaintiff’s registered mark, as part of the sale or distribution of goods or services, and (4) that such a use is likely to cause confusion.” *Gruner + Jahr USA Publ. v. Meredith Corp.*, 991 F.2d 1072, 1075 (2d Cir. 1993) (citing 15 U.S.C. § 1114(1)(a)). Plaintiff bears the burden of proving each of these elements by a preponderance of the evidence. Only the likelihood of confusion is in dispute in this case. Plaintiff bears the burden to demonstrate a likelihood of

¹ Plaintiff appears to have accidentally sued another entity, Vortic Technology LLC, that has no connection to the Lancaster. The claims against it were dismissed at trial without objection. Tr. 154.

confusion by a preponderance of the evidence. *See Star Indus., Inc. v. Bacardi & Co. Ltd.*, 412 F.3d 373, 391 (2d Cir. 2005).

The Second Circuit applies the landmark, multifactor test from *Polaroid Corp. v. Polarad Electronics Corp.* when determining the likelihood of confusion in trademark cases. *See* 287 F.2d 492 (2d Cir. 1961). This analysis looks to “[1] the strength of his mark, [2] the degree of similarity between the two marks, [3] the proximity of the products, [4] the likelihood that the prior owner will bridge the gap, [5] actual confusion, and [6] the reciprocal of defendant’s good faith in adopting its own mark, [7] the quality of defendant’s product, and [8] the sophistication of the buyers” as relevant variables. *Id.* at 295. The touchstone when considering the *Polaroid* factors is the existence of “a probability of [consumer] confusion, not a mere possibility.” *Streetwise Maps v. VanDam, Inc.*, 159 F.3d 739, 743 (2d Cir. 1998). In other words, “whether numerous ordinary prudent purchasers are likely to be misled or confused as to the source of the product in question because of the entrance in the marketplace of defendant’s mark.” *Playtex Prods. v. Georgia-Pacific Corp.*, 390 F.3d 158, 161 (2d Cir. 2004) (internal quotation marks and citations omitted).

However, the *Polaroid* factors are not to be applied as a “mechanical process,” nor are they exhaustive. *Guthrie Healthcare Sys. v. ContextMedia, Inc.*, 826 F.3d 27, 37 (2d Cir. 2016) (quoting *Nabisco, Inc. v. Warner-Lambert Co.*, 220 F.3d 43, 46 (2d Cir. 2000)). As the Second Circuit has cautioned repeatedly, “depending on the complexity of the issues, ‘the court may have to take still other variables into account.’” *Savin Corp. v. Savin Group*, 391 F.3d 439, 456 (2d Cir. 2004) (quoting *Polaroid*, 287 F.2d at 495)). In cases such as this one, involving modified genuine products, the Supreme Court has found whether the defendant adequately disclosed the origins of the product to be dispositive. *See Champion Spark Plug Co. v. Sanders*, 331 U.S. 125 (1947); *Prestonettes, Inc. v. Coty*, 264 U.S. 359 (1924); *see also Nora Beverages*,

Inc. v. Perrier Grp. of Am., Inc., 269 F.3d 114, 119 (2d Cir. 2001) (“Although no one factor is necessarily dispositive, any one factor may prove to be so.”).

In *Champion*, the defendant sold repaired and reconditioned used spark plugs that were initially manufactured by the plaintiff. *See* 331 U.S. at 126. The Supreme Court held that the defendant could continue to display the plaintiff’s trademark on his sparkplugs, so long as the sparkplugs also had “Repaired” or “Used” conspicuously stamped on them and their packaging indicated that the defendant had done the restoration. *Id.* at 127, 130. The Court explained that in such circumstances, “[f]ull disclosure” of the products’ origins was “all the protection to which [the plaintiff] was entitled.” *Id.* at 130. Since the sparkplugs were second-hand goods and consumers would naturally expect a used or repaired good to be inferior, conspicuously labeling the goods as used or repaired constituted full disclosure. *Id.* It was otherwise permissible for the goods to retain the Champion trademark even if it means that the defendant benefits from plaintiff’s goodwill or “gets some advantage from” plaintiff’s mark. *Id.* The Court cautioned that it would be possible to imagine a case “where the reconditioning or repair would be so extensive or so basic that it would be a misnomer to call the article by its original name, even though the words ‘used’ or ‘repair’ were added.” *Id.* at 129. Outside those rare circumstances, however, a refurbished product may bear the original maker’s mark.

Courts in this Circuit have likewise found the adequacy of disclosure, or lack thereof, to be dispositive when determining the likelihood of confusion caused by a modified genuine product. *See, e.g., H.L. Hayden Co. v. Siemens Medical Sys., Inc.*, 879 F.2d 1005, 1022-24 (2d Cir. 1989); *Cartier v. Aaron Faber, Inc.*, 396 F. Supp. 2d 356, 359 (S.D.N.Y. 2005); *Bumble Bee Seafoods, L.L.C. v. UFS Indus., Inc.*, No. 04-cv-2015, 2004 U.S. Dist. LEXIS 13897, at *6-*15 (S.D.N.Y. July 20, 2004); *Eastman Kodak Co. v. Photaz Imports*, 853 F. Supp. 667, 674 (W.D.N.Y. 1993), *aff’d*, 28 F.3d 102 (2d Cir. 1994) (table). These decisions look to *Champion*

as a substitute or crucial supplemental factor to a traditional *Polaroid* likelihood of confusion analysis. “Full disclosure,” *Champion*, 331 U.S. at 130, thus matters if it prevents “numerous ordinary prudent purchasers” from being “misled or confused as to the source of the product,” *Playtex Prods.*, 390 F.3d at 161.

In determining the likelihood of confusion, the Court will therefore give strong weight to the “full disclosure” factor, while also considering the traditional *Polaroid* variables it finds to be applicable. *See Int’l Info. Sys. Sec. Certification Consortium v. Sec. Univ., LLC*, 823 F.3d 153, 160 (2d Cir. 2016) (“[C]ases may certainly arise where a factor is irrelevant to the facts at hand.”) (quoting *Arrow Fastener Co. v. Stanley Works*, 59 F.3d 384, 400 (2d Cir. 1995)).

B. There is “Full Disclosure” Under *Champion*

The Court finds that Vortic’s advertisements and marketing materials, as well as the watch itself, provided full disclosure under *Champion*.

First, the Court finds that all of Vortic’s advertising and marketing materials in the record would accurately convey to the ordinary prudent purchaser that the only connection of any kind between Hamilton and Vortic is that Vortic used antique Hamilton watch movements and parts for its Lancaster watch. For example, the Vortic website’s description of the watch clearly stated that the Lancaster was one of “Vortic’s flagship line of watches” and that “[a]ll of the components (movement, dial, hands) between the two Gorilla Glass crystals ~100 years old and started their life in a Railroad-era pocket watch made by the Hamilton Watch Company.” Exh. 2 to Custer Aff. The website’s product description further states that Vortic uses “vintage movements whose case has been scrapped for its precious metal value, and meticulously restores the inner workings in order to build a completely custom watch around it.” *Id.* While the Hamilton mark is visible in a picture, Vortic’s logos predominate. *Id.*; *see also* Custer Aff. ¶ 42.

Likewise, in a Vortic magazine advertisement, the ad copy states in part that “[e]ach piece is custom fabricated using railroad era, American made pocket watch movements to create a timeless one of a kind wristwatches.” Exh. A. And while the Hamilton mark is also visible on a picture, the Vortic mark again clearly predominates over it. Any viewer of this advertisement would come away with an accurate understanding of the relationship between Vortic and Hamilton. *Id.*; *see also* Exh. 8 (watch forum post explaining that Vortic “salvages” antique pocket watch movements and restores them for their watches); Exh. 9 (twitter post from Vortic’s account stating that the Hamilton component is in “our [i.e. Vortic’s]” watch); Exh. 31 (Kickstarter posting stating that Vortic uses “vintage pocket watch movements” including Hamilton’s and explaining manufacturing and restoration process). Mr. Custer testified that these advertisements are consistent with Vortic’s general approach to convey how it makes the watches. He also testified that Vortic includes details about its manufacturing and the incorporation of the antique movements with every watch it sells. Custer Aff. ¶¶ 40-44; *see also* Tr. 26-27.

Vortic’s website and marketing materials do not suggest any affiliation or sponsorship between Vortic and Hamilton but rather convey accurately that the restored Hamilton movements and parts are only “constituent[s] in the article now offered as new and changed.” *Prestonettes*, 264 U.S. at 369. This is full disclosure that would prevent substantial numbers of ordinary prudent purchasers from being confused.

The Court also finds that the watch itself, viewed in isolation, provides full disclosure by the standard elucidated in *Champion*. Having viewed a physical example of a Lancaster as well as pictures in the record, the Court finds that the watch obviously presents to a viewer as restored antique pocket watch movement, face, and hands that have been reincorporated into a new wristwatch. *See* Exhs. I, 12. This would be true even if the watch was viewed only from the

front or only from the back, and even if the viewer did not have any prior knowledge about the watch. Several factors lead the Court to this conclusion, including that the watch is much larger than the typical wristwatch and that there is a large knob at the 12 o'clock position which is immediately recognizable as being from a pocket watch, rather than a wristwatch which usually has the movement at 3 o'clock. Additionally, the hands, face, and movement have a patina, style, and look that convey that they are restored antiques. Furthermore, the Court finds that the watch itself would convey to any ordinary prudent purchaser that the watch was made by Vortic and that the Hamilton mark is only displayed because Hamilton created the original movement, face, and hands that have subsequently been restored. The Court notes that "Vortic," "Lancaster," and the serial number are all prominently engraved on the case while the Hamilton mark is only visible inside the glass case, on a movement and face that appear obviously antique.

While the disclosure provided by the watch is not equivalent to the more complete disclosure provided by Vortic's advertisements, such detail from the product itself is not required under *Champion*. It was sufficient in that case that the sparkplugs clearly conveyed that they were "used" or "repaired." *Champion*, 331 U.S. at 127, 129. While the watches in this case have been modified to a greater extent than the sparkplugs in *Champion*, the Court finds that the Lancaster itself provides more disclosure as to the extent of the modification and restoration. And the Court notes that the only components that do bear the Hamilton trademark, the face and the movement have, as in *Champion*, been "restor[ed], so far as possible, of their original condition." *Champion*, 331 U.S. at 129. It is thus no "misnomer to call [them] by [their] original name." *Id.*; see also *Prestonettes*, 264 U.S. at 369. Moreover, the presence of full disclosure prevents undue interference with the ability of Plaintiff to control its reputation.

As Plaintiff points out, the Lancaster does not have any particular words stamped on it that on their own create full disclosure, as was the case in *Champion*. But if the overall design

and the engravings, rather than a particular stamp, convey full disclosure with sufficient clarity and conspicuousness, there is no reason why the result should be any different. *See Ford Motor Co. v. Ultra Coachbuilders, Inc.*, Case No. EDCV 00-00243-VAP, 2000 U.S. Dist. LEXIS 20173, at *15-*16 (C.D. Cal. July 11, 2000) (stretch limousine version of Ford automobile did not infringe on Ford's trademark because the modifications were "apparent"). Indeed, the Court believes that the Lancaster compares favorably with the sparkplugs from *Champion*. Those sparkplugs did not bear information indicating that someone other than the original manufacturer had done the restoration. Any defects in the restoration process may have been laid at the feet of the original manufacturer. In contrast, the Lancaster not only provides full disclosure as to the extent of the modification and restoration, but also provides full disclosure as to the identity of the restorer and modifier. Thus, a viewer of a Lancaster in isolation would have an even more accurate picture of the product than a viewer would have received from the unpackaged sparkplugs in *Champion*.

Plaintiff does not dispute that the existence of full disclosure can be a relevant factual question, but rather makes several attempts to find fault with the quality of the disclosure. Plaintiff's principal argument is that Defendants must come forward with evidence that the full disclosure is effective. As an initial matter, Mr. Custer's testimony to the effect that neither he nor his company encountered individuals who were confused about the relationship or lack thereof between Vortic and Hamilton would seem to meet this burden, particularly given Vortic's small size. *See Custer Aff.* ¶¶ 29, 48-50. But more importantly, the case law on which Plaintiff relies for this proposition did not involve modified genuine products. *See, e.g. Home Box Office, Inc. v. Showtime/The Movie Channel, Inc.*, 832 F.2d 1311, 1316 (2d Cir. 1987). *Champion*, which did involve a modified genuine product, did not place such a burden on the defendants and neither have courts in this circuit that have applied *Champion*. *See, e.g.,*

Champion, 331 U.S. at 127, 129; *H.L. Hayden Co.*, 879 F.2d at 1022-24; *Cartier*, 396 F. Supp. 2d at 359; *Bumble Bee Seafoods*, 2004 U.S. Dist. LEXIS 13897, at *6-*15; *Eastman Kodak Co.*, 853 F. Supp. at 674.

Second, Plaintiffs argue that the disclosure is insufficient because it fails to disclose particular modifications to the movement or that Vortic sometimes uses parts from other antique Hamilton watch movements in its restorations. The only modification to the movement mechanism referenced in the record is the replacement of one lever which makes it easier for users to change time. At trial, Mr. Custer testified about how this modification works, describing it as a minor procedure that “doesn't alter the function of [the movement] at all.” Tr. 48-49. This evidence is uncontroverted. Plaintiff has put forth no reason to believe that this apparently slight modification is particularly significant to consumers or that it is somehow material to a likelihood of confusion. With regard to Vortic's use of vintage parts from other antique Hamilton watches to complete its restorations, the Court finds that this is a technique that virtually anyone would expect in the restoration of an antique watch movement. *Cf. Champion*, 331 U.S. at 129 (“inferiority is expected in most second-hand articles.”). Moreover, this technique is not material to the likelihood of confusion: the watch still contains an antique Hamilton watch movement with antique Hamilton watch parts. Mr. Custer's uncontroverted testimony at trial stated that when restoring a watch, Vortic only uses parts for the same model of watch movement. Tr. 115-116.

Finally, while most of Plaintiff's arguments are directed towards potential watch purchasers, Plaintiff briefly mentions the possibility of confusion on the part of members of the general public who observe the watch on a purchaser's wrist. While a Lancaster viewed on someone's wrist would still appear to contain a restored antique pocket watch movement, hands, and face that have been re-appropriated into a wristwatch, the viewer would not know that it was

Vortic rather than Hamilton that had done the restoration and modification. Although it is true that “[t]he likelihood of confusion test concerns not only potential purchasers but also the general public[,] . . . such third parties are only relevant if their views are somehow related to the goodwill of the aggrieved manufacturer.” *Landscape Forms, Inc. v. Columbia Cascade Co.*, 113 F.3d 373, 382-83 (2d Cir. 1997). Plaintiff has not articulated any basis on which to conclude that the appearance of its mark on the inner workings of the watch—visible only upon close inspection—would result in initial interest confusion among members of the public.

The *Polaroid* Factors Support a Finding Against Infringement

When conducting a *Polaroid* analysis, “it is incumbent upon the district judge to engage in a deliberate review of each factor, and, if a factor is inapplicable to a case, to explain why.” *Arrow Fastener Co.*, 59 F.3d at 400; *Bumble Bee Seafoods*, 2004 U.S. Dist. LEXIS 13897, at *19-24 (selectively applying *Polaroid* factors). As the Court noted in its summary judgment opinion, a number of the *Polaroid* factors are not helpful to this case. It concluded strength of mark and similarity factors are not relevant in a case where there is a modified genuine product with full disclosure. Likewise, proximity of the products, bridging the gap, and the quality of the product are all also unhelpful, because application of these factors would penalize defendants who have only lightly modified a genuine product. Yet, under *Champion*, these are the defendants who have the lowest burden to meet the full disclosure standard. *See Champion*, 331 U.S. at 129. The Court found that only actual confusion, the defendant’s good faith, and the sophistication of the buyers are relevant *Polaroid* factors.

Plaintiff objects to this analysis, but fails to explain how these excluded factors comport with a *Champion* analysis. The Court therefore adheres to its original conclusion. However, the Court notes that even if it were to consider all of the *Polaroid* factors, the outcome would not change.

First, the Court agrees with Plaintiff that its mark is relatively strong. The mark is fanciful, rather than descriptive or suggestive. That alone, however, is not enough to enable a finding of infringement. Plaintiff has put forth scant evidence of distinctiveness in the marketplace. *See McGregor-Doniger Inc. v. Drizzle Inc.*, 599 F.2d 1126, 1132 (2d Cir. 1979) (“We view evidence concerning the origin-indicating significance of a mark in the marketplace as relevant to and probative of the strength of a mark and hence useful in assessing the likelihood of confusion.”); *see also Streetwise Maps*, 159 F.3d at 744. And the Court notes that the Plaintiff has not shown that the mark’s strength is of a kind such that the views of non-purchaser members of the public “are somehow related to the goodwill of the aggrieved manufacturer.” *Landscape Forms*, 113 F.3d at 382-83.

Second, with regard to similarity, there is no question that the Lancaster contains the Hamilton mark. But similarity is not assessed in a vacuum. “In judging similarity, courts are to consider all factors that could reasonably be expected to be perceived by and remembered by potential purchasers.” *Arrow Fastener Co.*, 59 F.3d at 394 (internal quotation marks and citation omitted). This includes “the overall impression created by the [marks] and the context in which they are found.” *Star Indus.*, 412 F.3d at 386 (citation omitted). Presumably, the presence of disclosure from both advertisements and the watch itself would be critical to assessing the overall impression and context in which the Hamilton mark appears. This factor therefore would not support a finding of a likelihood of confusion.

Third, the proximity of the products factor would essentially be a wash. Plaintiff argues that the market for its products and Lancaster are the same because they both sell watches. But presumably there is substantial variation within the watch market. Plaintiff has not put forth any evidence that it makes a watch similar to the Lancaster, such as a wristwatch that looks like a pocket watch or any kind of restored watches. In fact, Plaintiff has put forth little information

about its own products other than the fact that they are watches and can be expensive. Plaintiff has not shown that this factor supports a finding of a likelihood of confusion.

Fourth, with regard to the bridging the gap, Plaintiff concedes that this factor is irrelevant to this case, albeit for different reasons than the Court. *See* Pretrial Memo, Dkt. No. 145 at 12-13 (“The bridging the gap factor, therefore, has no bearing on the question whether Plaintiff have adequately proven Defendants’ liability.”) (cleaned up). Regardless, there is no question that Plaintiff has not submitted any evidence for this factor.

Fifth, the quality of the products factor would also not support a finding of a likelihood of confusion. Plaintiff seizes on a 2014 comment made by Mr. Custer on a message board stating that the watch may be easily jarred and is not necessarily for everyday use. *See* Exh. 8. But even assuming that this comment was admissible evidence, it would be of no value to assessing the quality of the Lancaster one way or the other. The Court credits Mr. Custer’s testimony at trial that he had not built any watches at this point and he was “just speculating.” Tr. 39. Plaintiff’s counsel conceded that there was no “evidence as to the reliability of watches actually manufactured.” Tr. 146. Likewise, there is virtually no evidence in the record about the durability, reliability, or overall quality of Plaintiff’s products.

Turning to those *Polaroid* factors that are indisputably relevant in this case, the Court finds that they weigh heavily against a finding of a likelihood of confusion.

The Court finds that there is no evidence of actual confusion. Plaintiff does not rely on consumer surveys to establish actual confusion. Instead, Plaintiff attempts to establish actual confusion based only on a single email sent to a Canadian brand manager in 2015. *See* Exh. 22. The email states in relevant part: “my friend is looking for a vintage hamilton as per attached.” Plaintiff claims a Vortic advertisement was attached to an email. As an initial matter the text of the email is quite vague. It is unclear if the sender’s friend is interested in a product that is

similar to Vortic's or actually thinks that Vortic's product was made by or is affiliated with Hamilton.

But there are more fundamental problems with the email. Plaintiff relied on the testimony of one of its employees, Mary Murielle Raveloson, to authenticate and lay the foundation for the email so it could be admitted. But on cross-examination, Ms. Raveloson testified that she was not initially in the forwarding chain in the email, as shown in the exhibit, and that it was sent to her later on. Tr. 137. More importantly, when asked whether the Vortic ad was attached to the email, Ms. Raveloson stated that she thought so based on her "assumption" and then stated that "I don't remember actually." Tr. 129. Based on her demeanor at trial, Ms. Raveloson seemed genuinely unsure as to whether the ad was attached to the email as well as the email provenance generally.

Due on these apparent deficiencies as to Exhibit 22's reliability, if not its authenticity, the Court concludes that it does not support a finding of actual confusion.

Next, the Court finds that Defendants demonstrated good faith in producing the Lancaster. At trial, Mr. Custer testified extensively about his intentions in starting Vortic and creating the Lancaster. The Court credits this testimony, concluding that he did not intend to cause consumer confusion but rather sought to "preserve American history" by salvaging and restoring the hearts of antique pocket watches. *See* Tr. 59; *see also* Tr. 32. Mr. Custer viewed himself as "upcycling," restoring previously nonfunctional antique watch movements and parts, and making them into something of "much greater value." Tr. 101. To be sure, Mr. Custer did intend to gain some benefit from displaying the Hamilton mark, albeit more from Hamilton's historical significance rather than its modern-day reputation. But the benefit Mr. Custer sought was no more than what he fairly believed he was entitled to by including restored, genuine antique Hamilton movements, hands, and faces. *See Champion*, 331 U.S. at 130 (noting that it

can be “wholly permissible” that the “second-hand dealer gets some advantage from the trade mark”).

Last and perhaps most importantly, the Court finds that the customer base at issue is highly sophisticated. There is no dispute here that the Lancaster is very expensive. As the Second Circuit has explained, “[t]he greater the value of an article the more careful the typical consumer can be expected to be.” *McGregor-Doniger*, 599 F.2d at 1137. This is especially true when it comes to watches. *See Swatch Group (U.S.) Inc. v. Movado Corp.*, No. 01-cv-286, 2003 U.S. Dist. LEXIS 6015, at *14 (S.D.N.Y. Apr. 9, 2003) (“The average consumer spending hundreds of dollars on a watch that will be worn for years is likely to give close attention to the type of watch he or she is buying.”). The sophistication of the buyers is important in this case. The potential customer base for the Lancaster would be particularly attuned to the disclosure provided and would almost certainly seek out easily accessible information about the watch before making this substantial investment. If they do so, nothing in the record supports that they would be confused as to what extent Hamilton is connected to the watch.

Weighing the full disclosure factor as well as the *Polaroid* factors together, the Court finds that there is not a likelihood of confusion in this case. As an initial matter, many of the *Polaroid* factors do not support a finding of infringement. It is true that the Hamilton mark is relatively strong and the Lancaster undoubtedly displays the Hamilton mark. But the adequacy of the disclosure as detailed in the above factual findings, combined with the sophistication of the customer base, eliminates any likelihood that a significant number of ordinary prudent purchasers would be confused as to the Lancaster’s origins. Accordingly, Defendants are entitled to judgment on the trademark infringement claim.

III. REMAINING CLAIMS

The Court also finds that Defendants are entitled to judgment on the remaining claims.

A. Federal Counterfeiting Claim

In order to prevail on a counterfeiting claim, Plaintiff must show that use of the counterfeit mark is “likely to cause confusion, or to cause mistake, or to deceive.” 15 U.S.C. § 1114(1)(a); *see also Gucci Am., Inc. v. Guess?, Inc.*, 868 F. Supp. 2d 207, 242 (S.D.N.Y. 2012) (observing that “counterfeiting is the hard core or first degree of trademark infringement.”) (internal quotation marks and citation omitted). As discussed above, the Lancaster is not likely to cause deception or confusion. Therefore, Defendants are entitled to judgment on this claim.

B. New York State Dilution Claim

In order to establish a dilution claim under New York General Business Law § 360-1, a plaintiff must show, *inter alia*, a likelihood of dilution by blurring or tarnishment. *Deere & Co. v. MTD Prods.*, 41 F.3d 39, 42 (2d Cir. 1994).² Plaintiff relied solely on the standard for dilution by blurring and did not assert a claim for dilution by tarnishment. *See* Dkt. No. 145 at 42. As Plaintiff acknowledges, *see* Dkt. No. 145 at 42, “[t]o determine the likelihood of dilution by blurring [under New York law], courts consider six factors similar to the *Polaroid* factors.” *Lapine v. Seinfeld*, 375 F. App’x 81, 85 (2d Cir. 2010); *see N.Y. Stock Exch., Inc. v. N.Y., N.Y. Hotel, LLC*, 293 F.3d 550, 558 (2d Cir. 2002) (six-factor New York dilution test considers “(i) the similarity of the marks; (ii) the similarity of the products covered; (iii) the sophistication of the consumers; (iv) the existence of predatory intent; (v) the renown of the senior mark; and (vi) the renown of the junior mark”). As discussed above, the *Polaroid* factors do not favor a finding of infringement. Defendants are therefore entitled to judgment on this claim.

C. Unfair Competition Claims

² Although Plaintiff’s pretrial memorandum referenced the federal dilution standard, the Complaint never included such a claim, and Plaintiff’s counsel confirmed at trial that Plaintiff is not pursuing a federal dilution claim. *See* Tr. 161.

The standard for a trademark infringement claim under 15 U.S.C. § 1114(1) is the same as the standard for an unfair competition claim under 15 U.S.C. § 1125(a). *See Mushroom Makers, Inc. v. R. G. Barry Corp.*, 580 F.2d 44, 47 (2d Cir. 1978) (per curiam) (“It is well settled that the crucial issue in an action for trademark infringement or unfair competition is whether there is any likelihood that an appreciable number of ordinarily prudent purchasers are likely to be misled, or indeed simply confused, as to the source of the goods in question.”); *Legends Are Forever, Inc. v. Nike, Inc.*, 58 F. Supp. 3d 197, 205-06 (N.D.N.Y. 2014). A New York unfair competition claim is identical to its federal counterpart but adds the requirement that plaintiff must prove bad faith. *See LuxSoma LLC v. Leg Res., Inc.*, 289 F. Supp. 3d 514, 526-27 (S.D.N.Y. 2018). Because Defendants are entitled to judgment on the trademark infringement claim, they are entitled to judgment on these claims as well.

IV. CONCLUSION

For the foregoing reasons, the Court finds in favor of Defendants on all claims. The Clerk of Court is respectfully directed to enter judgment and close this case.

Dated: September 11, 2020
New York, New York



ALISON J. NATHAN
United States District Judge

SPA-17

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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

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Hamilton International Ltd.,

Plaintiff,

-against-

17 CIVIL 5575 (AJN)(OTW)

JUDGMENT

Vortic, LLC, et al.,

Defendants.

-----X

It is hereby **ORDERED, ADJUDGED AND DECREED:** That for the reasons stated in the Court's Findings of Fact & Conclusions of Law dated September 11, 2020, the Court finds in favor of Defendants on all claims.; accordingly, this case is closed.

Dated: New York, New York

September 11, 2020

RUBY J. KRAJICK

BY:

Clerk of Court

K. mango

Deputy Clerk