

Appeal No. 05-1058

United States Court of Appeals
for the Tenth Circuit

VAIL ASSOCIATES, INC., and VAIL TRADEMARKS, INC.,
Plaintiffs-Appellants,
V.

VEND-TEL-CO. LTD. and ERIC A. HANSON,
Defendants-Appellees.

Appeal from the United States District Court for the District of
Colorado in Case No. 01 M 1172, Senior Judge Richard Matsch

BRIEF FOR DEFENDANTS-APPELLEES

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Oral Argument Requested

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CORPORATE DISCLOSURE STATEMENT

VEND-TEL-CO. LTD. states that Vend-Tel-Co has no parent corporation and no publicly held corporation owns 10% or more of its stock.

STATEMENT OF ISSUES

Defendant-Appellees (“Vend-Tel-Co”) notes that the issues set forth by Plaintiff-Appellants (“Vail Associates”) in the Statement of Issues in its Brief differ from those set forth in its Notice of Appeal and those stated in the body of Vail Associate’s Brief. To address all aspects raised, Vend-Tel-Co has grouped its response as follows:

ISSUE # 1. The district court did not misapply the law with respect to the similarity of the marks factor in its likelihood of confusion analysis.

ISSUE # 2. The district court’s determination regarding likelihood of confusion is not clearly erroneous regarding strength of the mark or any other factor.

ISSUE # 3. The district court did not abuse its discretion in excluding unreliable expert testimony and survey.

ISSUE # 4. The district court’s finding that Vail Associates failed to present clear and convincing evidence of fraudulent representation is not clearly erroneous.

STATEMENT OF THE CASE

Vend-Tel-Co owns the trademark at issue, U.S. Reg'n No. 2,458,894 -- for 1-800-SKI-VAIL. Vail Associates owns the one asserted trademark at issue, U.S. Reg'n No. 1,512,276 -- for the word mark VAIL. In spite of Vend-Tel-Co's registration by the United States Patent and Trademark Office ("USPTO"), Vail Associates asserted that Vend-Tel-Co's use was an infringement of its VAIL registration. Vail Associates initially sued Vend-Tel-Co under eight numbered theories. Through pretrial procedures, these were narrowed to only four causes: Infringement and False Designation of Origin under the Lanham Act, Deceptive Trade Practices under the Colorado Consumer Protection Act, and Cancellation. After hearing evidence in a *Daubert* hearing, the court refused to admit a survey by Vail Associates purporting to provide evidence of confusion. Jury demands were dropped in pretrial proceedings. After a trial to the Court, Judge Matsch as the trier of fact determined that Vail Associates failed to prove a likelihood of confusion exists defeating the Infringement claims, defeating the False Designation claims, and defeating one of two bases for Cancellation. In addition, it was determined that Vail Associates failed to prove unfair or deceptive trade practice, impact on the consuming public, or injury. Finally, the Court determined that neither Vend-Tel-Co's failure to designate a predecessor company to the Trademark Office (USPTO), nor its showing the USPTO a ski directory as an illustration that was not represented as the exclusive use, was material and so concluded Vail Associates failed to prove fraud by clear and convincing evidence. Vail Associates now appeals.

STATEMENT OF FACTS

This is a trademark infringement case in which the asserted registered trademark VAIL for services based out of Vail, Colorado, (Aplt. App. 00896), is raised against the registered trademark 1-800-SKI-VAIL for services relating to Vail, Colorado. (Supp. Appx. 396). With a sister company, Vend-Tel-Co's 1-800-SKI-VAIL telephone number forms a package of at least 24 1-800-SKI-XXXX numbers that market services relating to the locations specified. (Aplt. App. 00924; Aplt. App. 00601; Aplt. App. 00577; Aplt. App. 00582). In its brief, Vail Associates explains an overall picture, however, Vend-Tel-Co disagrees with several "facts" presented. As to the section in the Appellants' brief labeled "Introduction", Vend-Tel-Co highlights that much of that presentation is not undisputed facts, it is often uncited assertions slanted toward Vail Associates' desires. For example, the suggestion that the mark VAIL is "fundamentally different", (Aplt. Brief at 5) from other ski area names is disputed. While it may be true that the ski area is named after a mountain pass (Aplt. Brief at 5) not a pre-existing town, (Aplt. Brief at 5), whether the name arose from a town or a mountain pass hardly makes it "fundamentally different." Vail Associates did not "convert" the Vail term into a trademark, it still remains the name of a pass, (Aplt. Brief at 5), and the name of a person. (Aplt. Brief at 5). It is also now the name of a town – a name for which no license exists because the license with the town is

only for the logo (Aplt. App. 00489) – the logo being a mark that is not at issue here.

Significantly, note that it is only the word mark VAIL as registered in 1989 for specific services, that is asserted. (Aplt. App. 00896). Claims based on Vail Associates’ other registrations were dropped along with their promissory estoppel and unfair competition claims. The 1967 logo registration is not at issue. (*See generally* Aplt. App. 00687). This is important because the advertising asserted as applicable in Vail Associates’ Brief could not be broken down among Vail Associates’ various trademarks. (Aplt. App. 00493).

As to the VAIL word mark, it is also not undisputed that that mark is strong, as suggested. The claims asserted are, in fact, not raised because of the term “VAIL”, they are raised because of the term “ski” together with the term “Vail.” Seemingly ignoring the mark at issue, Vail Associates testified that it is the two terms “ski” and “Vail” that cause the objection or Vail Associates “probably wouldn’t be here.” (Aplt. App. 00669). Contrary to the presentation by Vail Associates, Vend-Tel-Co’s expert characterized the VAIL mark as both strong and weak (a/k/a “not strong”) because of its obvious geographic connotation. (Aplt. App. 00874). As the trial court noted, (Aplt. App. 00444), Vail Associates’ own witness regarding alleged confusion testified that people are familiar with the term “Vail” as a place, not a company. (Aplt. App. 00639; Supp. Appx. 002-008; Supp.

Appx. 074). Indeed there are a number of acceptable third-party uses of the term “Vail” with some for lodging and many involving goods or services ancillary to skiing. (See Table 1 – Third Party Marks in this Brief at page 50). Thus, it is not undisputed that -- as Vail Associates presents in their Brief -- “any reference to VAIL” in the Vail, Colorado “locale necessarily refers to Plaintiffs or its licensees.” (See Aplt. Brief at 6). Additionally, and as the court found, Vend-Tel-Co never traded on Vail Associates’ goodwill. (Aplt. App. 00447). It also never instructed its answering service to say the mountain was closed. (Aplt. App. 00573). It did include a disclaimer to help distinguish itself from Vail Associates. (Aplt. App. 00448; Aplt. App. 00533) Even Vail Associate’s early request for Vend-Tel-Co to make it an offer to sell 1-800-SKI-VAIL to Vail Associates, (Aplt. App. 00592; Aplt. App. 00932), did not raise the concern of infringement. It was only when Vend-Tel-Co registered its number as a trademark that concerns arose, (Aplt. App. 00932; Aplt. App. 00936; Aplt. App. 00937), long after the solicited offer was made and rejected. Even as to the specimens , there was expert testimony relative to the procedures before the U.S. Patent and Trademark Office that Vend-Tel-Co’s submission of older specimens to the USPTO with its application was not improper. (Aplt. App. 00877-00878; Alt App. 00885).

As to the *Daubert* evidentiary hearing, the trial court reviewed the survey and heard testimony from experts for each side. (See generally Aplt. App. 00231-

00428). Vend-Tel-Co's expert testified that the proposed survey represented a rushed project with serious flaws. (Aplt. App. 00313). He also testified that the survey was not designed consistent with the generally accepted principles of survey design, (Aplt. App. 00325), and was unreliable in its entirety and unfixable for many specific reasons. (Aplt. App. 00313; Aplt. App. 00317-00319; Aplt. App. 00325; Aplt. App. 00331). He testified that these flaws involved: bias because the target population was selected from the Plaintiff's ski areas, (Aplt. App. 00317-00318; Aplt. App. 00352); bias because the interviewers were selected and provided by Vail Associates and their supervisors and were employed by Vail Associates, (Aplt. App. 00329-00330; Aplt. App. 00367); inadequate interview techniques because answer choices appeared to have been read to respondents, (Aplt. App. 00319-00320; Aplt. App. 00323-00324; Aplt. App. 00338); response bias through failure to include a "don't know" response option, (Aplt. App. 00320; Aplt. App. 00323); questions whose answer categories favored Vail Associates, (Aplt. App. 00320; Aplt. App. 00323), and even amounted to -- was the mountain "operated by us or us", (Aplt. App. 00322) -- and questions that "stack the deck" in favor of Vail Associates, (Aplt. App. 00326); and analysis or interpretation bias since analysis of the results was accomplished in a non-neutral manner. (Aplt. App. 00326-00327). Vail Associates' expert testimony: admitted that cost was a concern, (Aplt. App. 00242); admitted selecting respondents from only the four

Vail Associates ski areas, (Aplt. App. 00243); admitted that the interviewers were retained and supplied by Vail Associates, (Aplt. App. 00245-00247; Aplt. App. 00298-00300); admitted that Vail Associates' employees were the quality control entity for the interviewers, (Aplt. App. 00300); admitted that interviewers might and could have read possible answers to respondents, (Aplt. App. 00257; Aplt. App. 00307); admitted that biased responses are bad, (Aplt. App. 00301); testified that suggesting an answer was within each interviewer's discretion, (Aplt. App. 00257); admitted that the interviewers' supervisors worked for Vail Associates and were the ones who mailed in the survey records, (Aplt. App. 00265; Aplt. App. 00298); and admitted that local Vail Associates signage would influence results. (Aplt. App. 00282). After concluding that Vail Associates did not appropriately support their desire to include the proposed expert, (Aplt. App. 00152-00153), the Court issued a ruling explaining in detail the survey's problems. These included a variety of problems that the Court determined made the survey unreliable and so it was excluded.

Ultimately at trial, the district court concluded that Vail Associates' evidence failed to prove trademark infringement, failed to prove false designation of origin, failed to prove deceptive trade practices under the Colorado Consumer Protection Act, and failed to prove fraud. Vail Associates now desires a different outcome and so requests a remand -- with an instruction to factually rule exactly

the opposite of what the trial court concluded. Although arguments are only presented relative to the likelihood of confusion and fraud positions, Vail Associates requests an instructed ruling in its favor on all four claims it posed at trial, even the Colorado Consumer Protection Act claim which was not addressed in Vail Associates' Brief or its Notice of Appeal.

SUMMARY OF ARGUMENT

The district court did not err in finding that Vail Associates failed to prove any of its claims at trial. First the district court did not misapply the law in ruling against Vail Associates on the likelihood of confusion claim. There is no requirement that specific findings regarding the similarity of the marks be separately enumerated as such in the opinion, nor is there evidence that the district court ignored this factor. The district court followed the six factors that are the guidelines for courts to follow in assessing likelihood of confusion. The district court's finding regarding likelihood of confusion is supported by the evidence, is consistent with the law of this Circuit and is not clearly erroneous. The district court also did not abuse its discretion in performing its gatekeeping function and deciding to exclude Vail Associates' survey evidence and testimony. The district court made the detailed findings required by this Circuit. Finally, the district court did not err in determining that two statements made to the USPTO failed to rise to

the level of the clear and convincing standard required to prove fraud on the Trademark Office.

ARGUMENT

STANDARD OF REVIEW

Vend-Tel-Co agrees that in this Circuit likelihood of confusion is a question of fact subject to the clearly erroneous standard of review. *Beer Nuts, Inc. v. Clover Club Foods Co.*, 805 F.2d 920, 923 (10th Cir. 1986) (*Beer Nuts II*); *Coherent, Inc. v. Coherent Technologies, Inc.*, 935 F.2d 1122, 1125 (10th Cir. 1991). Vend-Tel-Co does not agree with Vail Associates' attempt to create review under a *de novo* standard. Vail Associates tries desperately to manufacture an issue of law to remove review from a clearly erroneous standard. To do this, the law requires a mistaken impression of applicable legal principles. Here no such misunderstanding of legal principles exists. The district court understood the principles and merely found factually against Vail Associates. While *de novo* review has arisen in this Circuit when a district court twice failed to understand the proper legal status of two trademarks even after remand, such is not the case here. The *Beer Nuts II* opinion cited by Vail Associates addressed an entirely different issue, namely a failure to base analysis on a proper legal standard. *See Beer Nuts II* at 925 ("This failure to base its analysis on the proper legal standard regarding

the scope of protection afforded the BEER NUTS mark led the district court to reach erroneous factual conclusions regarding likelihood of confusion”). In this case, the district court applied the proper legal standard; it simply ruled against Vail Associates. Trial Judge Matsch understood not only the legal status of the two trademarks, but also the scope of protection afforded such marks under the law. Misunderstanding the status of a trademark is clearly a legal issue, whereas a decision as to the existence of likelihood of confusion is always a factual determination.

ISSUE # 1: The district court did not misapply the law with respect to the similarity of the marks factor in its likelihood of confusion analysis.

Vail Associates claims that since the similarity of the marks factor in the likelihood of confusion analysis was not specifically itemized in the District Court’s Order, the District Court based its findings on a misapplication of law. Vail Associates, however, fail to cite a single case mandating that each of the six factors be separately articulated in the Court’s findings. Instead they have taken quotes from *Heartsprings, Inc. v. Heartspring, Inc.*, 143 F.3d 550, 554 (10th Cir. 1998), and *King of the Mountain Sports, Inc. v. Chrysler Corp.*, 185 F.3d 1084, 1090 (10th Cir. 1999) and concocted an argument that omitting separate discussion

of this particular factor is “contrary to Tenth Circuit precedent,” (Aplt. Brief at 24). The full discussions in *King of the Mountain Sports*, 185 F.3d at 1090 and *Heartsprings*, 143 F.3d at 554, both reveal that these cases (and the authority cited therein) hold that the six factor test is adaptable to the facts of the case. Further, in any given situation, additional factors beyond the enumerated six may be relevant, some more than others, but they are all interrelated. Importantly, however, neither case requires the separate articulation by name as suggested.

This Circuit’s recent opinion in *Team Tires Plus, Ltd. v. Tires Plus, Inc.*, 394 F.3d 831, 832-833 (10th Cir. 2005) confirms that separate itemization is not what is required. Instead, all factors must be considered as an interrelated whole. It cites both the *King of the Mountain Sports* case and the *Heartsprings* case in characterizing the six factors as a guide for evaluating the likelihood of confusion. The *Team Tires* decision further emphasizes “that all factors must be considered as an interrelated whole.” *Team Tires*, 394 F.3d at 833. Directing the District Court to consider the six interrelated factors as a guide for evaluating likelihood of confusion is not the same thing as requiring that each factor be separately enumerated by name in an opinion. To the contrary, through the *Team Tires* case, the District Court is required to consider these factors. *Id.* at 833, [citing *Heartsprings*, 143 F.3d at 554 and *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 780 (1992)].

In fact, regardless whether the District Court called it out by name, it is evident that the Court in the present case did consider the similarity of the marks. The first five pages of the Court's Findings, Conclusions and Order contain a discussion of the similarities and differences of Vail Associates' registered trademark VAIL and Vend-Tel-Co's registered trademark 1-800-SKI VAIL (Aplt. App. 00439-00443). In its Order, the district court examined the difference between the marks in analyzing Vail Associates' advertising and noted that

[p]redominantly the logo accompanies the word Vail in advertising the ski facilities and most of the advertising of those facilities includes all of the other resorts owned by Vail Resorts. Some telephone numbers are included but none of them is a 1-800 number.

(Aplt. App. 00445). Further, the district court applied the legal principles of similarity analysis when it recognized that Vail Associates' Complaint was not based on Vend-Tel-Co's use of the identical term "Vail":

The Plaintiffs concede that the digits in the defendants' telephone number do not infringe on the word trademark and they also concede that the use of the word "Vail" in the number is not infringing in itself. Their objection is to the combination of the words "ski" and "Vail". Thus their position is that any association between skiing and "Vail" must be prohibited. That claims too much. The word "ski" is a noun, describing an instrumentality used to ski, and a verb, meaning to glide over snow.

(Aplt. App. 00445).

Importantly, however, as to the standard set out in the *Team Tires* case and the line of cases cited therein, the Court makes the key inquiry as to confusion:

The Plaintiffs claim infringement of the word trademark. That claim fails because they did not prove that the defendants' use of the vanity telephone number created a likelihood of confusion concerning the source or quality of the services protected by the plaintiffs' registered mark.

(Aplt. App. 00445). This determination by the district court -- that likelihood of confusion does not exist -- is supported by the evidence and is not clearly erroneous, regardless of whether the district court itemized each factor by name in its opinion. It is interesting to note that Vail Associates failed to produce any evidence at trial concerning either of the two factors they claim the Court failed to address, similarity of the marks and degree of care. In fact Vail Associates' two main witnesses, Mr. Jarnot and in-house counsel Mr. Manley, hurt the position Vail Associates now pose with respect to similarity of the marks because they both conceded that use of the term "Vail" by itself is not infringing. (Aplt. App. 00585-00586, Aplt. App. 00668-00669).

By characterizing this issue as a "misapplication of law", Vail Associates are merely trying to convince this Circuit to review the likelihood of confusion analysis *de novo*, rather than under the clearly erroneous standard of review. Any suggestion that the district court judge does not understand the basic factored analysis of trademark law may be misguided. District Court Judge Matsch

authored the landmark trademark decision in *Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 408 F. Supp. 1219 (D.Colo. 1976), *modified by*, 561 F.2d 1365 (10th Cir. 1977), which was an early proponent of the six factor test for likelihood of confusion. Judge Matsch even commented in the *Daubert* hearing in this case to the effect that he understood and was applying the multi-factored *Beer Nuts* (transcribed as “Biernuts”) test of this Circuit, including and mentioning by name the degree of similarity between the original and the allegedly infringing symbol or name. (Aplt. App. 00359-360). Vail Associates failed to carry their burden in proving likelihood of confusion because they could not and that is why they lost. It is not because the District Court failed to understand the law.

ISSUE # 2. The district court’s determination regarding likelihood of confusion is not clearly erroneous regarding strength of the mark or any other factor.

Counsel for Vend-Tel-Co finds the organization of Vail Associates’ Brief difficult to track as each section appears to follow a different path. In the interest of clarity, this Brief explains the likelihood of confusion issue by examining the legal status of the two trademarks and then discussing the evidence supporting the conclusion for each of the six factors.

Vail Associates claim that the District Court's finding of no likelihood of confusion in this case denigrates their incontestable registration for the trademark VAIL. Incontestability of a registration, however, does not remove the burden to prove likelihood of confusion. In its recent opinion in *KP Permanent Make-Up, Inc. v. Lasting Impression Inc.*, 543 U.S. 111 (2004), the U.S. Supreme Court stated:

Although an incontestable registration is "conclusive evidence . . . of the registrant's exclusive right to use the . . . mark in commerce," § 1115(b), the plaintiff's success is still subject to "proof of infringement as defined in section 1114," § 1115(b). And that, as just noted, requires a showing that the defendant's actual practice is likely to produce confusion in the minds of consumers about the origin of the goods or services in question. (Citations omitted).

KP Permanent under Heading II. A. para. 2 (final pagination apparently not yet available). Further, the *KP Permanent* case clearly states:

Section 1115(b) places a burden of proving likelihood of confusion (that is, infringement) on the party charging infringement even when relying on an incontestable registration.

KP Permanent under Heading II. A. para. 3; accord *Coherent, Inc. v. Coherent Technologies, Inc.*, 935 F.2d 1122, 1124-25 (10th Cir. 1991). The *KP Permanent* decision also states:

In sum, a plaintiff claiming infringement of an incontestable mark must show likelihood of consumer confusion as part of the prima facie case, 15 U.S.C. § 1115(b), while the defendant has no independent burden to negate the likelihood of any confusion in raising the

affirmative defense that a term is used descriptively, not as a mark, fairly, and in good faith, § 1115(b)(4).

KP Permanent under Heading III. para. 1. Thus, the registration status as “incontestable” of Vail Associates’ VAIL trademark registration has no effect on its burden to prove a likelihood of confusion if it were to succeed at the trial level.

In addition, Vail Associates’ burden of proving trademark infringement and false designation of origin is made more difficult by the fact that Vend-Tel-Co also has a federally registered trademark for 1-800-SKI VAIL. A certificate of registration of a mark upon the principal register provided by the Lanham Act is *prima facie* evidence of the validity of the registered mark. Lanham Act § 7(b), 15 U.S.C. § 1057(b).

In issuing Vend-Tel-Co a trademark registration for 1-800-SKI VAIL, the USPTO was required to perform an examination of the application. 15 U.S.C. § 1062(a); 37 C.F.R. § 2.61. This examination includes: a search for conflicting marks, an examination of the written application, the drawing, and any specimens. Trademark Manual of Examining Procedure § 704.01 and § 704.02 (hereinafter “TMEP”). Through this process and further supporting the district court’s conclusion of no likelihood of confusion in this instance, the USPTO was required to and did so conclude in this instance that there was no likelihood of confusion with any other registered mark. *See* Trademark Manual of Examining Procedure §

1207.01. Thus, because the asserted mark, VAIL Reg'n No. 1,521,276, was previously registered, this governmental examination function for Vend-Tel-Co's 1-800-SKI-VAIL mark encompassed consideration of the previously registered VAIL mark. *Id.*

The evidence indicates the USPTO completed each of these duties. (*See* Aplt. App. 00939-00979, discussing the file wrapper for Vend-Tel-Co's trademark registration, and the entire file wrapper itself Aplt. App. 00939-00979.) The fact that the USPTO did not cite Vail Associates' registered VAIL trademark as a conflicting mark against the 1-800 SKI VAIL trademark application and allowed Vend-Tel-Co's registration certificate to issue, is evidence that the Examiner did not consider these two marks to be confusingly similar, and provides Vend-Tel-Co's registration with the presumptions listed above. It also supports the position that the district court's opinion was well-founded under the law.

A separate analysis of the evidence presented in this case for each of the six factors set forth in Vail Associates' Brief shows that the district court did not err in finding that Vail Associates failed to carry their burden of proving likelihood of confusion as follows.

1. Similarity of the Marks:

The only evidence presented at trial regarding the similarity of the marks by name was presented by Vend-Tel-Co through their trademark expert, Ken

Germain. After being asked by Vend-Tel-Co's attorney what he considered regarding the similarity of the marks VAIL and 1-800-SKI VAIL with respect to their appearance, sight, sound and meaning, Mr. Germain concluded they are quite different. He stated as follows:

A. Well, I mean, Vail is a single word. It is what it is. It's four letters in a certain order, and it has a certain clear meaning in this context. 1-800-Ski Vail is four components. It's obviously a long distance free telephone number. It includes Vail as one component, but it's only one of four. Indeed, it's the last. They're quite different from each other.

Q. Did you consider how the defendant is using the word Vail in its term 1-800-Ski Vail?

A. Yes. He's using it as a way of telling people that his telephone marketing service relates to Vail, Colorado and environs.

(Aplt. App. 00875). Mr. Germain's testimony is consistent with this Circuit's decision in *King of the Mountain Sports*, 185 F.3d at 1090, which requires analysis of the mark as a whole and in the proper marketplace context. However, Vail Associates urges a different approach. It would have the Court dissect the mark and review each element separately arguing:

1-800 is simply a generic prefix for a toll free telephone number. SKI is not only generic; as used by Defendants it brings to mind the very downhill skiing facilities for which Plaintiffs VAIL mark is world renowned.

(Aplt. Brief at 22).

This Circuit mandates that the mark 1-800-SKI VAIL be viewed in its entirety. Even disclaimed material still forms a part of the marks and cannot be ignored in determining likelihood of confusion. *Sally Beauty Company, Inc. v. Beautyco, Inc.*, 304 F.3d 964, 972 n.1 (10th Cir. 2002) citing *Universal Money Ctrs., Inc. v. Am. Tel. & Tel. Co.*, 22 F.3d 1527, 1531 (10th Cir. 1994). Even one of Vail Associates' own witnesses, its in-house intellectual property attorney, Mark Manley, agreed that the whole mark must be analyzed:

- 8 Q You agree that you need to take the mark as a whole to
9 assess infringement; isn't that correct?
10 A You can't deconstruct a mark when you analyze it. So, I
11 would agree with that.

(Aplt. App. 00700). When the two trademarks are examined as a whole, it is immediately apparent that VAIL is different visually and is distinctive from 1-800-SKI VAIL. The two trademarks do not sound similar. VAIL is one syllable and one word. 1-800-SKI VAIL is six syllables and five different words when pronounced, only the last of which bears any resemblance to Vail Associates' mark. The meaning of the two trademarks is also different. "Vail" refers to a geographic location; 1-800-SKI VAIL clearly suggests a toll free telephone number for ski related services likely associated with the Vail, Colorado geographic area. Even in cases where marks are virtually identical, this Circuit has

found no clear error in the district court's determination that the other factors outweigh the similarity in a likelihood of confusion analysis. *See Coherent, Inc.*, 935 F.2d at 1125 (“Despite concluding that Coherent's trademark and Coherent Technologies' trade name are similar, the district court found the other factors outweighed that similarity”). *See also Heartsprings, Inc. v. Heartspring, Inc.*, 143 F.3d 550, 554 (10th Cir. 1998) (“Plaintiff contends the virtual identity of the two names, which differ only by a single “s,” mandates a finding strongly in favor of plaintiff on this factor. We find plaintiff's argument unpersuasive.”).

Vail Associates claims that the word “ski” brings to mind Vail Associates' mark. But, as the district court noted, skiing may be freely accomplished in the open areas around Vail, Colorado and the Vail Valley; skiing is thus available to anyone and not only provided by Vail Associates or associated with the VAIL mark. (Aplt. App. 00446) The combination of the generic word “ski” and the geographic word “Vail” in Vend-Tel-Co's mark may call to mind the fact of an association with skiing in and around the Vail, Colorado area, but it doesn't mean consumers are confused as to source or sponsorship. The calling to mind of skiing activities is what brings tourists to geographic areas like Vail, Colorado and the Vail Valley. There is evidence that the term Vail is not only used by businesses, unrelated to Vail Associates, it obviously is used to indicate an affinity or connection to Vail, Colorado. (Aplt. App. 00871-00872). Combining the word

“ski” with geographic areas where skiing is available, helps make all twenty-four of the Vend-Tel-Co’s 1-800-SKI-XXXX mnemonic telephone numbers appealing. (See Aplt. App. 00582; Aplt. App. 00924).

In this Circuit, when the common feature of the two marks is weak, the dissimilarities weigh heavily against any likelihood of confusion. *First Savings Bank, F.S.B. v. First Bank System, Inc.*, 101 F3d. 645, 655 (10th Cir. 1996). As the district court noted when it analyzed the similarity of the marks, the common element of the two marks “Vail” is in common usage by numerous third parties. Indeed many of these are listed in Table 1 – Third Party Marks (in this Brief at page 50). This issue is further discussed below under the Strength of the Mark analysis. The term “Vail” has such a strong geographic meaning that Vail Associates even concede that 1-800-754-VAIL is not infringing. (Aplt. App. 00585; Aplt. App. 00668-00669). Yet Vail Associates’ mark is just VAIL. This necessary and widespread use by entities other than Vail Associates demonstrates the limited scope and reach of Vail Associates’ trademark, and also highlights the distinction between this term and trademarks that have pure business meanings and little third party use such as AT&T and DISNEY.

2. Degree of Care:

Vail Associates suggests that the District Court also did not itemize this factor and thus misapplied the law. Again, itemization of each factor is not

required. Further, in sponsorship cases this factor is not always considered important. *King of the Mountain Sports* 185 F.3d at 1090. Again, the only evidence submitted on this issue was through Vend-Tel-Co's expert, Ken Germain.

Vail Associates' characterize his testimony as follows:

The un rebutted evidence at trial, from Defendants' own trademark expert, was that such callers are not likely to exercise a high degree of care in calling the 1-800-SKI VAIL number, although they might be more careful before buying.

(Aplt. Brief, at 24).

But Mr. Germain's actual testimony is bit different:

Q. Do you think callers are likely to exercise a high degree of care in calling the 1-800-Ski Vail number?

A. No, I think I indicated in my report that I did not assume that they would do that. It's a free line. It's easy. It's quick. But, I did, at the same time, assume that they would be careful in committing substantial resources, monetary resources, to ski lift tickets and other things in the area.

(Aplt. App. 00883).

The degree of care factor focuses on the degree of care exercised by consumers at the time of purchase. This Circuit stated in the *Universal Money Ctrs.* case:

We agree with UMC that the inquiry in this case should focus on the consumers' actions at the time they use their cards rather than when they choose an ATM card provider because the purpose of the inquiry is to determine the degree of care used by consumers at the time of

"purchase." One does not make a "purchase" when selecting a provider of an ATM card. Rather, one purchases products and services when one uses the ATM card.

Universal Money Ctrs., 22 F.3d at 1533. As to the Degree of Care factor, the evidence shows that by the time callers to 1-800-SKI VAIL get to the point of purchasing vacation packages, as the District Court noted, they would likely have heard the recorded message disclaiming any affiliation with Vail Associates. (Aplt. App. 00448). Even admitting that the disclaimer was not always perfectly implemented, no evidence presented by Vail Associates contradicts this fact.

3. Strength of the Mark:

The evidence presented supports the district court's finding that the VAIL "word mark is weak and more descriptive of a geographical location at which those services are provided than for the services themselves." (Aplt. App. 00446). Despite the characterization given in Vail Associates' brief, Mr. Germain's testimony actually supports this position. At trial, he testified as follows:

Q. (by Mr. Santangelo) Did you consider the term Vail as registered by the plaintiff, the single registration that is the subject of this lawsuit, did you consider that term to be a strong mark?

A. Yes and no. In the specific context of ski resort services, the services for which it's registered and for which it's widely known, yes, it's strong, like Ford would be for automobiles. However, since Vail is inherently a geographically descriptive term in this context, has been forever, or its entire length of usage, I believe, used by third parties for a variety of goods and services relating to the Vail, Colorado area, then it is not strong, it's not wide in its application. And, that would be true, again by analogy, to Ford taken out of

automotive--the automotive context, Ford bubble gum, Ford modelling agency, those would all be tolerated despite the strength of Ford in the automobile area.

(Aplt. App. 00874-00875).

Vail Associates argue that their VAIL mark, just as the DISNEY WORLD mark, is strong and not associated with a geographic destination. This comparison, however, holds up only when the geographic area name comes into existence after the existence of the amusement park. Only in that case would the DISNEY WORLD trademark be weakened by third party uses. In this case, it is admitted that Vail Pass pre-dates the existence of Vail Associates services. (Aplt. App. 00493-00494). Vail Associates contends that its mark is strong and not geographically descriptive because it is incontestable. However, they are confusing their statutory right to use the mark (subject to certain defenses), with the analysis of the strength of the mark for likelihood of confusion purposes. As this Circuit stated in *Coherent*, 935 F.2d at 1124-25, incontestability establishes only Plaintiffs' right to use the mark. Certainly, a common word in general use receives a narrow construction and protection. *Olin Mathieson Chemical Corp. v. Western States Cutlery and Manufacturing Co.*, 227 F.2d 728 (10th Cir. 1955), *cert. denied*, 351 U.S. 937 (1956). Though Vail Associates' incontestability status gives them the right to use the mark, the fact that the mark is geographically

descriptive and in common use by third parties means the scope of protection of the mark is very limited.

Vail Associates further contends that its VAIL trademark is not geographically descriptive because it began using the trademark to identify its recreational and resort services prior to the existence of the Town of Vail. It is admitted that the derivation of the term Vail was originally a surname that became a geographical designation (Vail Pass) and then became the name of a town, Vail, Colorado. (Aplt. App. 00871). Despite Vail Associates' claims to the contrary in the media, Chris Jarnot, Vail Associates' Vice President of Marketing and Sales, admitted that it was only his speculation that the Town of Vail was named after the ski area rather than Charlie Vail. (Aplt. App. 00496). Similarly, Mr. Jarnot admits that the Town of Vail does not have or need a license to use the VAIL trademark. (Aplt. App. 00489). In fact both of these witnesses agree that Vail Associates permits a litany of uses of the term Vail by area businesses. For the Court's reference, the instances referenced in testimony in the trial are listed in Table 1 (*See* this Brief at 50). (*See also* Supp. Appx. 010-072, Aplt. App. 00996-01036). Regardless of who came first, in a likelihood of confusion analysis as existed in this case, the fact that the mark is geographically descriptive today and in common usage means that the VAIL mark is weak, deserving only a narrow scope of

protection and supports a finding that consumers are not likely to assume an affiliation between 1-800-SKI VAIL and Vail Associates.

As noted by the district court, even the testimony of Vail Associates' own witness on confusion, Joyce Newton, further supports the limited scope of Vail Associates' mark. She stated that "most people can't identify a specific company with the purchase of their ski vacation products. They are familiar with place [sic] to ski, as a place, not a company." (Aplt. App. 00639; Supp. Appx. 006; Supp. Appx. 074). Mr. Jarnot admitted to hundreds of uses of the term Vail by unrelated parties in the Vail Valley, including use on goods and services included in the VAIL trademark registration (Aplt. App. 00486-491). Even Vail Associates' intellectual property attorney, Mark Manley, testified that the VAIL mark is often used in a descriptive sense. (Aplt. App. 00720).

This Circuit confirms that the classification of a mark as descriptive is relevant to determining the strength of the mark for a likelihood of confusion analysis. *See Heartsprings*, 143 F.3d at 555; *First Savings Bank*, 101 F.3d at 654. A strong mark is one that symbolizes or signifies a single source or origin. Because a descriptive term is one which a competitor would likely need to use in describing his product, the term may not indicate that a product comes from a single source. *Beer Nuts, Inc. v. Clover Club Foods Co.*, 805 F.2d 920, 924 (10th Cir. 1986) (*Beer Nuts II*). In the *Universal Money Ctrs.* case, this Court stated that

[a] strong trademark is one that is rarely used by parties other than the owner of the trademark, while a weak trademark is one that is often used by other parties. The greater the number of identical or more or less similar trademarks already in use on different kinds of goods, the less is the likelihood of confusion between any two specific goods incorporating the weak mark. citations omitted).

Universal Money Ctrs., Inc. v. American Tel. & Tel. Co., 22 F.3d at 1533; *accord, King of the Mountain Sports Sports, Inc.*, 185 F.3d at 1092; *First Savings Bank*, 101 F.3d at 653.

As indicated in part by the listing set forth in the Table 1, (*See* this Brief at 50), and the evidence presented at trial, the evidence reveals extensive uses of the term Vail by parties unrelated to Vail Associates, some in connection with products and services covered by Vail Associates' trademark registration.¹ Such extensive use of the term Vail is evidence of what consumers are subjected to and how they see the VAIL mark. The fact that they see Vail over and over again in contexts not related to Vail Associates' trademark diminishes the likelihood that

¹ *See* Supp. Appx. beginning at 010 which shows: various pictures of signs on businesses in the Vail area containing the term Vail, (Supp. Appx. 010-072); Trademark Electronic Search System search revealing 131 applications and registrations containing the letters V-A-I-L, both alive and dead, (Supp. Appx. 076-182); Dex online yellow pages search showing 651 business names within the Vail, Colorado area using the word Vail, (Supp. Appx. 184-246); Web page from VAILSOFT®, a service offering lodging and recreation reservations in the Vail Valley, (Supp. Appx. 248-254); Yahoo-Overture Search showing the top 114 "hits" for the word "Vail", (Supp. Appx. 256-266); Colorado Secretary of State business name search showing 48 records combining the terms "ski" and "vail" and approximately 200 listings for the word Vail in combination with other terms such as reservations, hotel condominium, real estate, etc.; (Supp. Appx. 268-307); Google Internet search showing the top 60 hits out of approximately 3,200,000 containing the word "Vail" (Supp. Appx. 309-332).

consumers will assume a connection between 1-800-SKI VAIL and Vail Associates' VAIL mark.

Vail Associates' own licensing indicates that its position is very different when the mark at issue is the logo mark rather than the word mark. (*See* Aplt. App. 00489). Vail Associates claims in part that their VAIL mark is strong because they license it to others; however they did not introduce a single license agreement relative to the word mark alone. Vail Associates further contend that their VAIL mark is strong because they have spent over \$100 million promoting the mark. But the fact is, as the testimony of Vail Associates' own witness, Chris Jarnot, reveals, Vail Associates do not know how much they have spent promoting just the VAIL word mark. (Aplt. App. 00491-00493). As the district court noted, the examples of advertising Vail Associates submitted at trial show very little use of the VAIL word mark separate from the logo mark and apart from the other four ski areas. (*See also* Supp. Appx. 398-411, which is a portion of Plaintiffs' Exhibit 101). Highlighting that the word mark is not the sole (or perhaps true) focus, many times the word "Vail" is used alone by Vail Associates in non-stylized form, it is often used in a geographic sense to refer to something other than the services provided under the VAIL mark. Supp. Appx. 398-411.

Vail Associates claim in their Brief, that "[t]he skiing-related goods and services of Plaintiffs offered under the mark VAIL are indeed offered only at the

Vail Resort.” (Aplt. Brief at 28). This is not true. As the district court noted, people may freely ski tour in open areas in or near the Town of Vail and in the Vail Valley independently of Vail Associates’ facilities and services. (Aplt. App. 00446). Even Vail Associates’ own advertising shows the dissipated consumer impression that the word “Vail” conjures. For example, their advertising the distance of the airport to Vail (30 miles) (Supp. Appx. 398), flying in and out of the Vail/Eagle County airport (“non-stop service to Vail”)(“flights to Vail”) (Supp. Appx. 400-407), going to Vail as a destination (“getaway to Vail” and “winter vacation destinations” and “where to stay in Vail”)(Supp. Appx. 401; Supp. Appx. 405; Supp. Appx. 410), visits to Vail Village (“significant element of Vail’s allure is Vail Village” and “restaurants in Vail Village”)(Supp. Appx. 408; Supp. Appx. 411), and activities in Vail, the location (“when the sun goes down ... Vail is just heating up”)(Supp. Appx. 411). None of these are owned by Vail Associates yet Vail Associates uses the term “Vail” in its own advertising and thus permits the dissipated consumer impression. Vend-Tel-Co’s services, however, involve offering lodging, travel and other services relative to Vail, Colorado. (Aplt. App. 00507-08; Aplt. App. 00512; Supp. Appx. 396; Aplt. App. 00907-00922). This use on the part of Vail Associates highlights the geographic impression consumers receive and how consumers have come to expect and perhaps distinguish the term “Vail” as a word trademark -- from “Vail” as a trade name -- from “Vail” the town

– from “Vail” the location. These illustrate the multiple uses of the term consumers are exposed to and reinforce the geographic association consumers attach to the word Vail when it is not used in the stylized form.

4. Similarity of the Marketing Channels:

The evidence showed that Vend-Tel-Co provides a conduit service between consumers interested in booking ski-related vacations and the travel agencies who provide the vacation booking services. (Aplt. App. 00850-851; Supp. Appx. 396). It showed that Vend-Tel-Co contracts with travel agencies such as Vacation Coordination to answer the 1-800-SKI VAIL telephone number. (Aplt. App. 00850-00851) These travel agencies market packages for skiing and snow vacations such as airline flights, car rentals, ground transportation, lodging and lift tickets and compete with other travel agencies for this business. (See Aplt. App. 00620; Aplt. App. 00623-00624, testimony of Vail Associates’ own witness, Joyce Newton, the owner of Vacation Coordination.) Ms. Newton’s business, Vacation Coordination, books lodging in the Vail, Colorado area in the two properties owned by Vail Associates as well as in properties owned by other entities, in what she considers a friendly, complimentary and sharing environment. (Aplt. App. 00615-00616). Mr. Germain echoed this aspect in stating that Vend-Tel-Co’s services and Vail Associates’ services are more symbiotic, rather than competitive.

(Aplt. App. 00882). Vail Associates attacks the Findings of the district court that restate exactly this set of facts stating:

The defendants' use of the 1-800-SKI-VAIL trademark is limited to a marketing service providing a conduit between the caller and providers of lodging, restaurants and other business services associated with skiing in the Vail area.

(Aplt. App. 00446). Vail Associates misconstrues this language as an implication by the district court "that Plaintiffs are merely one of many providers of 'skiing in the Vail area'." (Aplt. Brief at 30). The district court never stated or even suggested that conclusion. The Order simply indicates what evidence showed -- that there are many businesses, unlicensed by Vail Associates, that offer services associated with skiing. (Aplt. App. 00446). The Order is consistent with the evidence referred to above, that many businesses, unlicensed by Vail Associates, offer services associated with skiing. (*See* Table 1 – Third Party Marks in this Brief at page 50).

5. Intent:

As the district court noted, it is clear that Vend-Tel-Co had no intent to trade on the goodwill of Vail Associates in adopting the 1-800-SKI VAIL trademark. Defendant Eric Hanson, former president of Defendant Vend–Tel-Co, Inc. and its predecessor company 1-800-Ski Numbers, Inc., testified that he had invested

\$200,000 of his own money in the businesses that owned the twenty-four 1-800-SKI-XXXX phone numbers. (Aplt. App. 00770; Aplt. App. 00582; Supp. Appx. 391). The purpose of 1-800-SKI Numbers was to use the numbers “as a conduit for making reservations and pointing people to services in geographic areas around the country.” (Aplt. App. 00577).

Vend-Tel-Co had a legitimate business plan for marketing these 1-800-SKI-XXXX numbers, (*see* Aplt. App. 00907-00922; Supp. Appx. 335-354; Supp. Appx. 356-379; Supp. Appx. 381-386; Aplt. App. 00924-00925; Supp. Appx. 388-389; Supp. Appx. 391; Supp. Appx. 393-394), and expected to make money off of reservations, selling advertising space in their directories and possibly even buying their own travel agency. (Aplt. App. 00584). After Vail Associates objected to the 1-800-SKI VAIL trademark, Vend-Tel-Co placed a disclaimer on the phone line stating that 1-800-SKI VAIL was not affiliated with Vail Resorts. (Aplt. App. 00533; Aplt. App. 00619). One with the intent to trade on the goodwill of another entity would not make the statement that it is not affiliated that entity.

Defendant Eric Hanson stated he had no intent to confuse consumers and make them think they were calling the entity owned or managed by Vail Associates. (Aplt. App.00826). Mr. Hanson further stated that “[b]y getting a trademark from the Federal Patent Office, we were seeking their okay that in fact what we were doing was correct. And, they gave us the okay, so that means it

must be okay.” (Aplt. App.00847). In addition, it was Vail Associates who initiated the discussion regarding the purchase of the 1-800-SKI VAIL trademark from the Defendants. (See Aplt. App. 00591-00593, Aplt. App. 00932).

Mr. Germain testified that he didn't see any evidence that indicated an intent to infringe. “One doing business in and around or about Vail, Colorado pretty much has to use the word Vail to get the idea across.” (Aplt. App 00876). He added that the advertising references to a potpourri of hotels helped clarify that Vend-Tel-Co was not trying to claim a connection to Vail Associates. (Aplt. App. 00876).

Adoption of a mark for the purpose of deriving benefit from another’s existing mark can weigh firmly in favor of a likelihood of confusion, but as the district court found, that is not the case here. (Aplt. App. 00447). Conversely, if the evidence indicates a defendant did not intend to derive benefit from a plaintiff’s existing mark, but rather to rely upon its own goodwill and reputation, this factor weighs against the likelihood of confusion. See *Heartsprings*, 143 F.3d at 556; *Universal Money Ctrs.*, 22 F.3d at 1532; *First Savings Bank*, 101 F.3d at 655. The district court’s finding in this regard is consistent with the evidence presented (Aplt. App. 00876) and legal authority.

6. Actual Confusion:

The testimony of Vail Associates' witness, Joyce Newton, is the only evidence that Vail Associates introduced to show actual confusion. Most of Ms. Newton's testimony, however, favors Vend-Tel-Co on the actual confusion issue. For instance, she stated that the 1-800-SKI VAIL number was always answered using the Vacation Coordination name (Aplt. App. 00618), and that some people who called that number expected to reach another travel agency, Vacation, Inc., not Vail Associates, (Aplt. App. 00623). Ms. Newton's statements regarding the lack of actual confusion, including the place/company association referred to above and that the district court noted in its Order. (Supp. Appx. 002-008; Supp. Appx. 074) (people are familiar with the term "Vail" as a place, not a company)). Ms. Newton testified on cross-examination that in her capacity as a travel agent in the Vail, Colorado area, she often receives inquiries about grooming and ski passes, regardless of the phone number the caller dials. (Aplt. App. 00631).

As an aside, it also should be noted that Ms. Newton had been previously coerced by Mark Manley, the intellectual property attorney for Vail Associates, into signing a false affidavit for a Motion for Summary Judgment in this case. (*See generally* Aplt. App. 00633 through 00647). Ms. Newton refused to sign the affidavit as originally written and made several corrections favoring Vend-Tel-Co. (Supp. Appx. 002-008; Supp. Appx. 074). At that point, attorney Manley then cut

off her ability to book products and properties with Vail Associates until she signed a new affidavit. Ms. Newton feared she could not stay in business without the commissions she received from Vail Associates, so she signed the affidavit, and testified at trial as follows:

15 Q Okay. And, so, you said something to the effect of
16 what's going on, did you cut off my services because I
17 wouldn't sign the affidavit?

18 A Yeah, in verbiage similar to that, I'm sure, yeah.

19 Q Maybe a little more polite than I just did it; right?

20 A I don't recall.

21 Q Okay. And, what was Mr. Manley's exact response as you
22 recall?

23 A He told me that the two issues were absolutely and
24 indisputably unrelated, and that the reason I couldn't buy
25 product from Vail Resorts at that moment was because he was

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1 reviewing my relationship. It was a standard business
2 practice to review our relationship, and I don't remember the
3 further discussion with regard to the affidavit exactly.

4 Q You didn't believe that, did you?

5 A No, of course not.

6 Q You believed that the reason he cut you off and wouldn't
7 let you book properties was because you wouldn't sign the
8 affidavit; right?

9 A Yes, I did.

10 Q You still do?

11 A I still do.

12 Q And, then, after that, what did Mr. Manley say to you?

13 A I don't remember exactly. We discussed the details of
14 the commentary that he--I guess it would be the original
15 affidavit from M. Manley, and he attempted to revise it to
16 suit what I believed to be true, and to make the comments the
17 way I would want them to be.

18 Q And, at this point in time, basically, he--then he ended

19 up providing you with an affidavit which you signed; is that
20 right?

21 A Yes, that's correct.

22 Q And, you felt coerced into doing that, didn't you?

23 A Yeah, I did.

24 Q And, you felt that if you refused to sign another
25 affidavit, that he'd cut you off again?

34

1 A I wasn't turned back on yet, so--

2 Q Oh, you didn't get turned back on until you signed the
3 affidavit?

4 A Yeah, it was following the signature, yes.

5 Q So, how long were you out of business with Vail? 24
6 hours?

7 A 24 hours, or less, yeah.

8 Q So, signing the affidavit was the price you had to pay
9 to get your business relationship restored with Vail?

10 A That's what I believed at the time, yes.

11 Q And, you still do?

12 A I suppose.

(Aplt. App. 00633-00647).

In-house attorney Mr. Manley admitted he cut off Ms. Newton's ability to resell Vail Associates' products because she would not sign the affidavit:

16 A My recollection of that conversation, I told her that
17 the goods and services of my company were temporarily
18 unavailable to her company to resell because we were re-
19 evaluating the business relationship with a company that
20 would not do something as simple as sign a truthful affidavit
21 to assist its business partner in a lawsuit.

(Aplt. App. 00710). Naturally, the trier-of-fact is in the best position to assess the credibility of a witness. Ms. Newton's testimony did little to prove actual confusion and the district court accepted the portion of her testimony that indicated people are familiar with the term "Vail" as a place, not a company. Ms. Newton did not even identify a single instance where a caller stated he or she believed he or she was calling Vail Associates, and even crossed out a statement claiming this had occurred in her corrected affidavit. (Supp. Appx. 002-008; Supp. Appx. 074). Even were callers to question this affiliation, it is not sufficient to prove confusion as a matter of law. *See generally Coherent, Inc. v. Coherent Technologies, Inc.*, 736 F. Supp. 1055, 1066 (D. Colo. 1990) *citing Beer Nuts, Inc. v. Clover Club Foods Co.*, 805 F.2d 920 (10th Cir. 1986) (*Beer Nuts II*), and *aff'd by Coherent, Inc. v. Coherent Technologies, Inc.*, 935 F.2d 1122, 1125 (10th Cir. 1991). (The receipt of customer phone calls inquiring whether the Defendant was affiliated with the Plaintiff was not persuasive that actual confusion had occurred). Most importantly, however, is that the district court's Order that Vail Associates failed to provide evidence of actual confusion is consistent with the testimony and the case law. It is not contradicted, as Vail Associates claims, by the district court's acknowledgement that callers were routed to Vail Associates when questions arose concerning season passes and other services offered only by Vail Resorts.

Vail Associates takes the bold position in its brief that “every English speaking disinterested observer instinctively knows that skiers are likely to (and do) erroneously assume that the mark 1-800-SKI VAIL is associated with skiing at the Vail Resort.” (Aplt. Brief at 17) This is not true and was not the evidence presented at trial.

ISSUE # 3. The district court did not abuse its discretion in excluding unreliable expert testimony and survey.

In its Brief, Vail Associates seems to re-argue the merits of the *Daubert* issue. Proper review is limited, however, to whether there has been an abuse of discretion in the manner in which the district court exercised its *Daubert* "gatekeeping" role in deciding to exclude the survey. *Bitler v. A.O. Smith Corp.*, 400 F.3d 1227, 1232 (10th Cir. 2004) (“[W]e are concerned with the trial court's performance of its obligation under *Rule 702* and *Daubert*, not upon the exact conclusions reached to exclude or admit expert testimony.”) In the *Bitler* case, while this Circuit acknowledged the requirement that a gatekeeping role be performed, this Circuit has expressed its deference to the district court stating

We will not, however, disturb a district court’s ruling absent our conviction that it is arbitrary, capricious, whimsical, manifestly unreasonable, or clearly erroneous. . . . Our standard of review of a

trial court's factual findings in pursuit of its gatekeeping role does not vary when examining exclusion or admission of expert testimony. . . Thus, although the district court 'must, on the record make some kind of reliability determination', (citation omitted) we recognize the wide latitude a district court has in exercising its discretion to admit or exclude expert testimony.

Bitler, 400 F.3d at 1232.

Since there are clearly detailed findings – and even a separate ruling -- establishing that the district court performed its gatekeeping role, the issue properly before this Circuit is thus whether the district court Order was arbitrary, capricious, whimsical, manifestly unreasonable, or clearly erroneous. It may be important to keep in mind that at the time of the ultimate *Daubert* hearing, this case was scheduled for a jury trial. This perhaps made the gatekeeping function more critical than it would have been had a trial to the Court been anticipated. It was not until some time after that hearing and ruling that the final jury demand was dropped.

In the sequence of proceedings before the district court in this matter, this issue first came before the district court on a Motion to Exclude the Report of Plaintiff's Expert. This was filed by Vend-Tel-Co in 2002 and was initially addressed by a Magistrate Judge for the Court. Senior Judge Matsch, the trial judge in this matter, vacated the relevant ruling of Magistrate Judge Watanabe at a later date. Ultimately, Judge Matsch held a separate evidentiary hearing anew on

October 19, 2004 and independently made the ruling of the district court now at issue. After being apprised of the legal issues, Judge Matsch himself heard evidence in the form of all testimony offered by both parties (including live witness testimony from both Vail's expert and the author of the proposed survey, Nolan Rosall and Vend-Tel-Co's expert, Professor Dan Hoffman). Judge Matsch also heard arguments of counsel as well. From these presentations, the Order on Plaintiff's Proffer of Sampling Data and Opinion Testimony issued on October 22, 2004. This is the Order that is the subject of the present appeal. In this Order, the district court concluded: "Based on the evidence received at that hearing, the court finds and concludes that the methodological flaws in the survey make the results inadmissible at trial." (Aplt. App. 00431).

The district court's focus on methodology in determining the reliability of the evidence is consistent with *Bitler*, 400 F.3d at 1233 ("[A] trial court's focus generally should not be upon the precise conclusions reached by the expert, but on the methodology employed in reaching those conclusions.") The Court then discussed each of these flaws at length, fulfilling the requirements this Circuit set forth in *Dodge v. Cotter Corp.*, 328 F.3d 1212, 1226 (10th Cir. 2003) to "vigilantly make detailed findings to fulfill the gatekeeper role crafted in *Daubert*". Finally the district court determined that due to these flaws in methodology,

the data collected are not reliable and may not be used as a basis for drawing conclusions about confusion or the likelihood of confusion in

the relevant market of potential purchasers of the type of services offered by the plaintiffs.

(Aplt. App. 00436).

In the evidentiary hearing, the district court heard evidence regarding the “Target Population” of the survey. In its Order, the district court noted in detailed findings several of the aspects indicating unreliability of the proffered evidence. It noted the flaw in the Rosall survey caused by the selection of the “Target Population” as being ski areas all owned by none other than Vail Associates, the Plaintiff asserting infringement in this matter. (*See* Aplt. App. 00431). As the record shows, the district court had heard the testimonial evidence of Vend-Tel-Co’s expert, Professor Hoffman, that selecting the target population from the Plaintiff’s ski areas (rather than using either a variety of ski areas or accessing a commercially available panel of respondents) represented a systematic error that could not be fixed. (Aplt. App. 00316-00318). Even the testimony of Vail Associates’ own expert, Mr. Rosall, supported the factual conclusion that respondents came only from Vail Associates’ own customer base. (*See* Aplt. App. 00243). The district court’s detailed finding -- that the target population was improper and resulted in an obvious selection bias because it included only respondents who had already become users of the Plaintiff’s facilities (Aplt. App. 00431) -- was supported by the evidence. The evidence showed in essence that Mr. Rosall’s universe was limited to skiers who had already purchased services of

Vail Associates and that this was not proper. A detailed finding as noted is not arbitrary, capricious, whimsical, manifestly unreasonable, or clearly erroneous. It was not only supported by the evidence, it was within the wide latitude a district court has in exercising its discretion to admit or exclude expert testimony. The district court assessed the credibility and facts presented by the witnesses and the evidence presented and this was only detailed in its Order. Even commentators have noted that in a trademark survey such as this, the proper universe in a trademark survey is composed of potential buyers of the junior user's (in this case Vend-Tel-Co's) services, not the senior user's (Vail Associates') customers. MCCARTHY ON TRADEMARKS § 32.159. The Court's findings are consistent with both the law and the testimony. In noting the exclusion of "skiers and snowboarders throughout the United States who may have an interest in arranging a ski vacation in Colorado's mountains and may call the defendants' toll free number for information and making arrangements," the Court concluded that the Target Population was not representative of the relevant market. (Aplt. App. 00432). This was not arbitrary, not capricious, not whimsical, not manifestly unreasonable, and not clearly erroneous.

In the evidentiary hearing, the district court also heard evidence regarding the use of interviewers and supervisors that were selected and provided to the expert solely by Vail Associates. In its Order, the district court noted in detailed

findings that this was contrary to good survey practices. (Aplt. App. 00432). As the record shows, the district court had heard the testimonial evidence of Vail Associates' expert that interviewers were retained and supplied by Vail Associates, (Aplt. App. 00245-00247; Aplt. App. 00298-00300), and that Vail Associates' employees were the quality control entity for the interviewers. (Aplt. App. 00299-00300). Vail Associates' expert even admitted in testimony to the district court that the supervisors worked for Vail Associates and were the ones who mailed in the survey records to the expert. (Aplt. App. 00265; Aplt. App. 00298). In a hearing conducted by the trial judge, Vend-Tel-Co's expert testified that it was not consistent with generally accepted survey principles to use interviewers that were selected and provided by Vail Associates and who had supervisors that were employed by Vail Associates. (Aplt. App. 00329-00330). The order details this concern and notes that interviewers would be less than human if they did not have some sense of loyalty to Vail Resorts. (Aplt. App. 00432). This conclusion is supported by the evidence. This separate conclusion was also not arbitrary, not capricious, not whimsical, not manifestly unreasonable, and not clearly erroneous.

In the evidentiary hearing, the district court also heard evidence regarding the nature of the questions asked and the answer classifications possible. In its order, the district court quoted specific questions of the survey in its detailed findings. These evince the fact -- for which testimony was also received -- that

multiple possible answers classifications favored the answer desired by Vail Associates. (See, for example, Question # 9, 13, and 14 noted in the Order where multiple choices favor Vail Associates such as “Vail Resorts/Vail Associates” and “Operator of Vail Mountain”; Aplt. App. 00434-00435). The district court noted that interviewers had the discretion to suggest answers. (*See* Aplt. App. 00435). As the record shows, the district court had heard the testimonial evidence of Vend-Tel-Co’s expert, Professor Hoffman, that the answer categories favored Vail Associates. (Aplt. App. 00320; Aplt. App. 00323). Professor Hoffman even testified to the district court that some questions amounted to a question such as – “Is the mountain operated by us or us”, (Aplt. App. 00322), and that such questions “stack the deck” in favor of Vail Associates. (Aplt. App. 00326). He also testified that “don’t know” should have been included as a response option. (Aplt. App. 00320; Aplt. App. 00323). Vail Associates’ expert testified that biased responses are bad. (Aplt. App. 00301). He also testified that suggesting an answer was within the interviewer’s discretion, (Aplt. App. 00257), and that Vail Associates signage would influence results and would result in a location bias. (Aplt. App. 00282). While Vend-Tel-Co’s expert testified that answers were read to respondents, (*See* Aplt. App. 00319-00324; Aplt. App. 00338-00339), Vail Associates’ expert testified equivocally (*See* Aplt. App. 00256-00257). Thus, the district court’s conclusion that it could make no finding as to how interviews were

actually conducted (Aplt. App. 00435) shows there was strong attention to all the evidence presented. Most importantly, the district court's detailed finding that the most significant findings in the survey were clearly untrustworthy and that proper methodology would have required open-ended responses to certain questions with recordation of responses exactly as given by the respondent, (Aplt. App. 00435), was supported by the evidence. (*See* Aplt. App. 0000323-00326) This independent basis for excluding the survey evidence is also not arbitrary, capricious, whimsical, manifestly unreasonable, or clearly erroneous. It was not only supported by the evidence, it was within the wide latitude a district court has in exercising its discretion to admit or exclude expert testimony.

The district court Order also concludes that the interpretation of the responses was made by persons who may have been influenced by a bias favoring Vail Associates. (Aplt. App. 00436). Again, in the evidentiary hearing, the district court heard evidence regarding "Analysis Bias". As the record shows, the district court had heard the testimonial evidence of Vend-Tel-Co's expert that analysis or interpretation bias was evident in the survey because the analysis of the results was accomplished in a non-neutral manner. (Aplt. App. 00326-00327). Again, even the testimony of Vail Associates' own expert supported this detailed conclusion because he admitted that he had done work for Vail Associates for about twenty years. (Aplt. App. 00289). The district court's detailed finding that interpretation

bias existed and was yet another aspect that made the evidence unreliable was also supported by the evidence. This basis is also not arbitrary, capricious, whimsical, manifestly unreasonable, or clearly erroneous. It was within the wide latitude afforded a district court has in exercising its gatekeeping function.

Most importantly, however, the district court was not arbitrary, not capricious, not whimsical, not manifestly unreasonable, and not clearly erroneous. In performing its gatekeeping function, the district court assessed the credibility and facts presented by the witnesses and the evidence presented and this was only detailed in its Order. The Court's opinion is based on applicable law, is supported by the evidence and is sufficiently detailed to meet the *Bitler* case standards. It is clear the District Court did not abuse its discretion in excluding Vail's survey evidence and remanding seems inappropriate. Certainly remanding in the manner requested by Vail Associates – namely, with an instruction to rule in their favor – would seem inappropriate.

ISSUE # 4: The district court's finding that Vail Associates failed to present clear and convincing evidence of fraudulent representation to the Patent and Trademark Office is not clearly erroneous.

Vail Associates claim that the 1-800-SKI VAIL trademark should be

cancelled because of two statements made to the USPTO. First, Plaintiffs claim that the statement in the trademark application that Vend-Tel-Co had used the mark since 1992, when in fact there was a predecessor in interest. It is true that there was a predecessor in interest. However, as Mr. Hanson testified, the predecessor, 1-800 SKI Numbers, Inc., is a company with which Mr. Hanson was also affiliated (Aplt. App. 00503, Aplt. App. 00555). Further, use by a predecessor-in-interest legally counts toward the first use date in a trademark application. Lanham Act §45, 15 U.S.C. §1127. Even the USPTO's own procedures makes highlighting prior use by a predecessor-in-interest not mandatory. (Aplt. App. 00727); Trademark Manual of Examining Procedure § 904.06 (such statement should accompany the claim of date of first use). The district court's conclusion that omitting this clarifying statement was not material is supported by the evidence. This statement is not misleading and is certainly not fraud.

Plaintiffs also assert fraud based upon the specimens of use submitted to the USPTO with the trademark application, specifically copies of the 1994-1995 Directory. (Aplt. App. 00907-00922). Plaintiffs claim that since that directory was not re-published in 1997, Defendants committed fraud by submitting this directory as a specimen of use. Vend-Tel-Co's trademark expert, Mr. Germain,

however, testified that using specimens from a prior year is fine so long as they show how the mark was being used. In Mr. Germain's words, "[I]t didn't matter that that was a specimen that was from an earlier year." (Aplt. App. 00878). Indeed, the Trademark Office does not require that the specimens be in use concurrent with the filing of the application, just that the specimens show "the mark as used on or in connection with the goods" 37 CFR §2.56. Defendants also proved other substantially continuous uses of the mark in commerce in the trial. (See Aplt. App. 00519-00528; Aplt. App. 00784-00785; Aplt. App. 00541). In fact, the statement made in the trademark application simply says that "[t]hree specimens of the mark as used in commerce are submitted with this application" (emphasis added). (Aplt. App.00977). As to claims for cancellation for fraud, the law in this Circuit provides that

[a] court should not lightly undertake cancellation on the basis of fraud, (*citation omitted*) and the burden of proving fraudulent procurement of a registration is heavy. (*citation omitted*) Any deliberate attempt to mislead the Patent Office must be established by clear and convincing evidence. (*citations omitted*) Statements of honest, but perhaps incorrect, belief or innocently inaccurate statements of fact are insufficient as are knowing misstatements which would have a *de minimus* effect on the validity of the service mark. (*citation omitted*)

Beer Nuts, Inc. v. Clover Club Foods Co., 711 F.2d 934, 942 (10th Cir. 1983)

(*Beer Nuts I*).

Fraud of this nature requires proof of a knowingly false statement made with an intent to deceive the USPTO. *Metro Traffic Control, Inc. v. Shadow Network, Inc.*, 104 F.3d 336 (Fed. Cir. 1997). Given the evidence presented and the law on this issue, it seems clear that the district court's conclusion that while some statements may have been literally incorrect, they did not evidence fraud by clear and convincing evidence, (Aplt. App. 00449) was not only supported by the evidence, it was appropriate.

CONCLUSION

For the reasons stated above, the Findings, Conclusions, and Order of the district court entered January 3, 2005 in this matter should be affirmed.

ORAL ARGUMENT

Vend-Tel-Co states that since the issues involve consideration of many items of evidence presented at trial and in the Daubert hearing, it appears that oral argument may benefit the panel and so oral argument is requested.

Table 1 - Third Party Marks

Citation (to Aplt. App.)

Base to Vail	00490
C U N Vail	00695
Camp Vail	00489; 00698
Experience Vail’s newest and sharpest place for steak	00694
Gilbert of Vail	00699
Go 2 Vail	00695
Mountain Shades Vail	00699
Mountain Shades, Vail, Colorado	00490
Serving the entire Vail Valley	00698
Signature of Vail	00699
The Vail Daily	00689
The Vail Golf Club	00698
The Vail Valley Festival of Flowers	00691
The Vail/Beaver Creek Catalog	00699
Town of Vail for Municipal Services	00488
Vail Ale	00490
Vail Alpine Gardens	00691
Vail America Days	00487; 00692
Vail and Beaver Creek Summer Arts Festival	00487; 00692
Vail Cascade Resort and Spa	00487, 1.13
Vail Figure Skating Festival	00487; 00693
Vail for Clothing	00699
Vail Golf Club.....	00489
Vail International Dance	0069
Vail International Dance Festival	00487
Vail Jazz Party	00693
Vail Limo	00695
Vail Limousine	00488
Vail Limousine, Inc.	00488
Vail Lines and Real Estate Brokers	00697
Vail Lion’s Head Real Estate Brokers.....	00488
Vail Mountain Adventure Center.....	00489
Vail Run	00487; 00700
Vail Ski Clothing	00487
Vail Ski Clothing Rentals	00694

Vail Snow Dog Ale	00490
Vail Spa.....	00489
Vail Trail Run	00693
Vail University	00490; 00698
Vail Valley Find Homes.Com.....	00488
Vail Valley Institute	00692
Vail Valley Music Festival	00691
Vail Valley Rodeo	00692
Vail Village (figurines)	00698
Vail.Net	00488
Vail/Beaver Creek Catalog	00490
Vail's only catered bicycle touring company	00695

Respectfully submitted this 30th day of September, 2005.

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CERTIFICATE OF COMPLIANCE

As required by Fed. R. App. P. 32(a)(7)(C), I certify that this Brief is proportionally spaced and contains 12,065 words. I relied on my word processor to obtain the word count.

CERTIFICATE OF SERVICE

I hereby certify that on this 30th day of September 2005 a true and correct copy of **BRIEF FOR DEFENDANTS-APPELLEES** was sent to the following persons in the manner indicated below:

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and a true and correct copy of the **SUPPLEMENTAL APPENDIX** was served via United States mail, first-class postage prepaid, to the individuals listed above.

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s/ Luke Santangelo _____
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