

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

AMERICAN FIDELITY & LIBERTY	:	
INSURANCE CO.	:	
Plaintiff and Counterclaim Defendant	:	CIVIL ACTION
	:	
v.	:	
	:	NO. 97-4307
AMERICAN FIDELITY GROUP et al.	:	
Defendants and Counterclaim Plaintiffs	:	

FINDINGS OF FACT, CONCLUSIONS OF LAW, AND ORDER

YOHN, J. September , 2000

Plaintiff American Fidelity & Liberty Insurance Co. [“AF&L”] sued defendants American Fidelity Corp. and its subsidiary, American Fidelity Assurance Co.,¹ over AFG’s use of a mark beginning with “American Fidelity” in connection with the sale of insurance policies covering long term care [“LTC”].² AF&L asserted three causes of action against AFG: unfair competition under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a), through infringement of a mark (Count I), unfair competition under Pennsylvania common law through infringement of a mark (Count II),

¹American Fidelity Corp. is a holding company. American Fidelity Assurance Co. and the rest of American Fidelity Corp.’s subsidiaries are known collectively as the American Fidelity Group. Herein, American Fidelity Corp. and all of the companies associated with it will be referred to as “AFG.”

²In its amended complaint, AF&L refers to AFG’s use “of the ‘American Fidelity’ trade name.” Am. Compl. (Doc. No. 4) ¶ 25. Although trademarks and trade names are technically distinct, they are treated the same in analyzing infringement and unfair competition claims. *See* 1 J. Thomas McCarthy, 1 *McCarthy on Trademarks & Unfair Competition* [“*McCarthy*”] §§ 4:13, 9:1-4 (4th ed. 1996). Accordingly, the court will not distinguish between trademarks and trade names herein.

and cancellation of AFC's registered trademark under 15 U.S.C. § 1119 due to fraud allegedly perpetrated on the U.S. Patent and Trademark Office ["PTO"] (Count III).³ See Am. Compl. ¶¶ 22-35. In answering AF&L's amended complaint, AFG asserted three counterclaims against AF&L in connection with the sale of insurance policies in general: infringement of a registered trademark under § 32 of the Lanham Act, 15 U.S.C. § 1114, (Counterclaim I), unfair competition under § 43 of the Lanham Act through infringement of a mark (Counterclaim II), and unfair competition under Pennsylvania common law through infringement of a mark (Counterclaim III). See Answer to Am. Compl. & Countercls. (Doc. No. 20) ["Countercls."] ¶¶ 58-69. AFG also claims that AF&L's alleged infringement constitutes deceptive trade practices under Oklahoma state law (Counterclaim IV). See *id.* ¶¶ 70-73; Defs.' & Countercl. Pls.' Post-Trial Br. in Supp. of Their Proposed Findings of Fact & Conclusions of Law (Doc. No. 60) ["Defs. Facts & Law Mem."] at 50.

At its heart, this is a trademark infringement case. AF&L and AFG each claim that they have the exclusive right to use a mark beginning with "American Fidelity" and that the other company's use of such a mark will confuse consumers as to the source of products bearing that mark.⁴ See Am. Compl. ¶¶ 21-33; Countercls. ¶¶ 58-69. AF&L argues that a separate market for

³In AF&L's common law infringement and unfair competition claim (Count II), AF&L also claims that AFG is violating Pennsylvania's anti-dilution statute, 54 Pa. Cons. Stat. § 1124. See Am. Compl. ¶ 31. AF&L does not appear to be pursuing this claim. See Pl.'s Proposed Findings of Fact (Doc. No. 56) ["Pl. Facts"] (failing to propose findings of fact essential to a dilution claim, such as the famousness of the allegedly damaged mark); Pl.'s Post-Trial Brief (Doc. No. 55) ["Pl. Facts Mem."] (failing to make any argument with respect to a dilution claim).

⁴Although AF&L initially asserted claims of infringement and unfair competition in the LTC insurance market (Counts I-II), it now appears to have dropped them. In order to prove unfair competition under the Lanham Act or at common law, a plaintiff must prove a likelihood of confusion. See *Fisons Horticulture, Inc. v. Vigoro Indus., Inc.*, 30 F.3d 466, 472 n.8 (3d Cir.

LTC insurance exists and that AF&L was the first to use an “American Fidelity” mark in that market. *See* Pl. Facts Mem. at 4-8. AFG argues that LTC insurance is merely one part of the life/health insurance market and that AFG was the first to use an “American Fidelity” mark in that market. *See* Defs. Facts & Law Mem. at 4-39. Neither party, however, is relying on federal registration of such a mark.⁵ Instead, each party claims to have common law rights to an unregistered mark beginning with “American Fidelity.”

Having considered all of the testimony and exhibits offered at trial, I now, pursuant to Fed. R. Civ. P. 52(a), make the following findings of fact and conclusions of law:

1994) (stating that a likelihood of confusion is a required element of an unfair competition claim under § 43(a) of the Lanham Act); *infra* Part II.B.1.a.(6) (stating that interstate commerce is the only difference between an unfair competition claim under § 43(a) of the Lanham Act and an unfair competition claim at common law). AF&L now argues, however, that there is no likelihood of confusion in either the LTC insurance market or the life/health insurance market. *See* Pl. Facts ¶¶ 20-23 (arguing that there is no likelihood that either insurance agents or consumers of LTC insurance will be confused about AFG and AF&L); Pl. Facts Mem. at 7-8 (same), 10-20 (arguing that there is no likelihood of confusion about AFG and AF&L in the life/health insurance market). Accordingly, the court concludes that AF&L is no longer pursuing its infringement and unfair competition claims against AFG.

Even if AF&L has not dropped its infringement and unfair competition claims, AF&L does not prove an essential element of its claims: that it is able to assert ownership of a mark beginning with “American Fidelity” in the relevant market (i.e., the life/health insurance market). *See infra* Parts I.B.2, II.B.1.a, II.B.1.c; *see also* Pl. Facts Mem. at 2 (acknowledging that AF&L’s infringement and unfair competition claims must fail if the court concludes that the relevant market is the life/health insurance market). This inability to prove ownership is also fatal to its dilution claim. *See supra* note 3.

⁵The court concludes that AFG has dropped its counterclaim for infringement of a registered trademark (Counterclaim I). *See* Defs.’ & Countercl. Pls.’ Proposed Findings of Fact & Conclusions of Law (Doc. No. 58) [“Defs. Facts & Law”] at 34 (suggesting that the court conclude that AFG is asserting infringement claims under § 43(a) of the Lanham Act and at common law but failing to suggest that AFG is pursuing a claim of infringement of a registered trademark under § 32 of the Lanham Act); Defs. Facts & Law Mem. at 49 (stating that the cancellation of AFC’s registered trademark sought by AF&L is irrelevant because AFG is relying solely on its common law rights to the mark “American Fidelity Group”).

I. Findings of Fact

A. Background

1. AF&L

- a. AF&L was founded in 1987 in Pennsylvania. *See* Pl. Ex. 63 at 7-8.
- b. AF&L's charter allows it to sell a variety of life/health insurance products including LTC insurance. *See* Schratz Test., Tr. of Apr. 13, 1999, at 5 (describing the breadth of insurance products AF&L is allowed to sell by its charter); *see also* Schratz Test., Tr. of Apr. 12, 1999, at 173-75 (stating that the term "life/health insurance" describes a variety of different kinds of insurance (e.g., life, health, and disability)); Pl. Ex. 33 (revealing that insurance industry rating agency A.M. Best considers LTC insurance to be a type of life/health insurance).
- c. Initially, AF&L sold both LTC insurance and disability insurance. *See* Schratz Test., Tr. of Apr. 12, 1999, at 102-03 (stating that AF&L has sold LTC insurance since 1988); Pl. Ex. 63 at 31-33 (stating that AF&L offered disability insurance in its early years).
- d. Currently, AF&L sells only LTC insurance. *See* Schratz Test., Tr. of Apr. 12, 1999, at 102-03.
- e. Until 1994, AF&L was licensed to sell life/health insurance only in Pennsylvania. *See* Pl. Ex. 12.
- f. In 1994, AF&L began expanding geographically and is currently licensed to sell life/health insurance in at least thirty (30) states. *See id.*

- g. Currently, AF&L has roughly 20,000 policyholders and an annual premium revenue of approximately \$30,000,000. *See* Schratz Test., Tr. of Oct. 21, 1999, at 174 (policyholders); Warren Test., Tr. of Oct 21, 1999, at 164 (annual premium revenue).

2. AFG

- a. AFG was founded in 1960 and is based in Oklahoma. *See* Pl. Ex. 47.
- b. AFG is a multi-line company (i.e., it sells multiple lines of insurance) that sells a variety of life/health insurance products, including life insurance, health insurance, disability insurance, and LTC insurance. *See* Defs. Exs. 51-55 (detailing the expansion of AFG's insurance product offerings).
- c. AFG sold LTC insurance from 1989 to 1993 and from 1997 to the present. *See* Weaver Test., Tr. of June 15, 1999, at 16-24.
- d. AFG was licensed to sell insurance in at least twenty-six (26) states in its first decade of existence. *See* Defs. Ex. 50 (listing the dates on which AFG was licensed to sell insurance in each state).
- e. By the end of 1986, the year before AF&L was founded, AFG was licensed to sell insurance in the District of Columbia and in all states except Vermont, Pennsylvania, New York, New Jersey, New Hampshire, Michigan, Massachusetts, Maine, and Connecticut. *See* Defs. Ex. 50.
- f. In the District of Columbia and in every state except Pennsylvania, AFG was licensed to sell insurance before AF&L. *See id.*; Pl. Exs. 12, 17.

- g. By the end of 1986, the year before AF&L was founded, AFG was receiving premium revenue on a variety of life/health insurance products from the District of Columbia and all fifty states. *See* Defs. Ex. 56.
- h. AFG currently has over 1,000,000 policyholders. *See* Weaver Test., Tr. of June 14, 1999, at 107-08.
- i. AFG's total revenue in 1998 was \$327,000,000. *See id.* at 107.

B. Infringement and Unfair Competition Claims (Counts I-II, Counterclaims II-III)

1. Validity and Protectability of “American Fidelity Group”

- a. AFG markets products under “American Fidelity Group” outside the U.S. *See* Weaver Test., Tr. of June 14, 1999, at 92 (describing AFG's business in Russia and Asia, as well as Central and Latin America).
- b. The word “American” in “American Fidelity Group” is not descriptive of the location in which AFG sells its products. *See supra* Part I.B.1.a.
- c. One meaning of the word “fidelity” pertains to a particular type of insurance product, fidelity insurance. *See* Schratz Test., Tr. of Apr. 12, 1999, at 131. Fidelity insurance operates as a guarantee of the honesty of a person—typically an officer of a corporation—and indemnifies the insured for losses due to the specified person's dishonesty. *See Black's Law Dictionary* at 624-25 (6th ed. 1990).
- d. AF&L presented no credible evidence that AFG sold in the past or is currently selling fidelity insurance. Indeed, in terms of insurance products offered, the evidence concerning the growth of AFG indicates that AFG has never sold fidelity insurance. *See* Weaver Test., Tr. of June 14, 1999, at 102-06; Defs. Exs. 51-55.

- e. The word “fidelity” in “American Fidelity Group” does not describe a particular type of insurance sold by AFG. *See supra* Parts I.B.1.c, I.B.1.d.
- f. “American Fidelity Group” is not intended to describe a characteristic of the insurance policies AFG sells. *See Weaver Test.*, Tr. of June 15, 1999, at 16.
- g. Instead, “American Fidelity Group” is intended to evoke in customers the impression that AFG will be loyal to them. *See id.*
- h. The court finds that “American Fidelity Group” actually makes customers think of AFG as a loyal company. *See supra* Parts I.B.1.f, I.B.1.g; *see also* Pl. Ex. 63 at 42 (containing a statement by AF&L’s founder that AF&L’s name evokes feelings of stability and integrity and helps in marketing to senior citizens).
- i. Without using some imagination, “American Fidelity Group” reveals nothing about the quality or any other characteristic of an insurance policy. *See supra* Parts I.B.1.b, I.B.1.e, I.B.1.h.
- j. As used by AFG, “American Fidelity Group” is an inherently distinctive mark—at least suggestive and perhaps arbitrary. *See supra* Parts I.B.1.b, I.B.1.e, I.B.1.h, I.B.1.i.
- k. As used by AFG, “American Fidelity Group” is a valid and protectable mark. *See supra* Part I.B.1.j.

2. Ownership of a Mark Beginning with “American Fidelity”

a. Relevant Market

- (1) Historically, the insurance industry has recognized two broad product categories: “Property and Casualty” on the one hand, and “Life and Health” on the other.

Property and casualty insurance protects against a variety of risks of loss of, or damage to, property. Life and health insurance protects against a variety of risks of injury or adverse health events. It includes term, whole and group life insurance, disability insurance, accidental death and dismemberment insurance, individual or group health or major medical insurance, cancer or other serious disease policies, as well as nursing home, home health care and LTC insurance. *See Schratz Test.*, Tr. of Apr. 12, 1999, at 173-75.

- (2) There are numerous business reasons for a multi-line company to begin selling a new line of insurance like LTC insurance (e.g., diversifying risk, diversifying revenue, cross-selling products, and managing total wellness). *See Bambauer Test.*, Tr. of Oct. 20, 1999, at 72-75, 77-79, 90-91.
- (3) Many multi-line companies are currently considering selling LTC insurance. *See Behrens Test.*, Tr. of June 15, 1999, at 129.
- (4) If a multi-line company markets some or all of its lines under the same brand (e.g., Prudential), then the company may have an additional reason to sell a new line of insurance: the goodwill associated with this brand will inure to the benefit of the new line of insurance sold under the same brand. *See Weaver Test.*, Tr. of June 15, 1999, at 12-14; *Bambauer Test.*, Tr. of Oct. 20, 1999, at 73-75.
- (5) AFG currently markets all of its insurance products under the brand “American Fidelity Group.” *See Barrowman Test.*, Tr. of Oct. 20, 1999, at 14-17, 32-36; Defs. Ex. 70.

- (6) AFG has undertaken extensive branding efforts since 1989 to increase recognition of the mark “American Fidelity Group.” *See* Weaver Test., Tr. of June 14, 1999, at 109-10 (describing AFG’s unified marketing strategy to highlight “American Fidelity Group”); Barrowman Test., Tr. of Oct. 20, 1999, at 32-36 (describing Defs. Ex. 70, which is AFG’s manual concerning the proper ways in which to use the mark “American Fidelity Group” on almost every conceivable type of communication from AFG).
- (7) Between 1989 and 1997, AFG’s annual insurance reports reveal that it spent roughly \$30,000,000 on advertising. *See* Defs. Exs. 37-45.
- (8) Before AFG began selling life/health insurance using “American Fidelity Group,” it sold insurance using “American Fidelity Companies.” *See* Barrowman Test., Tr. of Oct. 20, 1999, at 14-17 (stating that AFG sold life/health insurance using “American Fidelity Companies” from the mid-1960s to the late 1980s).
- (9) Many multi-line companies selling LTC insurance products are doing so in combination with other lines of insurance. *See* Behrens Test., Tr. of June 15, 1999, at 129. For example, a multi-line company may offer a disability insurance policy with a provision for LTC. *See id.* The same can be done with a life insurance policy. *See id.* at 130; *see also* Bambauer Test., Tr. of Oct. 20, 1999, at 84-85, 89-90 (describing other combinations).
- (10) The vast majority of the top LTC insurance companies are currently multi-line companies. *See* Bambauer Test., Tr. of Oct. 20, 1999, at 70-71 (stating that nine out of the top ten LTC insurance companies are multi-line companies), 85-86

(describing John Hancock's involvement with LTC insurance), 164-67 (stating that only one of the top ten or twelve LTC insurance companies focuses primarily on LTC insurance—the rest are multi-line companies); Schratz Test., Tr. of Apr. 13, 1999, at 28-29 (listing the following as examples of multi-line companies selling LTC insurance: Aetna, John Hancock, Mutual of Omaha, and AIG); Defs. Ex. 108.

- (11) LTC insurance, disability insurance, and life insurance address many of the same needs, wants, and concerns of consumers (e.g., asset and income preservation for self and heirs). *See* Bambauer Test., Tr. of Oct. 20, 1999, at 79-82.
- (12) To some extent, one of these kinds of insurance can be substituted for another. *See id.* (discussing how LTC insurance obviates the need for a large cash surrender value or viatical settlement option in a life insurance policy and how the benefits of disability insurance and LTC insurance can overlap); *see also supra* Part I.B.2.a.(9) (discussing combinations of LTC products with other life/health insurance products).
- (13) Like health, life, and disability insurance, LTC insurance is sold using several methods, including both one-on-one sales presentations by independent agents or brokers and group sales presentations to employees or other groups. *See* Warren Test., Tr. of Oct. 21, 1999, at 72-78.
- (14) Unlike health, life, and disability insurance, LTC insurance is sold most successfully and most commonly in one-on-one sales presentations. *See id.*

- (15) Sales of LTC insurance through group sales presentations are, however, growing faster than sales through one-on-one sales presentations. *See id.*
- (16) LTC insurance is merely one of the many insurance products sold in the life/health insurance market. *See supra* Parts I.B.2.a.(1), I.B.2.a.(3), I.B.2.a.(4), I.B.2.a.(5), I.B.2.a.(6), I.B.2.a.(7), I.B.2.a.(8), I.B.2.a.(9), I.B.2.a.(10), I.B.2.a.(11), I.B.2.a.(12), I.B.2.a.(13), I.B.2.a.(14), I.B.2.a.(15).
- (17) The court finds that the relevant market is the general life/health insurance market. There is no separate niche market for only LTC insurance.

b. Priority of Use of a Mark Beginning with “American Fidelity”

- (1) AF&L was founded in 1987 and was licensed to sell insurance in Pennsylvania the same year. *See* Defs. Ex. 47; Pl. Ex. 12.
- (2) Until 1994, AF&L was licensed to sell life/health insurance only in Pennsylvania. *See* Pl. Ex. 12.
- (3) In 1994, AF&L began expanding geographically and is currently licensed to sell life/health insurance in at least thirty (30) states. *See id.*
- (4) AFG was founded in 1960 and was licensed to sell insurance in at least twenty-six (26) states in its first decade of existence. *See* Pl. Ex. 47 (stating that AFG was founded in 1960); Defs. Ex. 50 (listing the dates on which AFG was licensed to sell insurance in each state).
- (5) By the end of 1986, the year before AF&L was founded, AFG was licensed to sell insurance in the District of Columbia and in all states except Vermont,

Pennsylvania, New York, New Jersey, New Hampshire, Michigan, Massachusetts, Maine, and Connecticut. *See* Defs. Ex. 50.

- (6) In the District of Columbia and in every state except Pennsylvania, AFG was licensed to sell insurance before AF&L. *See* Defs. Ex. 50; Pl. Exs. 12, 17.
- (7) By the end of 1986, the year before AF&L was founded, AFG was receiving premium revenue on a variety of life/health insurance products from the District of Columbia and all fifty states. *See* Defs. Ex. 56.
- (8) AF&L did not begin selling insurance until 1988, when it started selling LTC insurance. *See* Schratz Test., Tr. of Apr. 12, 1999, at 102-03. It has sold LTC insurance since then. *See id.*
- (9) AFG used “American Fidelity” in commerce in selling life/health insurance before AF&L did, and AFG has continued to use “American Fidelity.”⁶ *See supra* Parts I.A.2.d, I.A.2.e, I.A.2.f, I.A.2.g, I.B.2.b.(1), I.B.2.b.(4), I.B.2.b.(5), I.B.2.b.(6), I.B.2.b.(7), I.B.2.b.(8).

c. Ownership

⁶The court declines to accept AF&L’s *jus tertii* argument that third parties’ use of “American Fidelity” marks prior to AFG’s use of such a mark prevents AFG from claiming priority of use. *See Committee for Idaho’s High Desert, Inc. v. Yost*, 92 F.3d 814, 820-21 (9th Cir. 1996); *Ward Baking Co. v. Potter-Wrightington, Inc.*, 298 F. 398, 402 (1st Cir. 1924); *National Picture Theaters, Inc. v. Foundation Film Corp.*, 266 F. 208, 211 (2d Cir. 1920); *Capetola v. Orlando*, 426 F. Supp. 616, 617-18 (E.D. Pa. 1977); *Stork Restaurant, Inc. v. Marcus*, 36 F. Supp. 90, 94 (E.D. Pa. 1941); 5 *McCarthy* § 31:160 (4th ed. 1996). There is currently one other company, American Fidelity Life Insurance Company of Florida, which uses the specific name combination “American Fidelity.” AFG reached an agreement with that entity concerning name usage more than 35 years ago.

- (1) AFG may assert ownership of “American Fidelity Group” against AF&L in the life/health insurance market.⁷ *See supra* Parts I.B.2.a, I.B.2.b.

3. Likelihood of Confusion as to the Source of a Life/Health Insurance Policy Bearing an “American Fidelity” Mark

a. Degree of Similarity between “American Fidelity Group” and “American Fidelity & Liberty Insurance Co.”

- (1) Both consumers and insurance agents frequently refer to an insurance company by a shortened name. *See* Bambauer Test., Tr. of Oct. 20, 1999, at 135-36.
- (2) Both consumers and insurance agents are likely to refer to AF&L as “American Fidelity.” *See id.*
- (3) An AF&L operator has answered the phone, “American Fidelity.” *See id.* at 137.
- (4) At trial, a witness for AF&L referred to it as “American Fidelity.” *See* Warren Test., Oct. 21, 1999, Tr. at 159-60.
- (5) The insurance industry rating agency A.M. Best has referred to AF&L as “American Fidelity.” *See* Defs. Ex. 12.
- (6) Both consumers and insurance agents are likely to refer to AFG as “American Fidelity.” *See* Bambauer Test., Tr. of Oct. 20, 1999, at 135-36.

⁷Even if the relevant market were the LTC insurance market, AFG can still assert ownership of “American Fidelity Group” against AF&L in that market. Although AFG would not be the first to use an “American Fidelity” mark in that market, consumers would reasonably expect LTC insurance and other kinds of life/health insurance to be sold by a single company. *See supra* Part I.B.2.a. Consequently, AFG’s priority of use in other life/health insurance markets would transfer to the LTC insurance market. *See Commerce Nat’l Ins. Servs., Inc. v. Commerce Ins. Agency, Inc.*, 214 F.3d 432, 438 (3d Cir. 2000).

- (7) In its filings, AFG refers to itself as “American Fidelity.” *See e.g.*, Defs. Facts & Law.
- (8) The full company names are virtually identical, and the dominant portions of both names, i.e., the first two words thereof (“American Fidelity”) are in fact identical. The evidence at trial indicated that in common parlance, both parties are known, and are referred to, by the shortened “American Fidelity.”
- (9) The similarity of “American Fidelity Group” and “American Fidelity & Liberty Insurance Co.,” the dominance in both names of the words “American Fidelity,” and the absolute identity of the name by which they are commonly referred to strongly suggest that there is a likelihood of confusion. *See supra* Parts I.B.3.a.(1), I.B.3.a.(2), I.B.3.a.(3), I.B.3.a.(4), I.B.3.a.(5), I.B.3.a.(6), I.B.3.a.(7), I.B.3.a.(8).

b. Strength of “American Fidelity Group”

(1) Distinctiveness of “American Fidelity Group”

- (a) The inherent distinctiveness of “American Fidelity Group” suggests that it is a strong mark. *See supra* Part I.B.1.j.

(2) Marketplace Recognition of “American Fidelity Group”

- (a) AFG has engaged in extensive efforts to increase marketplace recognition of the mark “American Fidelity Group.” *See supra* Parts I.B.2.a.(5), I.B.2.a.(6), I.B.2.a.(7), I.B.2.a.(8) (describing AFG’s branding and advertising efforts). AFG has consistently advertised and promoted its “American Fidelity” brand identity, even before its adoption of the registered “American Fidelity Group”

mark. In 1988 AFG spent \$1.5 - 2 million on advertising and is now spending \$14 million a year on advertising for an average of \$5 million a year during the entire period. *See Barrowman Test.*, Tr. of Oct. 20, 1999, at 23.

- (b) AF&L acknowledges that it does not advertise or promote any brand identity. *See Schratz Test.*, Tr. of Apr. 13, 1999, at 33. AF&L is the smaller company, which until recent years confined its activities to Pennsylvania alone, and which has made no effort to gain any name recognition among consumers. Therefore, it is likely that when consumers who are aware of AFG are approached by an agent selling AF&L policies, they will assume either that AFG is the actual source of those policies, or that there is some affiliation, sponsorship or connection between AFG and the entity selling the policies. This likelihood is further enhanced by the natural propensity to refer to AF&L by the shortened name “American Fidelity.”
- (c) AFG is an entity of national scope which has spent nearly forty years promoting a wide variety of insurance products under the “American Fidelity” name and actively cultivating a brand name image. It is financially solid and enjoys uniformly high ratings from all the major insurance company rating services. It has well over a million policies currently in force. By contrast, AF&L is the smaller company, which until recently confined its activities to Pennsylvania alone, and which has made no effort to create any name recognition among consumers.

- (d) The court finds that the efforts of AFG were successful and that “American Fidelity Group” is a well-recognized mark, suggesting that it is also a strong mark. *See supra* Part I.B.3.b.(2)(a).

(3) Strength

- (a) The strength of the mark “American Fidelity Group” strongly suggests a likelihood of confusion. *See supra* Parts I.B.3.b.(1), I.B.3.b.(2).

c. Price and Other Factors Indicating the Care and Attention Expected of Consumers when Purchasing Life/Health Insurance

- (1) LTC insurance can be very expensive. *See Warren Test.*, Tr. of Oct. 21, 1999, at 86 (stating that the annual premium for LTC insurance may be a senior citizen’s largest expense). This suggests that a high level of care and attention is to be expected of consumers of LTC insurance as to its purchase, but not necessarily to the name of the insurance provider. The provider is generally selected by the agent.
- (2) Sales presentations for LTC insurance are long and involved due to the complicated nature of the product and the consumer’s resistance to buying a new insurance policy, as opposed to replacing an existing one. *See id.* at 85-86. This suggests a moderate level of care is to be expected of consumers of LTC insurance as to its purchase, but, again, not necessarily to the name of the insurance provider, which is generally selected by the agent.
- (3) Some consumers of life/health insurance are likely to believe what a salesman tells them. *See Pl. Ex. 63* at 42 (referring to senior citizens as “a very trusting

people”). This suggests that a low level of care and attention is to be expected of these consumers when purchasing life/health insurance.

- (4) A moderate level of care and attention is to be expected of consumers when purchasing life/health insurance and, in particular, LTC insurance. *See supra* Parts I.B.3.c.(1), I.B.3.c.(2), I.B.3.c.(2), I.B.3.c.(3). This weakly suggests a likelihood of confusion.

d. Length of Time AF&L Used “American Fidelity & Liberty Insurance Co.” without Evidence of Actual Confusion

- (1) AF&L sold LTC insurance for almost ten years before any actual confusion occurred. *See* Schratz Test., Tr. of Apr. 12, 1999, at 102-03 (stating that AF&L began selling insurance in 1988); *infra* Part I.B.3.f (describing the actual confusion that has occurred—none of it before 1997). However, during most of this time AF&L was selling only in Pennsylvania.
- (2) The long period of time that AF&L used “American Fidelity & Liberty Insurance Co.” without either company being aware of any actual confusion suggests that there is no likelihood of confusion. *See supra* Part I.B.3.d.(1).
- (3) However, as AF&L has expanded its sales of LTC insurance from Pennsylvania into numerous other states, and as AFG has expanded its sales of general health/life insurance products in almost all states to include LTC policies, actual confusion has occurred and is clearly more likely to occur with greater frequency in the future.

e. AF&L’s Intent in Adopting “American Fidelity & Liberty Insurance Co.”

- (1) AF&L adopted the name “American Fidelity & Liberty Insurance Co.” in order both to help it sell insurance to senior citizens and to evoke a sense of integrity and security. *See* Pl. Ex. 63 at 42.
- (2) AFG presented no credible evidence that AF&L adopted “American Fidelity & Liberty Insurance Co.” for any other reason.
- (3) AF&L’s intent in adopting “American Fidelity & Liberty Insurance Co.” is not probative of the likelihood of confusion. *See supra* Parts I.B.3.e.(1), I.B.3.e.(2).

f. Evidence of Actual Confusion

- (1) Since the beginning of 1998, at least six insurance agents have confused AFG and AF&L. *See* Douglas Test., Tr. of Apr. 13, 1999, at 92-94 (describing six or seven incidents in which agents called AF&L about a product offered by AFG).
- (2) Since the beginning of 1997, at least two insurance companies have confused AFG and AF&L. *See* Defs. Exs. 57-58 (writing to AF&L at AFG’s address).
- (3) Since the beginning of 1999, an employee of at least one state insurance department has confused AFG and AF&L. *See* Defs. Ex. 60 (writing to AFG regarding a consumer complaint about AF&L).
- (4) Since the beginning of 1997, at least one relative of an AF&L customer has confused AFG and AF&L. *See* Behrens Test., Tr. of June 15, 1999, at 141-44 (describing a complaint to AFG made by the sister of an Alzheimer’s patient about the behavior of agents of AF&L); Defs. Ex. 59 (same).
- (5) AF&L contends that there is a likelihood of confusion in the LTC insurance market from the parties’ common use of the name, although AF&L contends that

most of this confusion will occur among insurance agents. Such agents, who are active in the insurance industry on a full-time basis, are more sophisticated than consumers in discriminating among different insurance companies, and more likely than the average consumer to be alert to potential differences in source, sponsorship or affiliation. If the parties' names are similar enough to confuse insurance agents, they are similar enough to confuse ordinary, lay consumers.

- (6) Based on the evidence of actual confusion among insurance agents, insurance companies, employees of state insurance departments, and relatives of AF&L customers, the court finds that there currently exists actual confusion among consumers. *See supra* Parts I.B.3.f.(1), I.B.3.f.(2), I.B.3.f.(3), I.B.3.f.(4).
- (7) Based on the growth of AF&L and AFG, increased competition between them is likely. *See* Pl. Ex. 14 (describing the growth of AF&L's premiums and geographical coverage from 1989-1998); Defs. Exs. 34-46 (describing the growth of AFG's premiums from 1986-1998); *supra* Parts I.A.2.d, I.A.2.e, I.A.2.g, I.B.2.b.(4), I.B.2.b.(5), I.B.2.b.(7) (describing AFG's growth in geographical coverage). The court finds that actual confusion will increase as competition between AFG and AF&L increases.
- (8) The evidence of actual confusion strongly suggests a likelihood of confusion. *See supra* Parts I.B.3.f.(6), I.B.3.f.(7).

g. Extent to Which AFG's and AF&L's Insurance Policies Are Marketed through the Same Channels of Trade and Advertised through the Same Media

- (1) **Marketed through the Same Channels of Trade**

- (a) All sales of AF&L's insurance policies occur through independent insurance agents or brokers. *See* Schratz Test., Tr. of Apr. 13, 1999, at 43.
- (b) Some sales of AFG's insurance policies occur through independent agents or brokers. *See* Weaver Test., Tr. of June 14, 1999, at 112-14.
- (c) There is at least some overlap between the channels of trade through which AFG and AF&L market their insurance policies, moderately suggesting a likelihood of confusion. *See supra* Parts I.B.3.g.(1)(a), I.B.3.g.(1)(b).

(2) Advertised through the Same Media

- (a) From 1987 to 1992, all of AF&L's promotional efforts consisted of its founder's direct personal contact with independent insurance agents in Pennsylvania. *See* Pl. Ex. 63 at 44-45.
- (b) AF&L does not advertise its insurance products to consumers. *See* Schratz Test., Tr. of Apr. 13, 1999, at 33.
- (c) AFG extensively advertises to consumers. *See supra* Parts I.B.2.a.(5), I.B.2.a.(6), I.B.2.a.(7), I.B.2.a.(8) (describing AFG's branding and advertising efforts).
- (d) In addition to its consumer advertising, AFG advertises at gatherings of independent insurance agents and does direct mailings to these agents. *See* Weaver Test., Tr. of June 14, 1999, at 110 (describing AFG's agent advertising).
- (e) Although there may have been some direct personal contact between AFG employees and independent insurance agents at their gatherings, there is very

little if any overlap between the media AFG and AF&L use for advertising, suggesting no likelihood of confusion. *See supra* Parts I.B.3.g.(2)(a), I.B.3.g.(2)(b), I.B.3.g.(2)(c), I.B.3.g.(2)(d).

h. Extent to Which the Targets of AFG's and AF&L's Sales Efforts Are the Same

- (1) AF&L sells LTC insurance primarily to people over sixty-five (65) years old. *See Kalina Test.*, Tr. of Apr. 12, 1999, at 81.
- (2) AF&L sells some LTC insurance to people under sixty-five (65) years old. *See id.* at 81-82.
- (3) Based on the actuarial assumptions in memoranda prepared for AF&L, AF&L is trying to target younger people. *See* Defs. Exs. 128-32 (listing larger commissions to be paid to agents for sales to younger people).
- (4) AFG targets people of all ages in selling LTC insurance. *See* Warren Test., Tr. of Oct. 21, 1999, at 103 (describing AFG's targeting of senior citizens); Weaver Test., Tr. of June 15, 1999, at 33 (describing AFG's targeting of younger people).
- (5) AFG targets people of all ages in selling other kinds of life/health insurance. *See* Weaver Test., tr. of June 14, 1999, at 112-18 (discussing AFG's sales and marketing to employers and a variety of affinity groups that cut across age lines).
- (6) The similarity of the targets of AFG's and AF&L's sales efforts strongly suggests a likelihood of confusion. *See supra* Parts I.B.3.h.(1), I.B.3.h.(2), I.B.3.h.(3), I.B.3.h.(4), I.B.3.h.(5).

i. Relationship of AFG's Insurance Policies to AF&L's Insurance Policies in the Minds of the Public Due to Similarity of Function

- (1) AFG currently sells a variety of life/health insurance products, including LTC insurance. *See Weaver Test.*, Tr. of June 14, 1999, at 102-06; Defs. Exs. 51-55 (listing the different lines of insurance sold by AFG).
- (2) AF&L currently sells only LTC insurance, although its charter allows it to sell a variety of life/health insurance products. *See Schratz Test.*, Tr. of Apr. 12, 1999, at 102-03 (describing the insurance products currently sold by AF&L); *Schratz Test.*, Tr. of Apr. 13, 1999, at 5 (describing the breadth of insurance products AF&L is allowed to sell by its charter).
- (3) LTC insurance, disability insurance, and life insurance address many of the same needs, wants, and concerns of consumers (e.g., asset and income preservation for self and heirs). *See Bambauer Test.*, Tr. of Oct. 20, 1999, at 79-82.
- (4) To some extent, one of these kinds of insurance can be substituted for another. *See id.* (discussing how LTC insurance obviates the need for a large cash surrender value or viatical settlement option in a life insurance policy and how the benefits of disability insurance and LTC insurance can overlap); *see also supra* Part I.B.2.a.(9) (discussing combinations of LTC products with other life/health insurance products).
- (5) AFG's insurance policies and AF&L's insurance policies serve similar functions in the minds of the public. *See supra* Parts I.A.1.b, I.B.3.i.(1), I.B.3.i.(2), I.B.3.i.(3), I.B.3.i.(4). This strongly suggests a likelihood of confusion.

j. Other Facts Suggesting that Consumers Might Expect AFG to Sell a Product in AF&L's Market

- (1) There is no other credible evidence suggesting that consumers might expect AFG to sell a product in AF&L's market.

k. Consent to Use

- (1) On May 29, 1964, AFG and American Fidelity Life Insurance Co. ["AFLI"] entered into an agreement that allowed both companies to use marks beginning with "American Fidelity" in selling life/health insurance to groups, associations, and individuals across the country. *See* Pl. Ex. 66 at 1-2.
- (2) In allowing both companies to use "American Fidelity," the agreement imposed the following restrictions on AFG and AFLI: in Florida, AFG would sell only to civilians; in Oklahoma, AFLI would sell only to military personnel; and neither party would attempt to prevent the other party from using "American Fidelity." *See id.* ¶¶ 1, 3-4.
- (3) The agreement also recognized that AFLI began selling insurance using "American Fidelity Life Insurance Co." four years before AFG was founded. *See id.* ¶ 3.
- (4) AF&L's use of "American Fidelity & Liberty Insurance Co." in selling life/health insurance is the same kind of use that AFG consented to in its agreement with AFLI. *See supra* Parts I.A.1, I.B.3.k.(1), I.B.3.k.(2), I.B.3.k.(3).
- (5) Considering the age of the agreement, the status of the two companies in 1964, their ability to coexist within the confines of the agreement since then, and the ways in which the life/health insurance industry has changed in thirty-five years,

AFG's agreement with AFLI moderately suggests that there is no likelihood of confusion. *See supra* Parts I.B.3.k.(1), I.B.3.k.(2), I.B.3.k.(3), I.B.3.k.(4).

I. Overall Likelihood of Confusion⁸

- (1) Based on the inherent distinctiveness of "American Fidelity Group" and the degree of similarity between "American Fidelity Group" and "American Fidelity & Liberty Insurance Co.," in spite of the agreement between AFG and AFLI, there is a likelihood of confusion. *See supra* Parts I.B.1.j, I.B.3.a, I.B.3.k.
- (2) Alternatively, based on all of the above factors, there is a likelihood of confusion. *See supra* Parts I.B.3.a, I.B.3.b, I.B.3.c, I.B.3.d, I.B.3.e, I.B.3.f, I.B.3.g, I.B.3.h, I.B.3.i, I.B.3.j, I.B.3.k.

4. Remedy

- a. AF&L has made no significant investment in the "American Fidelity & Liberty" name or in promoting any kind of "brand name" identity to consumers. AF&L witnesses asserted that purchasers of its insurance rely virtually entirely on what the

⁸The court declines to accept AFG's estoppel argument with respect to likelihood of confusion. *See* Defs. Facts & Law Mem. at 27-28. In the amended complaint, AF&L alleges that AFG's use "of the 'American Fidelity' trade name in connection with long term health care insurance services has and is likely to continue to cause confusion, deception and mistake in the marketplace." Am. Compl. ¶ 25. Based on this allegation, AFG would have the court estop AF&L from contesting the existence of a likelihood of confusion in the life/health insurance market. *See* Defs. Facts & Law Mem. at 27-28. From the paragraphs preceding and following the one at issue in the amended complaint, however, it is clear that the "marketplace" AF&L refers to in ¶ 25 is "the long term health care insurance services market." *Id.* ¶ 23; *see id.* ¶¶ 21-28; *see also* Tr. of Apr. 12, 1999, at 9-10 (explaining AF&L's position on this issue). Thus, AF&L merely alleges the existence of a likelihood of confusion in the LTC insurance market. AF&L is not estopped from disputing the existence of a likelihood of confusion in the life/health insurance market simply because AF&L alleges that there is a likelihood of confusion in the LTC insurance market.

selling agents tell them to do. If so, the purchasers' buying decision is not influenced by name recognition. There is no evidence that AF&L relies on name recognition among independent agents to increase its sales, or that requiring a change of name would affect its ability to recruit such agents.

- b. Based on AF&L's lack of advertising and promotion to consumers, and its ability to quickly and relatively inexpensively communicate a change of name effectively to its sales agents, the court finds that it would not be overly burdensome to AF&L to refrain from selling insurance using "American Fidelity." *See supra* Parts I.B.3.g.(2)(a), I.B.3.g.(2)(b).
- c. A disclaimer would be an impractical remedy. It would be unwieldy and ineffective. Its use would have to apply to too many documents and would not overcome the confusion already existing because of the shortening of the names. Moreover, as both companies expand into new product lines and new geographic areas, the use of disclaimers would only become more cumbersome and confusing.
- d. The parties have agreed that monetary damages are not being sought. *See* Tr. of Apr. 12, 1999, at 8.

C. Cancellation of Registered Trademark Due to Fraud on the PTO Claim (Count III)

1. On October 10, 1989, AFG applied to the PTO to register the mark "American Fidelity Group." *See* Pl. Ex. 38.
2. On September 18, 1990, the PTO registered the mark under number 1,614,218. *See* Pl. Ex. 61.

3. AFG's application contained an affidavit that, based on knowledge and belief, no one had a right to use "American Fidelity Group" or a confusingly similar mark. *See* Pl. Ex. 38 (stating "on behalf of the corporation" that based on "knowledge and belief, no other person, firm, corporation, or association has the right to use the mark in commerce, either in identical form or in such near resemblance thereto as to be likely . . . to cause confusion").
4. The only evidence regarding AFG's knowledge at any time of its agreement to allow AFLI to use an "American Fidelity" mark (other than the 1964 agreement itself) consists of two statements by AFG's current chief legal officer, who also held that position at the time of the application. *See supra* Part I.B.3.k (describing the agreement). First, he stated that he had seen the agreement before and that he recognized it, but he pointedly did not acknowledge that it came from AFG's files. *See* Garrett Test., Tr. of June 14, 1999, at 21. Later, he stated that he could not find the agreement in AFG's files. *See id.* at 38-39.
5. AF&L failed to present credible, clear and convincing evidence that AFG knew of its agreement with AFLI at the time of AFG's application or believed at the time that it had such an agreement.
6. At the time of AFG's application, AFG was aware that American Fidelity Company ["AFC"] had claimed ownership of "American Fidelity Company" and asserted that this mark was confusingly similar to "American Fidelity Group." *See* Pl. Ex. 42.
7. At the time of AFG's application, it was unclear whether AFC actually had a superior claim to the mark "American Fidelity Group" or a confusingly similar mark. *See*

Garrett Test., Tr. of June 14, 1999, at 38 (stating that AFC agreed to settle the suit with AFG over the ownership of the “American Fidelity” mark by assigning all of its rights to AFG for less than the suit would have cost AFG to litigate).

8. At the time of AFG’s application, AFG did not actually believe that AFC or anyone else had a superior claim to that mark or a confusingly similar mark. *See id.* at 34-36.
9. AFG did not intentionally misrepresent to the PTO that no one had a right to use “American Fidelity Group” or a confusingly similar mark. If AFG incorrectly stated that no one had a superior claim to “American Fidelity Group” or a confusingly similar mark, that misstatement was inadvertent. *See supra* Parts I.C.1, I.C.2, I.C.3, I.C.5, I.C.6, I.C.7, I.C.8.

D. Deceptive Trade Practices Claim (Counterclaim IV)

1. AFG presented no credible evidence that any infringement or false designation of origin by AF&L was done knowingly. Moreover, to the extent that AFG has shown any infringement or false designation of origin, it has not shown that any such violation was done by AF&L as opposed to a separate and distinct company.

II. Conclusions of Law

A. Jurisdiction

1. This is an action for, inter alia, infringement and unfair competition under § 43(a) of the Lanham Act, 15 U.S.C. § 1125(a). The court has original jurisdiction over these claims pursuant to 15 U.S.C. § 1121(a).
2. This action also involves certain related state law claims. The court has supplemental jurisdiction over these claims pursuant to 28 U.S.C. § 1367.

B. Applicable Law

1. Infringement and Unfair Competition Claims (Counts I-II, Counterclaims II-III)

a. Generally

- (1) Section 43(a) of the Lanham Act prohibits unfair competition through “[f]alse designations of origin” and reads in relevant part as follows:

(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).

- (2) It is clear that “[t]he function of a trademark is to identify the origin or ownership of the article; the essence of the wrong [infringement] is the passing off of the goods of one manufacturer or vendor as those of another.” *Dresser Indus., Inc. v. Heraeus Engelhard Vacuum, Inc.*, 395 F.2d 457, 461 (3d Cir. 1968). In this way, “the law of trademark infringement is but a part of the law of unfair competition.” *American Footwear Corp. v. General Footwear Co.*, 609 F.2d 655, 664 (2d Cir. 1979) (internal quotation marks omitted); *see Dresser*, 395 F.2d at 461.
- (3) The Third Circuit has recognized that “[§]43(a) of the Lanham Act ‘extends protection to unregistered trademarks on the principle that unlicensed use of a designation serving the function of a registered mark constitutes a false designation of origin and a false description or representation.’” *Dranoff-*

Perlstein Assocs. v. Sklar, 967 F.2d 852, 854 (3d Cir. 1992) (quoting *A.J. Canfield Co. v. Honickman*, 808 F.2d 291, 296 (3d Cir. 1986)).

- (4) A claim of unfair competition under § 43(a) of the Lanham Act requires proof of essentially the same elements as an infringement claim. *See Fisons*, 30 F.3d at 473 (acknowledging this).
- (5) A plaintiff establishes trademark infringement and unfair competition under § 43(a) of the Lanham Act by proving: “(1) its mark is valid and legally protectable; (2) it owns the mark; and (3) the defendant’s use of the mark to identify its goods or services is likely to create confusion concerning the origin of those goods or services.” *Commerce*, 214 F.3d at 437.
- (6) A common law unfair competition claim in Pennsylvania requires proof of the same elements as an unfair competition claim under § 43(a) of the Lanham Act, except that the Lanham Act requires the mark to have been used in interstate commerce. *See Regal Indus., Inc. v. Genal Strap, Inc.*, No. 93-209, 1994 WL 388686, at *2 (E.D. Pa. July 26, 1994); *see also AT & T v. Winback & Conserve Program, Inc.*, 42 F.3d 1421, (3d Cir. 1994) (“[T]he Lanham Act is derived generally and purposefully from the common law tort of unfair competition Thus, the conduct prohibited by section 43(a) of the Lanham Act is . . . analogous to common law torts.”); *Dranoff-Perlstein*, 967 F.2d at 854-63 (failing to engage in separate analyses of a claim of infringement and unfair competition under the common law and a claim of infringement and unfair competition under § 43(a) of the Lanham Act).

b. Validity and Protectability

- (1) If a plaintiff's mark is inherently distinctive, then the validity of the mark is established, whether or not the mark is federally registered. *See Commerce*, 214 F.3d at 438.
- (2) Whether a mark is inherently distinctive is a question of fact. *See A.J. Canfield* 808 F.2d at 307 n.24 (noting approvingly that courts generally consider the level of inherent distinctiveness to be a question of fact).
- (3) If a mark "may be fairly characterized as arbitrary, fanciful, or suggestive," then it is inherently distinctive. *See Commerce*, 214 F.3d at 438 n.5.
- (4) A mark may be fairly characterized as arbitrary if it consists of "those words, symbols, pictures, etc., which are in common linguistic use but which, when used with the goods or services in issue, neither suggest nor describe any ingredient, quality or characteristic of those goods or services." *Ford Motor Co. v. Summit Motor Prods., Inc.*, 930 F.3d 277, 292 n.18 (3d Cir. 1991) (quoting 1 *McCarthy* § 11:4 (2d ed. 1984)).
- (5) A mark may be fairly characterized as fanciful if it "consist[s] of "coined" words which have been invented for the sole purpose of functioning as a trademark." *Id.* (quoting 1 *McCarthy* § 11:3 (2d ed. 1984)).
- (6) A mark may be fairly characterized as suggestive if it is "virtually indistinguishable from [an] arbitrary mark[]" except that it "suggest[s] a quality or ingredient of goods." *Id.*

- (7) The court has found that AFG’s mark is an inherently distinctive mark– at least suggestive and perhaps arbitrary. *See supra* Part I.B.1.

c. Ownership

- (1) The question of ownership of a mark is a question of fact. *See Commerce*, 214 F.3d at 445 (stating that on remand “the District Court should make appropriate findings of fact as to [inter alia] the ownership of the mark”).
- (2) If a mark is unregistered, “the first party to adopt a mark can assert ownership so long as it continuously uses the mark in commerce.” *Commerce*, 214 F.3d at 439 (quoting *Ford* 930 F.2d at 292).
- (3) The court has found that AFG owns the mark and has priority of use. *See supra* Part I.B.2.

d. Likelihood of Confusion

- (1) The question of whether a likelihood of confusion exists is a question of fact. *See Dranoff-Perlstein*, 967 F.2d at 852.
- (2) There is a likelihood of confusion “when the consumers viewing the defendant’s 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.” *Commerce*, 214 F.3d at 438-39 (internal quotation marks omitted).⁹

⁹Under the “related goods” doctrine the “owner of a registered mark has protection against use of his mark on any product or service which would reasonably be thought by the buying public to come from the same source, or thought to be affiliated with, connected with, or sponsored by, the owner of the registration.” 3 *McCarthy*, § 24:65 (4th ed. 1996). *See, e.g., University of Pittsburgh v. Champion Products Inc.*, 686 F.2d 1040, 1047 (3d Cir. 1982) (noting that consumer confusion can result from misuse of trademark on related goods, not just identical ones), *cert. denied*, 459 U.S. 1087. Courts called upon to consider an insurance related

- (3) If a good is purchased by both ordinary consumers and professional buyers, a court should consider the likelihood of an ordinary consumer being confused, not the likelihood of a professional buyer being confused. *See Ford*, 930 F.2d at 297.
- (4) Although the Third Circuit has not had occasion to directly consider the issue of likelihood of confusion in a competing products case, it has explained in dicta that if the owner of a mark “and the alleged infringer deal in competing goods or services, the court need rarely look beyond the mark[s themselves].” *Interpace Corp. v. Lapp, Inc.*, 721 F.2d 460, 462 (3d Cir. 1983). In such a situation, the Third Circuit has suggested that a court may decide whether there is a likelihood of confusion based on the inherent distinctiveness of the owner’s mark and the degree of similarity between the marks. *See id.*
- (5) With respect to the degree of similarity between the marks, if the two marks create the same overall impression, “it is very probable that the marks are confusingly similar.” *Id.* (internal quotation marks omitted).
- (6) The strength of a mark is indicated by its distinctiveness and its marketplace recognition. *See Fisons*, 30 F.3d at 479.
- (7) The court has found a likelihood of confusion based on the inherent distinctiveness of “American Fidelity Group” and the degree of similarity between

trademark have consistently held that all insurance products are “related” even when they are from quite disparate ends of the insurance products spectrum, and even when the trademark dispute involves other, non-insurance financial services. *See e.g., American Int’l Group, Inc. v. American Int’l Bank*, 926 F.2d 829, 832 (9th Cir. 1991) (holding that the financial services provided by commercial and industrial insurance underwriter and a commercial bank may be “sufficiently ‘complementary’ or ‘related’ that the public is likely to be confused as to the source of the services”).

“American Fidelity Group” and “American Fidelity & Liberty Insurance Co.” See *supra* Part I.B.3 (I.B.3.1(1)).

- (8) Other factors a court could consider include the following:

“(1) the degree of similarity between the owner’s mark and the alleged infringing mark; (2) the strength of 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 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’ sale efforts are the same; (9) the relationship of the goods in the minds of the public because of the similarity of function; (10) other facts suggesting that the consuming public might expect the prior owner to manufacture a product in the defendant’s market.”

Ford, 930 F.2d at 293 (quoting *Scott Paper Co. v. Scott’s Liquid Gold, Inc.*, 589 F.2d 1225, 1229 (3d Cir. 1978)) (listing the factors to be considered by a court in deciding whether there is a likelihood of confusion as to the origin of goods or services not in direct competition).

- (9) If an owner of a mark consents to the use of the same or a similar mark by another in a defined format, market, or territory, that consent is a factor to be considered as to the existence of a likelihood of confusion in an infringement claim against a third party for the same or a similar use, but is not conclusive. See *Croton Watch Co. v. Laughlin*, 208 F.2d 93, 96 (2d Cir. 1953); *Knaack Mfg. Co. v. Rally Accessories, Inc.*, 955 F. Supp. 991, 1003 (N.D. Ill. 1997); *McNeil Lab., Inc. v. American Home Prods. Corp.*, 416 F. Supp. 804, 808 n.7 (D.N.J. 1976); 2 *McCarthy* § 18:81 (4th ed. 1996); see also *Peyrat v. L.N. Renault & Sons, Inc.*,

247 F. Supp. 1009, 1015 (S.D.N.Y. 1965) (approvingly discussing *Croton Watch*).
But see California Fruit Growers Exch. v. Sunkist Baking Co., 166 F.2d 971, 975
(7th Cir. 1947); *Campbell Soup Co. v. Armour & Co.*, 81 F. Supp. 114, 120-21
(E.D. Pa. 1948), *aff'd on other grounds*, 175 F.2d 795 (3d Cir. 1949).

- (10) The court has found a likelihood of confusion based on a consideration of all these factors. *See supra* Part I.B.3 (I.B.3.1(2)).

e. Remedy

- (1) If liability is found, the court has the power to grant injunctive relief to prevent violations of § 43(a) of the Lanham Act. *See* 15 U.S.C. § 1116(a). *See Lone Star Steakhouse & Saloon, Inc. v. Alpha of Virginia, Inc.*, 43 F.3d 922, 939 (4th Cir. 1995) (“[A]n injunction is the preferred remedy to insure that future violations will not occur.”) (citation omitted); *Century 21 Real Estate Corp. v. Sandlin*, 846 F.2d 1175, 1180 (9th Cir. 1988) (“Injunctive relief is the remedy of choice for trademark and unfair competition cases, since there is no adequate remedy at law for the injury caused by a defendant’s continuing infringement.”); *see also* 5 *McCarthy* § 30:1 (“A prevailing plaintiff in a case of trademark infringement or false advertising is ordinarily entitled to injunctive relief of some kind.”) (4th ed. 1996).

2. Cancellation of Registered Trademark Due to Fraud on the PTO Claim (Count III)

- a. In order to have standing to petition for cancellation of a mark under the Lanham Act, a plaintiff need not have suffered damages. *See International Order of Job’s Daughters v. Lindeburg & Co.*, 727 F.2d 1087, 1092 (Fed. Cir. 1984) (approvingly

recognizing “that there is no requirement that damage be proved in order to establish standing or to prevail in a cancellation proceeding”); *Guardian Life Ins. Co. v. American Guardian Life Assurance Co.*, 943 F. Supp 509, 528 (E.D. Pa. 1996) (implicitly acknowledging that damages are not necessary for standing to pursue cancellation of a mark under the Lanham Act).

- b. In order to have standing to petition for cancellation of a mark under the Lanham Act, a plaintiff need only have a “real interest” in the proceeding. *See Ritchie v. Simpson*, 170 F.3d 1092, 1095 (Fed. Cir. 1999); *Job’s Daughters*, 727 F.2d at 1092.
- c. A plaintiff has a real interest if the plaintiff claims senior rights to the mark and claims, not wholly without merit, a likelihood of confusion. *See Lipton Indus., Inc. v. Ralston Purina Co.*, 670 F.2d 1024, 1027-29 (Fed. Cir. 1982); *Guardian*, 943 F. Supp. at 528.
- d. In order to prove that fraud on the PTO was committed in applying for registration of a mark, a plaintiff must prove that a false representation was made with “knowledge or belief that the representation is false.” 5 *McCarthy* § 31:61 (4th ed. 1996); *see San Juan Prods., Inc. v. San Juan Pools, Inc.*, 849 F.2d 468, 473 (10th Cir. 1988) (listing as an element for fraud on the PTO knowledge of or belief in the falsity of the representation to the PTO); *Robi v. Five Platters, Inc.*, 918 F.2d 1439, 1444 (9th Cir. 1990) (same); *see also Scaife Co. v. Rockwell-Standard Corp.*, 285 A.2d 451, 454 (Pa. 1971) (stating that proving fraud requires proving that a false statement was made intentionally).

- e. Additionally, the plaintiff must prove that the fraud occurred by clear and convincing evidence. *See Resorts of Pinehurst, Inc. v. Pinehurst National Corp.*, 148 F.3d 417, 420 (4th Cir. 1998); *Money Store v. Harriscorp Finance, Inc.*, 689 F.2d 666, 670 (7th Cir. 1982); *see also Metro Traffic Control, Inc. v. Shadow Network, Inc.*, 104 F.3d 336, 340 (Fed. Cir. 1997) (approvingly noting that the Trademark Trial and Appeal Board had held that fraud on the PTO must be proved by clear and convincing evidence).
- f. If a false representation to the PTO is based on an “honest, but perhaps incorrect belief[,] or [consists of] innocently made inaccurate statements of fact,” then that false representation does not constitute fraud. 5 *McCarthy* § 31:66 (4th ed. 1996); *see Metro Traffic*, 104 F.3d at 340-41 (acknowledging that a statement to the PTO that is false due to inadvertence or an honest belief does not constitute fraud).
- g. The court has found that AFG did not know or actually believe at this time that anyone had a superior claim to that mark or a confusingly similar mark and any misstatement was inadvertent. *See supra* Part I.C.

3. Deceptive Trade Practices Claim (Counterclaim IV)

- a. Under Oklahoma law, a false designation of origin can constitute a deceptive trade practice if a person, inter alia, does the following:
 - 2. Knowingly makes a false representation as to the source, sponsorship, approval, or certification of goods or services;
 - 3. Knowingly makes a false representation as to affiliation, connection, association with, or certification by another; [or]
 -

5. Knowingly makes a false representation as to the characteristics, ingredients, uses, benefits or quantities of goods or services or a false representation as to the sponsorship, approval, status, affiliation, or connection of a person therewith.

Okla. Stat. tit. 78, § 53.

- b. The court has found that there was no credible evidence that any infringement or false designation of origin by AF&L was done knowingly. *See supra* Part I.D.

C. Liability

1. AF&L's Infringement and Unfair Competition Claims (Counts I-II)

- a. AF&L's unfair competition claims seek relief for AFG's alleged infringement of AF&L's common law rights in the unregistered trademark "American Fidelity & Liberty Insurance Co." *See* Am. Compl. ¶¶ 21-33.
- b. AF&L's infringement and unfair competition claims fail because AF&L failed to pursue them and because AF&L did not prove the necessary element of ownership of a mark beginning with "American Fidelity" in the relevant market. *See supra* note 4 (concluding that AF&L has dropped its infringement and unfair competition claims); Part I.B.2 (finding that AFG, not AF&L, can claim ownership of a mark beginning with "American Fidelity" in the relevant market).

2. AFG's Infringement and Unfair Competition Claims (Counterclaims II-III)

- a. AFG's unfair competition claims seek relief for AF&L's alleged infringement of AFG's common law rights in the trademark "American Fidelity Group." *See* Countercls. ¶¶ 64-69; *see also* Defs. Facts & Law Mem. at 34 (describing AFG's claim under § 43(a) of the Lanham Act as a claim for infringement).

- b. AF&L competed unfairly and infringed on AFG’s mark “American Fidelity Group.”
See supra Parts I.B.1 (finding that “American Fidelity Group” is a valid and protectable mark), I.B.2 (finding that AFG owns “American Fidelity Group” in the relevant market), I.B.3 (finding that there is a likelihood of confusion between “American Fidelity Group” and “American Fidelity & Liberty Insurance Co.”), II.B.1.a.(5) (setting out the elements of infringement and unfair competition claims under § 43(a) of the Lanham Act), II.B.1.a.(6) (noting that unfair competition under the Lanham Act and at common law share the same elements except for interstate commerce).

3. AFG’s Infringement of a Registered Mark Claim (Counterclaim I)

- a. AFG’s infringement of a registered mark claim fails because AFG failed to pursue it.
See supra note 5.

4. AF&L’s Cancellation of Registered Trademark Due to Fraud on the PTO Claim (Count III)

- a. AF&L has standing to pursue cancellation of AFG’s mark. *See* Am. Compl. ¶¶ 21-33 (claiming senior rights in an “American Fidelity” mark and a likelihood of confusion); *supra* Parts II.B.2.a, II.B.2.b, II.B.2.c (stating that a plaintiff has standing if it claims senior rights and a likelihood of confusion).
- b. The fraud AFG is alleged to have committed consisted of representing to the PTO in AFG’s application for registration that no other person had a right to use “American Fidelity Group” or a confusingly similar mark when AFG knew that another company had a right to use a confusingly similar mark. *See* Am. Compl. ¶¶ 17-19.

- c. AF&L's claim for cancellation of AFG's registered trademark due to fraud on the PTO fails because AF&L failed to prove by clear and convincing evidence that AFG knowingly or intentionally made a false statement to the PTO. *See supra* Parts I.C, II.B.2.

5. AFG's Deceptive Trade Practices Claim (Counterclaim IV)

- a. AFG's deceptive trade practices claim constitutes an accusation that AF&L's infringement of AFG's mark, and the false designation of origin that infringement entails, constituted a deceptive trade practice under Oklahoma law. *See* Countercls. ¶¶ 70-73; Defs. Facts & Law Mem. at 50-52 (stating that AF&L's infringement constituted a deceptive trade practice); *supra* Part II.B.1.a.(2) (stating that infringement is basically false designation of origin).
- b. AFG's deceptive trade practices claim fails because AFG failed to prove that AF&L engaged in any deceptive trade practice knowingly. Indeed, it has not shown that AF&L itself has done anything inappropriate to any significant extent. *See supra* Parts I.D, II.B.3.

D. Remedy

1. In order to prevent future infringement of AFG's mark, the court will enjoin AF&L's use in commerce of the "American Fidelity & Liberty" name or any name or mark which includes the words "American Fidelity" in association with the sale, promotion, or marketing of life/health insurance, including LTC insurance. *See supra* Parts I.B.4, II.B.1.e.(1), II.C.3.

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

AMERICAN FIDELITY & LIBERTY	:	
INSURANCE CO.	:	
Plaintiff and Counterclaim Defendant	:	CIVIL ACTION
	:	
v.	:	
	:	NO. 97-4307
AMERICAN FIDELITY GROUP et al.	:	
Defendants and Counterclaim Plaintiffs	:	

ORDER

YOHN, J.

AND NOW, this day of September, 2000, upon consideration of the plaintiff's amended complaint (Doc. No. 4), the defendants' answer and counterclaims (Doc. No. 20), and the plaintiff's answer (Doc. No. 22), and after trial, in accordance with the aforesaid findings of fact and conclusions of law, IT IS HEREBY ORDERED THAT judgment is entered as follows:

1. On Counts I-III of the amended complaint, against the plaintiff and for the defendants;
2. On Counterclaims I and IV of the counterclaims, against the defendants/counterclaim plaintiffs and for the plaintiff/counterclaim defendant; and
3. On Counterclaims II-III of the counterclaims, against the plaintiff/counterclaim defendant and for the defendants/counterclaim plaintiffs.

IT IS FURTHER ORDERED that the plaintiff is enjoined from using in commerce the "American Fidelity & Liberty" name or any name or mark which includes the words "American Fidelity" in association with the sale, promotion, or marketing of life/health insurance, including LTC insurance. The plaintiff shall have one hundred eighty (180) days in which to comply with this Order.

4. Defendants' motion for judgment as a matter of law on plaintiff's "fraud on the PTO" claim (Doc. No. 43) is denied as moot.
5. The clerk is directed to mark the case closed for statistical purposes.

William H. Yohn, Jr.