

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

MAXNET HOLDINGS, INC. : CIVIL ACTION
 :
 v. :
 :
 MAXNET, INC. : NO. 98-3921

MEMORANDUM AND ORDER

HUTTON, J.

May 31, 2000

Presently before the Court are Defendant Maxnet, Inc.'s ("Defendant") Motion for Summary Judgment on the Complaint and the Counterclaims (Docket No. 36), Plaintiff Maxnet Holdings, Inc.'s ("Plaintiff") response thereto (Docket No. 43), Defendant's reply thereto (Docket No. 55), Plaintiff's Motion for Summary Judgment (Docket No. 39), Defendant's response thereto (Docket No. 48), Plaintiff's reply thereto (Docket No. 49), Plaintiff's supplemental reply thereto (Docket No. 50), Plaintiff's Motion to Strike Defendant's Reply Memorandum and the Ference Declaration (Docket No. 56), Defendant's response thereto (Docket No. 59), Plaintiff's Motion for Withdrawal of Jury Trial Demand (Docket No. 42), Defendant's response thereto (Docket No. 52), Plaintiff's Motion for Rule 11 Sanctions (Docket No. 51), Defendant's response thereto (Docket No. 53), and the Declaration of Stanley D. Ference, III (Docket No. 53). For the reasons stated below, Defendant's Motion for Summary Judgment on the Complaint and the Counterclaims will be denied, Plaintiff's Motion for Summary Judgment will be denied,

Plaintiff's Motion to Strike Defendant's Reply Memorandum and the Ferece Declaration will be denied, Plaintiff's Motion for Withdrawal of Jury Trial Demand will be granted, Plaintiff's Motion for Rule 11 Sanctions will be denied.

I. BACKGROUND

This case is brought under the Lanham Trademark Act (the "Act"), Pennsylvania common law, and Pennsylvania statutory law. On July 28, 1998, Maxnet Holdings, Inc. filed a Complaint charging Maxnet, Inc. with violating 15 U.S.C. §§ 1114 and 1125(a), (c) (1994) of the Act, common law service mark infringement, common law unfair competition, common law unfair trade practices, trademark dilution in violation of Pennsylvania statute, and violation of the Pennsylvania Unfair Trade Practices and Consumer Protection Act. The Court has jurisdiction over this matter pursuant to 15 U.S.C. § 1121(a) and 28 U.S.C. § 1338(a)-(b).

Plaintiff is a Delaware corporation and maintains its corporate headquarters in South Florida. The record is unclear as to the corporate status and domicile of Defendant.¹ Nevertheless, as times pertinent to this lawsuit, Defendant was a Pennsylvania corporation. Defendant is a publicly traded corporation, and is an

¹ Defendant is either a Pennsylvania or a Delaware corporation and maintains offices in either Huntingdon Valley, Pennsylvania, or Freehold, New Jersey. Defendant waived venue. (See Counterclaims and Third Party Complaint at ¶ 4).

Internet marketing company. Plaintiff is a private holding company.

The instant controversy concerns the ownership and use of the MAXNET mark. MAXNET is a registered trademark of Maxnet Systems, Inc. ("Maxnet Systems"). Maxnet Systems is a privately held operating company of Plaintiff that was created when Maxnet Communication Systems, Inc. was acquired by H.I.G. Capital Management. Maxnet Systems is an enterprise network engineering company that supports mission-critical building and campus networks, wide area networks, and metropolitan area networks.

Plaintiff possesses federal Certificate of Registration No. 2,098,687 for the service mark MAXNET. Plaintiff registered the MAXNET mark on September 23, 1997. While the mark was originally assigned to Maxnet Communications Systems, Inc., that company assigned to Plaintiff all right, title, and interest in the MAXNET mark. As early as July 1, 1990, Plaintiff used the MAXNET mark for the installation, design, and maintenance of computer networking systems.

Using the MAXNET mark, Defendant has advertised and offered for sale goods and/or services in the United States and within the Eastern District of Pennsylvania. Said goods and services relate to computers and the computer industry, especially as they relate to the Internet. Defendant's stock is registered with the NASDAQ and trades under the ticker symbol MXNT.

On October 1, 1997, Defendant issued a press release which stated that it "had begun the process of choosing a new name for" Maxnet. (Compl., Ex. B). The press release stated that because Plaintiff filed an application for a service mark, Defendant "agreed to change its name and . . . notify the public, its clients, and shareholders when a decision is reached" regarding Defendant's new corporate name. (Compl., Ex. B). While Defendant eventually changed its name to Maxplanet Corporation, said name change was not executed until July 1999. Approximately ten months later, in or about August 1998, Plaintiff mailed to Defendant a draft of the Complaint which Plaintiff later filed to commence this lawsuit. Prior to Defendant's receipt of the draft complaint, representatives of each party spoke about, inter alia, Defendant's use of the MAXNET mark and the fact that both companies operate in the computer industry.

In or about July 1998, a "spam e-mail"² of unknown origin was widely distributed. It discussed Defendant's stock and potential profitability.³ The distribution of the spam e-mail resulted in hundreds of people contacting Plaintiff, via both e-mail and the telephone, regarding stock sold under the MXNT ticker symbol. For

² Plaintiff describes a "spam e-mail" as a an unsolicited e-mail which is distributed in "massive quantities" to a large number of Internet users. (See Pl.'s Mot. for Summ. J. at 13).

³ In relevant part, the spam e-mail compared Defendant to Yahoo, a highly successful Internet search engine, and predicted that Defendant's share price, then trading at 3½, might go as high as "15-\$20 [per] share". (See Compl., Ex. C; see also Def.'s Resp. to Pl.'s Mot. for Summ. J. at 5).

example, in July and August 1998, Plaintiff received over 200 e-mails concerning the sale of stock under the MXNT ticker symbol. Plaintiff also received approximately fifty phone calls regarding the sale of stock under the MXNT ticker symbol. Plaintiff not only responded to many of these queries, it ultimately hired a public relations person to respond to the inquiries generated by the spam e-mail and Defendant's use of the MXNT ticker symbol.

On July 30, 1998, Plaintiff issued a press release which discussed, inter alia, its lawsuit against Defendant. (See Def.'s Mot. for Summ. J., Ex. A). Several months after the press release was disseminated, Defendant filed counterclaims against Plaintiff. Portions of the language contained therein are the focus of Defendant's defamation counterclaim. Defendant also brought seven additional counterclaims against Plaintiff under federal and Pennsylvania law.

II. DISCUSSION

A. The Parties' Summary Judgment Motions

Both Plaintiff and Defendant have pending before this court summary judgment motions. Plaintiff's Motion seeks the following relief: (1) summary judgment in favor of each of its claims; (2) the award of attorneys' fees and costs pursuant to 15 U.S.C. § 1117; and (3) an injunction against Defendant's further use of the MAXNET name. Defendant's Motion seeks the following relief: (1) summary judgment in its favor on Plaintiff's claims; and (2)

summary judgment in its favor on its counterclaims. The Court hereafter considers each party's summary judgment motion.

1. Summary Judgment Standard

Summary judgment is appropriate "if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c). The party moving for summary judgment has the initial burden of showing the basis for its motion. See Celotex Corp. v. Catrett, 477 U.S. 317, 323 (1986). Ultimately, the moving party bears the burden of showing that there is an absence of evidence to support the nonmoving party's case. See id. at 325. Once the movant adequately supports his or her motion pursuant to Rule 56(c), the burden shifts to the nonmoving party to go beyond the mere pleadings and present evidence through affidavits, depositions, or admissions on file to show that there is a genuine issue for trial. See id. at 324. A genuine issue is one in which the evidence is such that a reasonable jury could return a verdict for the nonmoving party. See Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248, 106 S. Ct. 2509 (1986). A fact is "material" only if it might affect the outcome of the suit under applicable rules of law. See id.

When deciding a motion for summary judgment, a court must draw all reasonable inferences in the light most favorable to the nonmovant. See Big Apple BMW, Inc. v. BMW of N. Am., Inc., 974 F.2d 1358, 1363 (3d Cir. 1992), cert. denied, 507 U.S. 912 (1993). Moreover, a court may not consider the credibility or weight of the evidence in deciding a motion for summary judgment, even if the quantity of the moving party's evidence far outweighs that of its opponent. See id. Nonetheless, a party opposing summary judgment must do more than rest upon mere allegations, general denials, or vague statements. See Trap Rock Indus., Inc. v. Local 825, 982 F.2d 884, 890 (3d Cir. 1992). The court's inquiry at the summary judgment stage is the threshold inquiry of determining whether there is need for a trial--that is whether the evidence presents a sufficient disagreement to require submission to a jury or whether it is so one-sided that a one party must prevail as a matter of law. See Anderson, 477 U.S. at 250-52. If there is sufficient evidence to reasonably expect that a jury could return a verdict in favor of plaintiff, that is enough to thwart imposition of summary judgment. See id. at 248-51.

a. Defendant's Motion for Summary Judgment

It is appropriate to commence this discussion with the consideration of Plaintiff's response to Defendant's Motion for Summary Judgment. Plaintiff argues that Defendant's Motion violates Rule 11 of the Federal Rules of Civil Procedure for the

following three reasons: (1) Defendant's Motion fails to provide a single fact and contains only speculative statements and attorney argument; (2) Defendant's Motion fails to provide case law in support of its Motion; and (3) Defendant seeks summary judgment against a party that was previously dismissed from this suit.⁴ (See Pl.'s Mem. of Law Opposing Def.'s Mot. for Summ. J. at 2). For these reasons alone, Plaintiff argues that Defendant's Motion must be denied. Additionally, Plaintiff argues that Defendant's Motion fails to raise a genuine issue of material fact. Plaintiff also contends that it should be awarded fees and costs pursuant to 28 U.S.C. § 1927.⁵ (See Pl.'s Mem. of Law Opposing Def.'s Mot. for Summ. J. at 2).

Rule 11 states in pertinent part as follows:

[b]y representing to the court . . . by . . . filing . . . a written motion . . . , an attorney . . . is certifying that to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances . . . it is not being presented for any improper purpose . . . [,] the claims, defenses, and other legal contentions therein are warranted by existing law . . . [,] the allegations and other factual contentions have evidentiary support . . . [, and] the denials of factual contentions are warranted on the evidence, or . . . are reasonable based on a lack of information or belief.

Fed. R. Civ. P. 11. Review of Defendant's Motion in light of the standards set forth in Rule 11 demonstrate that the Motion is

⁴ Plaintiff states that after it received Defendant's instant Motion, it immediately requested that Defendant withdraw said Motion as it was likely to be violative of Federal Rule of Civil Procedure 11. (See Pl.'s Mem. of Law Opposing Def.'s Mot. for Summ. J., Ex. A).

⁵ Plaintiff's response to Defendant's Motion does not seek Rule 11 sanctions.

indeed defective. Defendant, as the party moving for summary judgment, has the initial burden of showing the basis for its motion. See Celotex Corp. v. Catrett, 477 U.S. 317, 323 (1986). Defendant not only fails to satisfy its burden but impermissibly seeks to shift its burden to Plaintiff. Defendants argue that "unless [P]laintiff submits evidence sufficient to withstand a directed verdict in opposition to this [M]otion, [Defendant] is entitled to summary judgment in its favor on the eight (8) causes of action asserted in the Complaint" (Def.'s Mot. for Summ. J. at 4). It is axiomatic that the moving party bears the burden of demonstrating that there is an absence of evidence to support the nonmoving party's case. See Celotex Corp. v. Catrett, 477 U.S. 317, 325 (1986). As Defendant's Motion fails to demonstrate that there is an absence of evidence to support Plaintiff's case, Defendant's Motion will be denied to the extent that it seeks summary judgment on Plaintiff's claims.

Defendant also seeks summary judgment on its counterclaims, "the first seven . . . of which are declaratory judgment actions mirroring the causes of action in [P]laintiff's Complaint." (Def.'s Mot. for Summ. J. at ¶ 3). Defendant, however wholly ignores its first seven counterclaims and instead focuses solely on its defamation claim, which arises from allegedly defamatory language contained in a press release issued by Plaintiff. (Def.'s Mot. for Summ. J. at ¶ 9). Defendant's argument is impotent as it

fails to demonstrate that there exists no genuine issue of material fact as to each element of a defamation claim. While it would be convenient to simply rely on Defendant's claim that there is defamation per se, convenience is not the focus of the Court's inquiry in this context. Accordingly, Defendant's Motion will be denied as to each of its counterclaims.

Plaintiff seeks sanctions pursuant to 28 U.S.C. § 1927. Section 1927 states as follows:

Any attorney or any other person admitted to conduct cases in any court of the United States or any territory thereof who so multiplies the proceedings in any case unreasonably and vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorney's fees reasonably incurred because of such conduct.

28 U.S.C. § 1927 (emphasis added). Plaintiff argues that the filing of the instant Motion for Summary Judgment was intended to harass. Plaintiff does not expressly address whether Defendant's counsel's conduct was made in bad faith, and, therefore, does not address whether Defendant's counsel's conduct is sanctionable.

Imposition of attorney's fees and costs under § 1927 is reserved for behavior "of an egregious nature, stamped by bad faith that is violative of recognized standards in the conduct of litigation." See Baker Indus., Inc. v. Carburize Ltd., 764 F.2d 204, 308 (3d Cir. 1985) (citation omitted). See also In re Orthopedic Bone Screw Products Liability Litigation, Nos. 98-1762, 98-1829, 1999 WL 796833, at *13, (E.D. Pa. Oct. 7, 1999). Fees may not be awarded under § 1927 unless there is a "finding of willful

bad faith on the part of the offending attorney." Baker Indus., 764 F.2d at 209. Bad faith is found where there is "indication of an intentional advancement of a baseless contention that is made for an ulterior purpose, e.g., harassment or delay." See Ford v. Temple Hosp., 790 F.2d 342, 347 (3d Cir. 1987) (emphasis added). This indication may be express or implied from statements made on the record that a court may interpret as proving bad faith. See Zak v. Eastern Pa. Psychiatric Institute of the Med. College of Pa., 103 F.3d 294, 297-98 (3d Cir. 1996); Horizon Unlimited, Inc. v. Richard Silva & SNA, Inc., No. CIV.A. 97-7430, 1999 WL 675469, at *3 (E.D. Pa. Aug. 31, 1999). Ultimately, this section should be utilized only where an attorney "willfully abuse[s] the judicial process." In re Orthopedic Bone Screw Products Liability Litigation, Nos. MDL 1014, 1998 WL 633680, at *3, (E.D. Pa. Aug. 14, 1998) (emphasis added). See also Baker Indus., 764 F.2d at 208. A court, when imposing a fine under § 1927, must articulate a basis for the amount of said fine. See Prosser v. Prosser, 186 F.3d 403, 407 (3d Cir. 1999).

In light of the foregoing, Plaintiff's § 1927 motion may lie only for abuses of the judicial process. This limited applicability of § 1927 is buttressed by the Third Circuit's definition of bad faith as the "intentional advancement of a baseless contention." Ford, 790 F.2d at 347. Contention, in the context of relevant case law, entails arguments, motions,

objections, discovery disputes, etc. See, e.g., In re Prudential Ins. Co. of Am. Sales Practices Litig., 63 F. Supp. 2d 516, 525 (E.D. Pa. 1999) (upholding in part magistrate judge's recommendation that sanctions be imposed pursuant to § 1927 because counsel, inter alia, "bombard[ed] the Court with paper."); In re: Orthopedic Bone Screw Prod. Liability Litig., No. MDL 1014, 1998 WL 633680, at *3 (E.D. Pa. Aug. 14, 1998) (considering § 1927 sanctions plaintiff's legal committee alleged to have vexatiously multiplied the proceedings by prosecuting a conspiracy claim); Loftus v. SEPTA, 8 F. Supp. 2d 458, 463 (E.D. Pa. 1998) (finding that § 1927 sanctions appropriate where attorney set forth meritless defense, failed to concede that precedent doomed said defense, and failed to withdraw said defense); Loatman v. Summit Bank, 174 F.R.D. 592, 609 (D.N.J. 1997) (finding § 1927 sanctions appropriate where, inter alia, defendant's conduct disrupted litigation such that case lingered for "over a year of motion practice unrelated to the merits of the class action."); Hicks v. Arthur, 891 F. Supp. 213, 215-16 (E.D. Pa. 1995) (imposing § 1927 sanctions because of party's "massive over-pleading"); Boykin v. Bloomsburg Univ. of Pa., 905 F. Supp. 1335, 1335 (M.D. Pa. 1995) (imposing § 1927 sanctions where attorney pursued claim although advised by court that claim was time-barred).

Defendant's reply to Plaintiff's response, however, goes a long way to reform what might have otherwise been an abuse of

process sanctionable under § 1927. Defendant's reply brief cites case law and attempts to raise genuine issues of material fact regarding both its counterclaims and Plaintiff's claims. In light of Defendant's reply memorandum, the Court cannot conclude that Defendant filed the instant Motion in bad faith. While Defendant's Motion and reply do not persuade this Court that Defendant is entitled to summary judgment pursuant to Federal Rule of Civil Procedure 56(c), it does persuade the Court that sanctions under § 1927 are inappropriate. Accordingly, Plaintiff's request for such sanctions will be denied.

Finally, Plaintiff filed a Motion to Strike Defendant's Reply Memorandum and the Ferece Declaration which the Court will deny. This denial is made notwithstanding Defendant's misleading and unfounded statement that Local Rule 7.1(a) provides that "[t]he Court may require or permit further briefs if appropriate." (Def.'s Mem. of Law in Opp. to Pl.'s Mot. to Strike at 2). Moreover, the Court's decision on Plaintiff's Motion to Strike is made notwithstanding Defendant's peculiar argument that Plaintiff only wishes to deflect the Court's attention from the merits of this case. Indeed, a review of the record suggests that it is Defendant who wishes to ignore and/or deflect attention from the merits of Plaintiff's claims.

b. Plaintiff's Motion for Summary Judgment

Plaintiff Motion seeks the following relief: (1) summary

judgment on each of its claims; (2) the award of costs and fees pursuant to 15 U.S.C. § 1117; and (3) an injunction against Defendant's further use of the MAXNET name and mark. The Court hereafter considers Plaintiff's arguments and Defendant's counterarguments.

Plaintiff's first cause of action is for infringement of a federally registered service mark under 15 U.S.C. § 1114(1).⁶ Plaintiff's second cause of action is for federal unfair competition and false designation of origin under 15 U.S.C. § 1125(a).⁷ Plaintiff's third cause of action, which arises under 15 U.S.C. § 1125(c), is for federal trademark dilution. Plaintiff's other causes of action are for common law service mark infringement, common law unfair competition, common law unfair

⁶ Section 1114(1) states in pertinent part as follows:

- (1) Any person who shall, without the consent of the registrant--
(a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive . . . shall be liable in a civil action by the registrant for the remedies hereinafter provided.

15 U.S.C. § 1114(1).

⁷ Plaintiff's Motion cites a prior rendering of § 1125(a) which was amended in 1988. The current § 1125(a) provides as follows:

- (a) Civil action
(1) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which--
(A) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection, or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person

15 U.S.C. § 1125(a).

trade practices, violation of the Pennsylvania Unfair Trade Practices and Consumer Protection Act, 73 Pa. Cons. Stat. Ann. § 202-2 et seq., and trademark dilution in violation of 54 Pa. Cons. Stat. Ann. § 1124.

(1) Trademark Infringement and Unfair Competition

To prove trademark infringement, under both federal and Pennsylvania law, Plaintiff must demonstrate that (1) the mark is valid and legally protectable, (2) it owns the mark, and (3) Defendant's use of the mark to identify goods or services is likely to create confusion concerning the origin of the goods or services. See Fisons Horticulture, Inc. v. Vigoro Indus., Inc., 30 F.23 466, 472 (3d Cir. 1994); see also Patient Transfer Sys., Inc. v. Patient Handling Solutions, Inc., CIV.A. No. 97-1568, 1999 WL 54568, at *4 (E.D. Pa. Jan. 29, 1999).

The first two requirements--validity and legal protectability--are satisfied where a mark is federally registered and has become "incontestable" under the Lanham Act. Plaintiff demonstrates that the service mark MAXNET was registered on September 23, 1997, under Registration Number 2,098,687. (See Pl.'s Mot. for Summ. J., Ex. A). While the mark was originally assigned to Maxnet Communications Systems, Inc., that company assigned to Plaintiff all right, title, and interest in the MAXNET mark. (See Pl.'s Reply Mem. of Law in Support of Mot. for Summ. J. at 1-2, the Decl. of Thomas Dresser which is attached thereto, and Ex. A).

Defendant's argument that the mark is owned by a company other than Plaintiff is meritless in light of the information provided in Plaintiff's Reply Memorandum.

A trademark is incontestable where the following criteria are satisfied: the "owner files affidavits stating that the mark has been registered, that it has been in continuous use for five consecutive years, and there is no pending proceeding and there has been no adverse decision concerning the registrant's ownership or right of registration." Fisons, 30 F.3d at 472, n.6. In the instant matter, however, the mark's registration is not yet five years old and it therefore cannot be established as "incontestable." Where a registered mark has not achieved incontestability, its validity depends on proof of secondary meaning, unless the mark is inherently distinctive. See id. at 472. Therefore, Plaintiff's mark may be legally protected if it is inherently distinctive or has acquired a secondary meaning.

The courts have adopted the following four category distinctiveness continuum to aid in the evaluation of a term's inherent distinctiveness: (1) fanciful; (2) suggestive; (3) descriptive; and (3) generic. See Express Serv., Inc., 1999 WL 1073614, at *1-2 (citation omitted). Plaintiff argues that its mark is legally protectable as it is inherently distinctive due to its fanciful or arbitrary nature. (See Pl.'s Mot. for Summ. J. at 14). A fanciful term is that which bears "no logical or suggestive

relation to the actual characteristics of the goods." Dranoff-Perlstein, 967 F.2d at 857; see also Express Serv., Inc. v. Careers Express Staffing Serv., CIV.A. No. 96-7291, 1999 WL 1073614, at *1 (E.D. Pa. Nov. 4, 1999). The determination of a mark's status is a question of law for the Court. See Patient Transfer Sys., Inc. v. Patient Handling Solutions, Inc., CIV.A. No. 97-1568, 1999 WL 54568, at *4 (E.D. Pa. Jan. 29, 1999) (citation omitted). The Court finds that the MAXNET mark is a fanciful term as it does not otherwise relate to the characteristics of Plaintiff's goods or services. That is, there is no logical or suggestive connection between the MAXNET mark and Plaintiff's provision of computer networking services. Plaintiff therefore satisfies the requirement for establishing an infringement claim by establishing that the mark is legally protectable. (See Pl.'s Reply Mem. of Law in Support of Mot. for Summ. J. at 1-2 and the Decl. of Thomas Dresser which is attached thereto). It must be noted that inherent to such a finding is that the judicial system will afford the mark a high degree of protection under both federal and state laws. See Express Serv., Inc., 1999 WL 1073614, at *2. Defendant, however, neither addresses whether the mark is legally protectable nor this aspect of the well-established test for evaluating a claim for trademark infringement.

The central inquiry in this and other trademark infringement cases is whether there exists the "likelihood of confusion" such

that a consumer "viewing the mark would probably assume that the product or service it represents is associated with the source of a different product or service identified by a similar mark." Dranoff-Perlstein Assoc. v. Sklar, 967 F.2d 852, 862 (3d Cir. 1992). It must also be noted that likelihood of confusion is also the test for actions brought under 15 U.S.C. § 1125(a)(1)(A) and for unfair competition under Pennsylvania law.

Proof of actual confusion is not required but Plaintiff must show that the likelihood of confusion is present. See Ford Motor Co. v. Summit Motor Prod., Inc., 930 F.2d 277, 291-93 (3d Cir. 1991). To determine likelihood of confusion where the parties deal in non-competing lines of goods or services, the Court must look beyond the mark to the nature of the products or services themselves, and to the context in which they are marketed and sold. See Fisons, 30 F.3d at 473. The closer the relationship between the parties' products or services, and the more alike their respective sales contexts, the greater the likelihood of confusion. See id. Once a trademark owner demonstrates the likelihood of confusion, it is entitled to injunctive relief. See Interpace Corp. v. Lapp Inc., 721 F.2d 460, 462 (3d Cir. 1983) (citations omitted). As in this case, where the marks involved are not used on directly competing merchandise, a ten factor test adopted by the Third Circuit Court of Appeals guide the Court's analysis. See Fisons, 30 F.3d at 473-74; Dranoff-Perlstein Assoc., 967 F.2d at

862-63; Ford Motor Co., 930 F.2d at 293. The factors are as follows:

- (1) degree of similarity between the owner's mark and the alleged infringing mark;
- (2) the strength of the owner's mark;
- (3) the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase;
- (4) the length of time the defendant has used the mark without evidence of actual confusion arising;
- (5) the intent of the defendant in adopting the mark;
- (6) the evidence of actual confusion;
- (7) whether the goods, though not competing, are marketed through the same channels of trade and advertised through the same media;
- (8) the extent to which the targets of the parties' sales efforts are the same;
- (9) the relationship of the goods [or services] in the minds of consumers because of the similarity of function; and
- (10) other facts suggesting that the consuming public might expect the prior owner to manufacture a product in the defendant's market, or that he is likely to expand into that market.

Fisons, 30 F.3d at 473-74. The Court must separately weigh the factors to determine whether a likelihood of confusion exists. See id. at 481-82. The Fisons court stated that not all of the factors must be given equal weight, and the weight given to each factor, as well as the overall weighing of the factors, must be done on a fact-specific basis. See id. at 474, n.11. Furthermore, Fisons instructs that each factor is not applicable in each case, and that the factors are not necessarily ranked in order of importance. See id. The Court now addresses the relevant factors to evaluate the

likelihood of confusion created by Defendant's allegedly infringing use of the MAXNET mark.⁸

**(a) Similarity of Plaintiff's Mark and the
Alleged Infringing Mark**

The Court must look to the "overall impression" the marks create, rather than make a simple side-by-side comparison. See id. at 477-78. Marks are confusingly similar where a consumer may conclude that the products or services share a common source or connection. See id. at 477. Plaintiff argues that the similarity between its MAXNET mark and Defendant's infringing MAXNET mark and MXNT NASDAQ symbol is facially apparent. (See Pl.'s Mot. for Summ. J. at 18). Defendant, on the other hand, argues that Plaintiff's mark, when considered in its entirety, conveys a wholly different commercial impression than does Defendant's usage of "MAXNET" in its corporate name. (See Def.'s Resp. to Pl.'s Mot. for Summ. J. at 15). When subjected to a side-by-side comparison, the similarity--indeed, the identity--of the MAXNET mark, as used by the parties, is facially manifest. Moreover, the overall impression conveyed by the marks used by Defendant--MAXNET and MXNT--suggests a commonality of ownership or control among the parties. The Court therefore finds that in the context of a

⁸ For reasons unexplained and not apparent, Plaintiff chose to form its argument on a multi-factor test, as set forth in American Express Co. v. Pan Am. Express Int'l, Ltd., 509 F. Supp. 348 (E.D. Pa. 1981), that is no longer utilized by the Third Circuit or other court within the Third Circuit. The Court's analysis, however, will mirror the ten-factor test discussed in recent Third Circuit decisions such as the 1994 Fisons decision and the 1999 decision in A & H Sportswear, Inc. v. Victoria's Secret Stores, Inc., 166 F.3d 191 (3d Cir. 1999).

fanciful term, the MAXNET mark and Defendant's use of the MAXNET name and the MXNT NASDAQ symbol is confusing. This confusion is likely to create confusion among consumers who observe Defendant's use of the MAXNET mark. Accordingly, this factor weighs in favor of Plaintiff's argument for infringement.

(b) Strength of Plaintiff's Mark

The Fisons court instructs that consideration of this factor is appropriate within the context of the four category distinctiveness continuum. See id. at 478. As this Court held above that the "MAXNET" mark is fanciful as no reasonable consumer could reasonably associate the mark with the provision of computer networking services, the Court's consideration of this factor is framed by said decision.

Plaintiff argues that due to its continuous and exclusive use of the MAXNET mark, the mark "has come to be so closely associated with Plaintiff that any other use of the mark will cause consumers to associate Plaintiff with that use." (See Pl.'s Mot. for Summ. J. at 18). Defendant argues, however, "the mark is not very strong as it is either generic or descriptive when applied to the area of computer networks" (See Def.'s Resp. to Pl.'s Mot. for Summ. J. at 16). Defendant's argument is weakened, however, by Plaintiff's evidence of inquiries received by Plaintiff concerning the "spam e-mail" that focused on Defendant and its business operations. (See Pl.'s Mot. for Summ. J. at 9-13). That Plaintiff

received a volume of feedback concerning the spam e-mail which pertained only to Defendant indicates that the MAXNET mark is neither generic nor simply descriptive. To the contrary, the feedback generated by the spam e-mail indicates a strength of mark that may be worthy of legal protection. Moreover, the feedback generated by the spam e-mail indicates that the mark has gained an identity associated with Plaintiff, presumably through, inter alia, Plaintiff's continuous use of the mark over time--the mark has been in commercial use since 1990 and has been registered since 1997--and Plaintiff's expenditures on advertising. Plaintiff supplied the Court with advertising materials, which span the years 1997-1999 and which utilize the MAXNET mark. The Court therefore finds that the MAXNET mark is indisputably strong.

(c) Evidence of Actual Confusion

The evidence of actual confusion is weighty. Logically, evidence of actual confusion provides strong indicia of the likelihood of confusion. As discussed above Plaintiff received hundreds of inquiries concerning the "spam e-mail" that discussed Defendant. (See Pl.'s Mot. for Summ. J. at 9-13; the Declaration of Sharon Demko). Accordingly, the evidence of actual confusion occasioned by Defendant's use of the MAXNET mark is probative of the likelihood of consumer confusion. Accordingly, this factor heavily weighs in favor of finding that Defendant infringed on Plaintiff's mark.

(d) Other Factors

In light of the foregoing, while there may be some likelihood of confusion promulgated by Defendant's use of the MAXNET mark, there is insufficient evidence before the Court regarding, inter alia, the length of time Defendant has used the mark before actual confusion arose and whether actual confusion continues as a result of the spam e-mail which was discussed at above, Defendant's intent in adopting the mark, and the relationship of the parties' goods and/or services in the minds of consumers. As trademark infringement causes of action are extremely fact-intensive and case-specific, the Court is required to decide such claims on the unique facts and circumstances presented. On the record before it, the Court cannot find as a matter of law that Defendant's use of the MAXNET mark to identify goods or services is likely to create confusion such that injunctive or other relief is appropriate. Plaintiff will therefore be denied summary judgment on Count I (§ 1114(1)), Count II (§ 1125(a)), Count IV (common law unfair competition), and Count VI (common law service mark infringement) of its Complaint.

(2) Trademark Dilution

Plaintiff states causes of action for trademark dilution under federal and Pennsylvania law. Each cause of action is hereafter considered.

(a) Federal Trademark Dilution Act

The Federal Trademark Dilution Act of 1995 (the "FTDA") provides as follows:

The owner of a famous mark shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use in commerce of a mark or trade name, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark, and to obtain such other relief as is provided in this subsection.

15 U.S.C. § 1125(c)(1). The FTDA grants extra protection to strong, well-recognized marks even in the absence of a likelihood of consumer confusion--the classical test for trademark infringement--if the defendant's use diminishes or dilutes the strong identification value associated with the plaintiff's famous mark. See 4 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 24:70 (4th ed. 1997). The dilution doctrine is premised upon the belief that a gradual weakening of a famous trademark's value of, resulting from another's unauthorized use, constitutes an invasion of the senior user's property rights in its mark and gives rise to an independent commercial tort for trademark dilution. See id.

To establish a prima facie claim for relief under the FTDA, Plaintiff must plead and prove the following: (1) It is the owner of a mark that qualifies as a "famous" mark in light of the totality of the eight factors listed in § 1125(c)(a); (2) Defendant is making commercial use in interstate commerce of a mark or trade

name; (3) Defendant's use began after Plaintiff's mark became famous; and (4) Defendant's use causes dilution by lessening the capacity of the plaintiff's mark to identify and distinguish goods or services. See Times Mirror Magazines, Inc. v. Las Vegas Sports News, L.L.C., --- F.3d ---, 2000 WL 526779, at *4 (3d Cir. April 28, 2000) (citing 4 McCarthy at § 24:89); see also Hershey Foods Corp. v. Mars, Inc., 998 F. Supp. 500, 504 (M.D. Pa. 1998) (citation omitted). The Times Mirror court instructed that a district court may consider eight non-exclusive factors in determining the famousness of a mark.⁹ See Times Mirror Magazines, Inc., 2000 WL 526779, at *4. Accordingly, as the FTDA protects only "famous" marks, the first step in deciding whether the owner of a mark is entitled to relief under the statute is determining whether the mark is "famous."

Plaintiff puts forth no evidence that its federally registered mark is "famous" and therefore deserving of protection under the FTDA. Indeed, Plaintiff's Motion for Summary Judgment wholly

⁹ The factors are as follows:

- (A) the degree of inherent or acquired distinctiveness of the mark;
- (B) the duration and extent of use of the mark in connection with the goods or services with which the mark is used;
- (C) the duration and extent of advertising and publicity of the mark;
- (D) the geographical extent of the trading area in which the mark is used;
- (E) the channels of trade for the goods and services with which the mark is used;
- (F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought;
- (G) the nature and extent of use of the same or similar marks by third parties; and
- (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

15 U.S.C. § 1125(c)(1)(A)-(H).

ignores the federal dilution statute. (See Pl.'s Mot. for Summ. J. at 26-28). Defendant argues that Plaintiff fails to state a prima facie case for dilution under federal law, (see Def.'s Resp. to Pl.'s Mot. for Summ. J. at 20), and the Court agrees. Therefore Plaintiff's instant Motion will be denied as to Count III, its federal cause of action for trademark dilution.

(b) Dilution Under Pennsylvania Law

Pennsylvania's dilution statute provides as follows:

The owner of a mark which is famous in this Commonwealth shall be entitled, subject to the principles of equity and upon such terms as the court deems reasonable, to an injunction against another person's commercial use of a mark or trade name if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark and to obtain such other relief as is provided in this section.

54 Pa. Cons. Stat. Ann. § 1124. Plaintiff argues that "the evidence is clear that [it] has continuously used its federally registered mark for almost ten years and defendant has just begun using its similar mark for similar goods/services." (Pl.'s Mot. for Summ. J. at 27). What Plaintiff does not clearly show, however, is that its mark is being diluted by Defendant in the Commonwealth of Pennsylvania. That is, Plaintiff fails to make the requisite showing that its mark is either registered in Pennsylvania or that its mark was in use in Pennsylvania prior to Defendant's use. As Plaintiff fails to demonstrate that summary judgment is appropriate as to Count VIII, its Pennsylvania dilution claim, Plaintiff's instant Motion will be denied as to said claim.

**(3) Common Law Unfair Trade Practices and Violation
of the Pennsylvania Unfair Trade Practices and
Consumer Protection Act**

Plaintiff's Motion for Summary Judgment does not expressly discuss these causes of action. It is Plaintiff's burden to demonstrate that there is no genuine issue of material fact for trial. While Plaintiff may wish the Court to divine or imply from its Motion a discussion of these causes of action, the Court refuses to do so. Accordingly, Plaintiff's instant Motion will be denied as to Counts V and VII.

B. Plaintiff's Motion for Withdrawal of Jury Demand

Rule 38(d) of the Federal Rules of Civil Procedure provides that once a party has demanded a jury trial, such demand may not be withdrawn without the consent of all the other parties. See Fed. R. Civ. P. 38(d). Plaintiff wishes to withdraw its demand for a jury trial on the belief that this lawsuit will "be more expeditiously handled by a bench trial" (Pl.'s Mot. for Withdrawal of Jury Trial Demand at 2). Defendant "does not object to [P]laintiff withdrawing its jury demand with the understanding [that Defendant's] right to a jury trial on its claims is not adversely impacted." (Def.'s Resp. to Pl.'s Withdrawal of Jury Trial Demand at 1). Under the plain meaning of Rule 38(d), as the parties have consented, Plaintiff's Motion will be granted.

C. Plaintiff's Motion for Rule 11 Sanctions

Rule 11 provides in relevant part as follows:

By presenting to the court (whether by signing, filing, submitting, or later advocating) a pleading, written motion, or other paper, an attorney . . . is certifying that to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances,--

(1) it is not being presented for any improper purpose, such as to harass or to cause unnecessary delay or needless increase in the cost of litigation;

(2) the claims, defenses, and other legal contentions therein are warranted by existing law or by a nonfrivolous argument for the extension, modification, or reversal of existing law or the establishment of new law;

(3) the allegations and other factual contentions have evidentiary support or, if specifically so identified, are likely to have evidentiary support after a reasonable opportunity for further investigation or discovery

Fed. R. Civ. P. 11.

Rule 11 empowers the Court to impose sanctions where counsel, inter alia, puts forth arguments for an improper purpose. Fed. R. Civ. P. 11(b)(1). The Court is nevertheless under no obligation to impose sanctions, as the operative words declare that "the court may . . . impose an appropriate sanction" Fed. R. Civ. P. 11(c) (emphasis added). The imposition of sanctions against Defendant's counsel is not warranted in the instant case. While the Court finds that Defendant's counsel's legal contentions, as stated in Defendant's Motion for Summary Judgment, are not meritorious, the Court does not wish to impose sanctions as it believes that counsel's arguments, however inartful, do not exhibit a deliberate and knowing attempt to run afoul of the rules

governing attorney representations to the Court. Accordingly, Plaintiff's Motion for Rule 11 Sanctions will be denied.

An appropriate Order follows.

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

MAXNET HOLDINGS, INC. : CIVIL ACTION
 :
 v. :
 :
 MAXNET, INC. : NO. 98-3921

O R D E R

AND NOW, this 31st day of May, 2000, upon consideration of Defendant Maxnet, Inc.'s ("Defendant") Motion for Summary Judgment on the Complaint and the Counterclaims (Docket No. 36), Plaintiff Maxnet Holdings, Inc.'s ("Plaintiff") response thereto (Docket No. 43), Defendant's reply thereto (Docket No. 55), Plaintiff's Motion for Summary Judgment (Docket No. 39), Defendant's response thereto (Docket No. 48), Plaintiff's reply thereto (Docket No. 49), Plaintiff's supplemental reply thereto (Docket No. 50), Plaintiff's Motion to Strike Defendant's Reply Memorandum and the Ference Declaration (Docket No. 56), Defendant's response thereto (Docket No. 59), Plaintiff's Motion for Withdrawal of Jury Trial Demand (Docket No. 42), Defendant's response thereto (Docket No. 52), Plaintiff's Motion for Rule 11 Sanctions (Docket No. 51), Defendant's response thereto (Docket No. 53), and the Declaration of Stanley D. Ference, III (Docket No. 53), IT IS HEREBY ORDERED that:

(1) Defendant's Motion for Summary Judgment on the Complaint and the Counterclaims (Docket No. 36) is **DENIED**;

(2) Plaintiff's Motion for Summary Judgment (Docket No. 39) is **DENIED;**

(3) Plaintiff's Motion to Strike Defendant's Reply Memorandum and the Ference Declaration (Docket No. 56) is **DENIED;**

(4) Plaintiff's Motion for Withdrawal of Jury Trial Demand (Docket No. 42) is **GRANTED;**¹ and

(5) Plaintiff's Motion for Rule 11 Sanctions (Docket No. 51) is **DENIED.**

BY THE COURT:

HERBERT J. HUTTON, J.

¹ The Court's decision to grant Plaintiff's Motion for Withdrawal of Jury Trial Demand does not affect Defendant's right to a jury trial on its counterclaims.