

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
Atlanta Division

CHARLES SMITH,)	
)	
Plaintiff/Counterclaim-Defendant,)	
)	
v.)	Civil Action No.
)	1:06 CV 0526 (TCB)
WAL-MART STORES, INC.,)	
)	
Defendant/Counterclaim-Plaintiff.)	

**OPPOSITION TO WAL-MART’S
MOTION FOR SUMMARY JUDGMENT**

Table of Authorities iii

Facts 2

ARGUMENT

I. THE LIKELIHOOD OF CONFUSION FACTORS STRONGLY FAVOR SMITH. 9

 A. Strength of Wal-Mart’s Marks 9

 B. Similarity to Wal-Mart’s Marks 9

 C. Similarity of the Products Bearing the Marks. 11

 D. Similarity of Retail Outlets and Intended Customers 12

 E. Similarity of Advertising Methods 13

 F. Actual Confusion 13

G.	Application of Jacoby’s Study to Particular Designs That Were Not Tested	18
II.	THE DOCTRINE OF POST-SALE CONFUSION DOES NOT APPLY TO PARODY.	22
III.	THE TARNISHMENT CLAIM SHOULD ALSO BE REJECTED.	26
IV.	ANY INJUNCTION GRANTED SHOULD BE CLOSELY TAILORED TO THE SPECIFIC VIOLATIONS PROVED AND RESTRICT AS LITTLE SPEECH AS POSSIBLE.	30
	Conclusion	32

TABLE OF AUTHORITIES

CASES

<i>AmBrit v. Kraft</i> , 812 F.2d 1531 (1986)	14
<i>August Storck K.G. v. Nabisco Co.</i> , 59 F.3d 616 (7th Cir. 1995)	18
<i>Better Business Bureau v. Medical Directors</i> , 681 F.2d 397 (5th Cir. 1982)	31
<i>Coca-Cola Co. v. Gemini Rising</i> , 346 F. Supp. 113 (E.D.N.Y. 1972)	28
<i>Deere & Co. v. MTD Prods.</i> , 41 F.3d 39 (2d Cir. 1994)	28
<i>ETW Corp. v. Jireh Public</i> , 332 F.3d 915 (6th Cir. 2003)	15
<i>Eli Lilly & Co. v. Natural Answers</i> , 233 F.3d 456 (7th Cir. 2000)	16
<i>Exxon Corp. v. Texas Motor Exchange</i> , 628 F.2d 500 (5th Cir. 1980)	11, 18
<i>Frehling Enter's v. International Select Group</i> , 192 F.3d 1330 (11th Cir. 1999)	11, 12, 14
<i>Indianapolis Colts v. Metropolitan Baltimore Football Club</i> , 34 F.3d 410 (7th Cir. 1994)	17
<i>Mastercrafters Clock & Radio v. Vacheron & Constantin-Le Coultre Watches</i> , 221 F.2d 464 (2d Cir. 1955)	23

<i>Mattel, Inc. v. MCA Records,</i> 296 F.3d 894 (9th Cir. 2002)	27
<i>Mattel, Inc. v. Walking Mountain Productions,</i> 353 F.3d 792 (9th Cir. 2003)	15, 16
<i>Original Appalachian Artworks v. Topps Chewing Gum,</i> 642 F. Supp. 1031 (N.D. Ga. 1986)	14
<i>Rogers v. Grimaldi,</i> 875 F.2d 994 (2d Cir. 1989)	15
<i>Safeway Stores v. Safeway Discount Drugs,</i> 675 F.2d 1160 (11th Cir. 1982)	14
<i>Schmidt v. Honeysweet Hams,</i> 656 F. Supp. 92 (N.D. Ga. 1986)	14
<i>Step Co. v. Consumer Direct,</i> 936 F. Supp. 960 (N.D. Ga. 1994)	14
<i>SunAmerica Corp. v Sun Life Assur. Co.,</i> 77 F.3d 1325 (11th Cir. 1996)	30
<i>SunAmerica Corp. v Sun Life Assur. Co.,</i> 890 F. Supp. 1559 (N.D. Ga. 1994), <i>aff'd in part, rev'd in part,</i> 77 F.3d 1325 (11th Cir. 1996)	14
<i>U-Haul International v. Jartran,</i> 793 F.2d 1034 (9th Cir. 1986)	31

CONSTITUTION AND LEGISLATIVE MATERIALS

S. Rep. No. 87-2107, 87th Cong., 2d Sess. (Sept. 18, 1962), 1962 U.S.C.C.A.N. 2844	24
---	----

*Committee Print to Amend the Federal Trademark Dilution Act,
Hearing Before the Subcommittee on Courts, the Internet
and Intellectual Property,
Committee on the Judiciary,
House of Representatives, 108th Cong., 2d Sess. (April 22, 2004) 24*

*Registration and Protection of Trademarks,
H. Rep. No. 1108, 87th Cong., 1st Sess. (Sept. 5, 1961) 24*

*Trademark Dilution Revision Act of 2005,
H. Rep. No. 109-23, 109th Cong. 1st Sess. (2005) 24*

MISCELLANEOUS

McCarthy on Trademarks (4th ed. 2007) 23

When the parties appeared before the Court last December to argue the motion to compel discovery filed by plaintiff/counterclaim-defendant Charles Smith, both parties and the Court identified the two basic issues in this case – first, whether defendant/counterclaim-plaintiff Wal-Mart Stores could prevail on its claims that Smith’s anti-Wal-Mart designs and domain names constituted trademark infringement, dilution and cybersquatting, and second, whether Smith’s defenses of fair use, parody, and the First Amendment could prevail over Wal-Mart’s trademark claims (including whether Smith’s designs and domain names **were** a parody). Although the parties noted the existence of those defenses lurking in the background, Wal-Mart told the Court that those issues would be addressed “later.”

In his memorandum supporting his own motion for summary judgment (“Smith SJ Mem.”), Smith addressed both sets of issues. From Wal-Mart’s perspective, however, it appears that the time for discussing fair use, parody, and the First Amendment remains “later.” We have searched Wal-Mart’s Memorandum in Support of its Motion for Summary Judgment (“WM SJ Mem”) without success for even a fleeting mention of fair use or the First Amendment; and the only mention of parody appears in a footnote stating that, in Wal-Mart’s view, it matters not whether Smith’s designs are parody. *Id.* 14 n.4. Apparently, it is Wal-Mart’s plan to withhold its arguments about Smith’s defenses until its opposition brief, leaving Smith only his

shorter reply brief to address these central issues in the case. In this brief, we address the errors in Wal-Mart's statement of facts, and then discuss the flaws in Wal-Mart's legal arguments to the extent that they were not anticipated in Smith's opening brief.

We do not repeat arguments made in support of Smith's motion for summary judgment, which apply equally to deny Wal-Mart's motion for summary judgment on both infringement and dilution. In addition, we note that Wal-Mart does not seek summary judgment on Count IV of its complaint (cybersquatting), and indeed nothing in Wal-Mart's memorandum appears to seek summary judgment on its infringement and dilution claims regarding Smith's domain names. Accordingly, those issues are also not discussed here.¹

FACTS

As shown by the facts set forth in the Smith SJ Mem., at 1-2, 8-10, and 11-20, and in Smith's Statement of Material Facts, ("Smith SMF"), Smith is a critic of Wal-Mart who created two parody words, Walocaust and Wal-Qaeda, to express his strong feelings about what he considers to be Wal-Mart's mistreatment of its employees and of the communities where it has its stores, Wal-Mart's destructive effects on America

¹In the event that Wal-Mart's apparent sand-bagging strategy leaves Smith with too few pages to address the First Amendment, fair use and parody, or too little time given the leave of absence of Smith's lead counsel beginning June 15, Smith reserves the possibility of seeking to extend the time or the page limit for his Reply.

and its economy, and Wal-Mart's attack on the right of free speech in this case. In addition to creating the words, Smith has created a series of parodic designs that incorporate the parody words and display them along with images that depict his animus against Wal-Mart. Believing that others who share his views would want to display the designs on shirts and similar items, but not having the resources to simply give such shirts away, Smith set about distributing them by offering them for sale on CafePress.com, an Internet e-commerce company whose specialty is print-to-order sales of designs created by individuals. Smith set a level of commissions that he hoped would cover his costs, although he has not quite been able to do so.

Initially, Smith sold items employing the parody word "Wal★ocaust," along with several other items consistent with his liberal views, on such issues as abortion and the Bush-Cheney administration. After Wal-Mart successfully prevented him from selling items using the word Wal★ocaust, by threatening litigation against CafePress, and Smith brought this action for a judgment declaring his rights, he learned that CafePress was open to selling other anti-Wal-Mart parodies, and so he created another series of parodies, many of them on the theme of a new parody word "Wal-Qaeda." A number of the designs sold on this new CafePress account, however, attacked Wal-Mart through other parodies without reference to Wal-Qaeda, such as by poking fun at the

Wal-Mart advertising slogan Always Low Prices *Always*.

Smith tried to spread word about his designs **only** by communicating with groups he thought would be sympathetic to his animus against Wal-Mart, and by disclosing new designs to the press and the “blogosphere” as it was reporting on this litigation. Although Smith’s home pages on CafePress always carried anti-Wal-Mart discussions and slogans, eventually Smith created stand-alone web sites that explained his reasons for creating the designs and denounced Wal-Mart, and, in the case of his Wal-Qaeda web site, that linked to the CafePress web page where Wal-Qaeda related designs were displayed. In other words, Smith was aiming his designs only at those who would likely agree with his views about Wal-Mart, and to the best of his ability he tried to ensure that the route that members of the public would follow to get to the web pages where the designs were being sold would plainly disclose the anti-Wal-Mart content of the material.

Wal-Mart’s Statement of Facts, like the Statement of Material Facts (“WM SMF”) on which it draws, presents a highly distorted picture. Many paragraphs in the WM SMF are either based on evidence that does not support them, or written in a way that adds a flavor to the facts that is not supported by the cited evidence. The facts as stated in the brief then take further liberties, adding embellishments that do not appear

even in WMSMF, but without citing any other evidence. The Court is urged, therefore, to consider the facts as stated by Wal-Mart with a very close eye to the supporting material.

For example, according to pages 4-5 of Wal-Mart's brief, Wal-Mart has acquired common-law trademark rights in "its famous, yellow 'smiley-face' design." Throughout its statement of facts, Wal-Mart asserts that Smith's designs use "the yellow Wal-Mart 'smiley-face.'" *Id.* 6, 7. Smith acknowledges, and the evidence reveals, that Wal-Mart has used a yellow smiley face. But then, so do many other people, Indeed, as shown in Smith's dissection of the relevant paragraphs in WM SMF in his Response to that statement ("Smith RSMF"), ¶¶ 7, 12, 15, 17, 20-21, there is no evidence that smiley faces are anything other than generic (in which case the question of secondary meaning is irrelevant). Moreover, the smiley face in Smith's "Wal★ocaust eagle" does not look the same as the smiley-face that Wal-Mart uses. Nor has Wal-Mart presented any evidence of famousness, not to speak of evidence that Wal-Mart uses any smiley face on T-shirts or other merchandise that it sells, thus acquiring any trademark right to prevent others from using the smiley image in that context. Wal-Mart's only affiant on this point makes conclusory statements, for which he makes no showing of competence to testify, and Wal-Mart did not produce any evidence in discovery to show its

exclusive rights in smiley faces.

Wal-Mart's brief contains this statement at page 5:

In 2005, Smith came up with a business plan to make money by selling various products featuring the made-up word WALOCAUST. [WM SMF] at ¶39.

But ¶ 39 of its SMF does not quite say this – it says that Smith “came up with the idea to sell items on a webstore at CafePress.com because he thought there might be a market for anti-Wal-Mart merchandise,” citing a page in Smith's deposition in which Smith never used the word “market,” but simply agreed that he thought there might be people who would want to make a statement about Wal-Mart by purchasing items with his designs. Although perhaps one could characterize his intended audience of Wal-Mart haters as a “market,” *see* Smith SJ Mem. at 16, there is no evidence that Smith was thinking in such terms. (The dates in this paragraph of Wal-Mart's brief are also slightly wrong.)

Further on page 5, Wal-Mart introduces the word “brand,” a highly charged term of art in trademark law, in saying that Smith “branded his store with the name “Walocaust,” citing paragraph 41 of its SMF. In the following paragraph, Wal-Mart again uses the phrase “Wal★ocaust-branded” and introduces the word “designation” to characterize the words Walocaust and Wal★ocaust, citing WMSMF ¶¶ 23-25 and

31. But nothing in the cited WMSMF paragraphs use the word “branded,” and although Wal-Mart uses the word “designation” throughout its SMF, it cites no evidence using this word. In fact, as discussed in Smith SJ Mem. at 14-15, Smith does **not** use either of his parody words as a brand, and Wal-Mart cites no evidence showing that he does. This is pure ipse dixit from Wal-Mart’s counsel.

The paragraph that ends on page 6 of Wal-Mart’s brief states that Smith’s Wal★ocaust designs incorporated, among other things, a yellow frowning face and the term “Always,” although the SMF cited do not show that and, in fact, the statement is false. There is one design shown on the CafePress page about **Wal-Qaeda** that uses a frowning face; but none of the designs on that account use a smiley face as Wal-Mart asserts in the paragraph that begins on page 7.

Wal-Mart states at page 7 that Smith selected the Wal-Qaeda “designation” to identify Wal-Mart in the mind of “potential consumers,” citing WM SMF ¶ 66. But nothing in ¶ 66 talks about consumers, potential or otherwise. In fact, what the cited evidence shows is that Smith was making political statements about Wal-Mart, and trying to bring Wal-Mart to the minds of his audience for those statements. It is true that, among other things, Smith uses the sale of T-shirts through CafePress to bring those political statements to a broader audience than those who might visit his web site

at WalQaeda.com. The public could be said to be “consumers” of political ideas. Indeed, this is how the term was used by Smith’s expert witness Alan Jay Rosenblatt during his deposition when disputing Wal-Mart’s suggestion that few of the surveys he has developed were aimed at “consumers.”

Wal-Mart also states, at 8, that Smith sold his products “to make money” and that “he continues to engage in commercial sales of merchandise.” But on the evidence cited by Wal-Mart in its SMF, when considered along with the evidence cited by Smith in Smith RSMF, it is undisputed that Smith’s objective was to make political statements, and that he set his “mark-ups” or commissions at a level that he hoped would cover his costs (although he has not quite been successful). The use of the present tense is also not quite correct, because although it is true that Smith’s walqaeda.com web site and his Wal-Qaeda account at CafePress.com remain online, the evidence reflects that his last sale was in 2006, and, indeed, that the vast bulk of his sales were made during the one month after word of his new “Wal-Qaeda parodies” burst into the mass media and the blogosphere.

Wal-Mart’s Statement of Facts, at 10, summarizes the findings of the Jacoby Report, which is the subject of a motion to exclude and is also discussed at some length in Smith SJ Mem. It is not further discussed here except to note that the statement is

inaccurate insofar as it uses the plural in stating the levels of confusion and dilution purportedly caused by “Smith’s Wal★ocaust T-shirts” and “Smith’s tested Wal-Qaeda T-shirts.” It is undisputed that Jacoby only tested one T-shirt using one Wal★ocaust design, and one T-shirt using one Wal-Qaeda design.

ARGUMENT

I. THE LIKELIHOOD OF CONFUSION FACTORS STRONGLY FAVOR SMITH.

Many of the arguments set forth in Wal-Mart’s discussion of the likelihood of confusion factors were anticipated in Smith SJ Mem., and several arguments raised there are simply ignored by Wal-Mart; we do not repeat them here.

A. The Strength of Wal-Mart’s Marks

Contrary to Wal-Mart’s contention, at 19, although Smith has acknowledged that most of the trademarks that Wal-Mart is asserting are strong and indeed famous, Smith has consistently argued that Wal-Mart has no trademark rights in any yellow smiley face. Wal-Mart also ignores the caselaw cited in Smith SJ Mem. holding that the strength of the mark does **not** favor the markholder in a parody case.

B. Similarity to Wal-Mart’s Marks

Wal-Mart significantly overstates the undisputed evidence in arguing that Smith’s designs are very similar to Wal-Mart’s trademarks. For example, Wal-Mart

contends, at 20, that **both** the Walocaust and Wal-Qaeda designs “frequently include the Wal-Mart star immediately following the ‘Wal’ element,” but in fact almost every one of the “Wal-Qaeda” designs use a hyphen rather than a star. The “Benton★ville Bullies” design uses a star but not the “Wal,” and the “Wal Qaeda These Colors Don’t Run” design shows that phrase against the background of a stylized American flag, with one of the **white** stars between “Wal” and “Qaeda” (unlike Wal★Mart’s star, which is blue). Similarly, Wal-Mart asserts, *id.*, that **both** the Walocaust and Wal-Qaeda designs “feature the same color and font” as the Wal-Mart trademarks, when in fact many of them are in white, not Wal-Mart’s distinctive blue. Wal-Mart states, *id.*, that **both** the Walocaust and Wal-Qaeda designs feature . . . the yellow Wal-Mart ‘smiley face,’ or a frowning variation thereof.” In fact, only one of the Walocaust designs uses a smiley face, and **none** of the Wal-Qaeda designs do so (one design on that page does not say Wal-Qaeda, but does include a “frowny”).

Wal-Mart’s brief also contains a paragraph speculating that by displaying all of his designs together on his CafePress account home pages, Smith highlighted the similarities. But it could also be noted that by displaying the designs together, Smith highlighted the anti-Wal-Mart character of his whole project. And Wal-Mart ignores the fact that the both the Walocaust and Wal-Qaeda pages also feature anti-Wal-Mart

text, such as “Wal-Mart Sucks,” “Welcome to our Labor Camp,” and “Save America from the freedom-hating dime store,” not to speak of containing an express disclaimer of affiliation with Wal-Mart. In the end, of course, all of this is speculation – on both sides. But mutual speculation hardly favors Wal-Mart, which must carry the burden of showing likelihood of confusion. Moreover, Wal-Mart had the opportunity to study the impressions that consumers might take away from seeing the collection of designs on a single page, and its survey expert testified at his deposition that he deliberately decided not to do so. Jacoby Deposition (“JacDep”) at 75. Having made this decision, Wal-Mart should not be heard to speculate about what might be true about consumers’ impressions of the array of Smith’s designs.²

C. Similarity of the Products Bearing the Marks.

Wal-Mart argues that because it, like Smith, sells T-shirts, beers steins, boxers, and the like, this magnifies the likelihood of confusion. But Wal-Mart misstates the cases that it cites on this factor. In *Exxon Corp. v. Texas Motor Exchange*, 628 F.2d 500 (5th Cir. 1980), and *Frehling Enter’s v. International Select Group*, 192 F.3d 1330 (11th Cir. 1999), the litigating parties used the rival marks **on** similar goods – in *Exxon*, both parties used signs for their service stations showing the two marks, and in

²Wal-Mart also ignores the caselaw cited in Smith SJ Mem. holding that the similarity to the mark does **not** favor the markholder in a parody case.

Frehling the two sides used similar marks as the names of their furniture lines. But there is **no** evidence in the record that Wal-Mart sells any of the items listed in its brief bearing the Wal-Mart trademarks; Wal-Mart did not produce any evidence in discovery showing that it sells such items bearing its marks, and there is evidence that it does not. Smith SMF ¶ 80. If it did sell Wal-Mart T-shirts, then the argument might follow that someone seeing a similar mark on the same kind of product could understandably be confused about whether Wal-Mart is the source of that item. But the undisputed evidence favors Smith on this issue.

D. Similarity of Retail Outlets and Intended Customers

Wal-Mart argues, at 23, that the mere fact that both parties sell items online is sufficient to show that this factor favors its position. If that were so, then this factor would no longer serve to distinguish any cases from any other because, in this day and age, almost everybody sells online in one way or another. It is as if Wal-Mart were to argue “we both sell in physical stores.” Just as, in the pre-Internet era, the “similarity of retail outlets” factor looked to the **type** of store, *Frehling Enter’s, supra*, 192 F.3d at 1339, so in this case it is the difference between the parties’ respective Internet outlets that is relevant. Smith SJ Mem., at 16-17, discussed the significant differences between the parties’ retail outlets. Wal-Mart also argues that the two sides have

“highly similar customers” but the cited paragraphs in WMSMF do not support that proposition – they show only that Wal-Mart sells certain kinds of goods and so does Smith. The stark differences between the parties’ intended customers are addressed in Smith SJ Mem. at 15-16.

E. Similarities of Advertising Methods

Wal-Mart speculates, at 23, about what advertising methods Smith might undertake in the future, but Smith SJ Mem., at 17-18, cites the undisputed **evidence** showing how different his methods of promoting his anti-Wal-Mart designs are from Wal-Mart’s advertising methods.

F. Actual Confusion

On this factor, Wal-Mart tries to sidestep the absence of actual confusion by relying on the Jacoby study. Smith’s opening brief addresses some of the serious flaws in the Jacoby study that either require its exclusion from evidence (an issue that is now fully briefed in connection with Smith’s *Daubert* motion), or at least deprive it of sufficient probative value either to support Wal-Mart’s motion for summary judgment or to bar Smith’s motion for summary judgment. We do not further address those issues here.

Wal-Mart argues that survey evidence is “widely and routinely accepted as

probative of actual confusion,” WM SJ Mem. 16, but that is simply not the case in the Eleventh Circuit, which as noted in Smith SJ Mem “has moved away from relying on survey evidence” in likelihood-of-confusion cases. *Frehling Enterprises v. International Select Group*, 192 F.3d 1330, 1341 n.5 (11th Cir. 1999). Indeed, the one Eleventh Circuit case cited by Wal-Mart in support of surveys’ “wide and routine” acceptance, *AmBrit v. Kraft*, 812 F.2d 1531, 1544 (1986), was actually a case where the Court, while acknowledging the possibility of a probative study, once again rejected the studies that had been offered in that case but did rely on evidence of real-world actual confusion. Both of the cases from this district that are cited by Wal-Mart’s summary judgment brief as supporting the use of survey evidence featured extensive real-world evidence of actual confusion. *SunAmerica Corp. v Sun Life Assur. Co.*, 890 F. Supp. 1559, 1576 (N.D. Ga. 1994); *Schmidt v. Honeysweet Hams*, 656 F. Supp. 92, 96 (N.D. Ga. 1986). *See also Step Co. v. Consumer Direct*, 936 F. Supp. 960, 963, 964, 966 n.9 (N.D. Ga. 1994); *Original Appalachian Artworks v. Topps Chewing Gum*, 642 F. Supp. 1031, 1038 (N.D. Ga. 1986). Although the Eleventh Circuit has repeatedly referred in unfavorable terms to the use of survey evidence on the issue of actual confusion, *Safeway Stores v. Safeway Discount Drugs*, 675 F.2d 1160, 1164 (11th Cir. 1982), we have not located a single Eleventh Circuit case that has upheld a

finding of actual confusion based on a survey in the absence of evidence of **real world** actual confusion. Wal-Mart has previously admitted that there is no such real world evidence. Smith SMF ¶ 77.

Such skepticism is particularly appropriate in a case involving protected expression about a trademark holder. For example, in *ETW Corp. v. Jireh Pub.*, 332 F.3d 915, 937 & n.19 (6th Cir. 2003), plaintiff presented a survey that purported to find that 62% of respondents experienced actual confusion about Tiger Woods's involvement with a print showing him in action; the Court held that, even assuming the validity of the survey, the risk of public misunderstanding, absent an explicit claim of authorization, was outweighed by the interest in artistic expression. In *Rogers v. Grimaldi*, 875 F.2d 994, 1001 (2d Cir. 1989), the Second Circuit assumed the validity of a survey showing 14% actual confusion about Ginger Rogers' involvement with a movie called Ginger and Fred but nevertheless declined to consider that evidence as basis for a finding of likely confusion.

Most recently, in a somewhat different context, in the course of arguing that an artist's portrayal of Barbie in absurd and sexualized positions was not perceived by the public as a parody, and hence that the parody defense to copyright infringement should not apply, the plaintiff presented a shopping mall survey to try to create a jury question

about the public's perception of the portrayals. *Mattel, Inc. v. Walking Mountain Productions*, 353 F.3d 792 (9th Cir. 2003). The court refused to accept the evidence: "We decline to consider Mattel's survey in assessing whether Forsythe's work can be reasonably perceived as a parody. . . . Use of surveys in assessing parody would allow majorities to determine the parodic nature of a work and possibly silence artistic creativity." *Id.* at 801.³

In this case, Jacoby did not directly ask the question whether his respondents were looking at parodies; instead, he danced his way around that question by asking about sponsorship of the designs. But using a survey to determine actual confusion in such cases poses the same danger of allowing the majority to decide, under a different legal rubric, whether a parody of a major company should be allowed.

Wal-Mart cites in passing a statement by the Seventh Circuit in *Eli Lilly & Co. v. Natural Answers*, 233 F.3d 456, 463 (7th Cir. 2000), that "even if a junior mark meets the definition of a parody, it still runs afoul of the trademark laws if it is likely to confuse consumers." But that case presents a very different kind of parody question than this one does. Eli Lilly sued a company that sold a dietary supplement whose

³Mattel also claimed trademark infringement; the opinion does not make clear whether the survey was offered in support of the infringement claim, which was rejected on fair-use grounds.

properties were supposedly comparable to Prozac, and called its supplement “Herbrozak.” The allegedly infringing and diluting name was a brand name for a medical product that competed in the same market with plaintiff’s medical product, and even if defendant’s product name was a humorous commentary on the plaintiff’s product name, the danger was that members of the public might purchase the medical product thinking that they were buying plaintiff’s medication. In this case, by contrast, the allegedly infringing design is itself the “product,” and constitutes the defendant’s expression. Allowing a public opinion survey to determine whether Smith can continue to offer his expression poses the same dangers to free speech that were present in *Rogers*, *ETW*, and *Mattel*, which are a far cry from the issues of creative naming of commercial products that are present in cases like *Eli Lilly*.

Judge Posner has remarked that the respondents in expert surveys are less than reliable because people who answer hypothetical questions about a product that they are not actually thinking about buying will not exercise the same care that they are likely to employ when they are spending their own money. *Indianapolis Colts v. Metropolitan Baltimore Football Club*, 34 F.3d 410, 416 (7th Cir. 1994). Given this propensity, and the danger that respondents may be manipulated into declaring their confusion through tricky questions, over-reliance on surveys as a substitute for genuine

evidence of actual confusion risks allowing trademark owners to bypass the general rule that trademark law does not protect against confusion by ignorant or inattentive consumers. *August Storck K.G. v. Nabisco Co.*, 59 F.3d 616, 618 (7th Cir. 1995). Thus, trademark law protects the expectations of consumers exercising reasonable care, not the “moron in a hurry” cited in *Morning Star v. Express Newspapers*, [1979] FSR 113, 117. Especially where free speech is at stake, courts should be particularly careful about basing an injunction against parody on such surveys.

G. Application of Jacoby’s Study to Particular Designs That Were Not Tested

Even if the court were to accept the Jacoby survey as showing actual confusion with respect to the two particular T-shirt designs that Jacoby tested, that finding would not apply to the many other parody designs that were not tested. Thus, for example, in the *Exxon* case cited by Wal-Mart, the plaintiff sued over defendant’s use of the names Texon and Tex-on. The Fifth Circuit held, based in part on a consumer survey showing actual confusion, that the name “Texon” created a likelihood of confusion, and ordered that defendant be enjoined from using that name. 628 F.2d at 507-508. However, there was no survey on whether confusion was created by the name Tex-on, and accordingly the court refused to find that the Tex-on name was likely to cause confusion. *Id.*

It appears that Wal-Mart plans to argue that Jacoby's study should be taken as evidence that all of Smith's other designs pose an equal risk of "actual confusion," even though Jacoby refused to survey them, on the theory that the two tested designs are "representative." That contention should not be accepted, for several reasons.

First, Jacoby's original report was carefully worded to make findings only about "the two tested T-shirts." At his deposition, although Jacoby stated his belief that the two shirts were "representative" of other Smith designs, he could not articulate a way in which they were representative other than that each used the words "Wal★ocaust" or "Wal-Qaeda." JacDep 77-78. Even Jacoby's affidavit in support of Wal-Mart's motion for summary judgment only states, in conclusory fashion, his opinion that there will be actual confusion (or dilution by tarnishment) from other "products of the type represented by Test Shirts #1 and #2," without anything more specific. That is not enough. And, besides, Jacoby should not be permitted to add new facts or new opinions in an affidavit filed after Smith's opportunity for discovery was over.

Second, many of Smith's designs do not share the features that Wal-Mart itself presents as providing a basis for a finding of likely confusion. Out of the three Wal★ocaust designs, the one tested shirt is the **only** one that includes a yellow smiley face. Out of the nine distinct designs displayed in Smith's Wal-Qaeda account at

CafePress (other than the one that Jacoby tested), only four of them display the term “Wal-Qaeda” in the distinctive blue font that Wal-Mart itself emphasizes in its own Statement of Facts and WM SMF. Two other designs use the word Wal-Qaeda in white, and three do not use the word Wal-Qaeda at all. Two designs parody Wal-Mart by using the word “mart” as part of the phrase “freedom hater mart,” one of which also includes an orange frowny face (as distinct from the yellow smiley face in which Wal-Mart apparently claims trademark rights). Yet another design uses a blue font and star similar to the ones that Wal-Mart uses, but with the words “Benton★ville Bullies,” “Benton★ville Billies,” and the word “Always.” In this last design, only the star and the font resemble the one Wal-Qaeda design that Jacoby tested.

In Wal-Mart’s opposition to Smith’s motion to exclude Jacoby’s testimony, the argument is made, without citation to any evidence, that the particular Wal-Qaeda design selected was helpful to Smith because “it is the only one that contained no symbols of Wal-Mart other than the ‘Wal-’ prefix . . . ; as such, it is the least likely to generate confusion.” DN 83, at 23. Why this difference makes that design least likely to generate confusion counsel does not say, but in the event that Wal-Mart makes this argument in its summary judgment papers, we address it here.

In fact, the main difference between the two designs chosen for testing and the

various other designs is that in each of the designs, the words “Wal★ocaust” or the word “Wal-Qaeda” was the only aspect of the design that expressed overt hostility to Wal-Mart; and indeed a review of the verbatim responses attached to the Jacoby Affidavit as Exhibit 14, part 3, reveals that a number of respondents perceived the designs as containing **other** elements that might have been favorably associated with Wal-Mart.

Considering first the Wal★ocaust designs, although a few of Jacoby’s respondents appeared to understand that the eagle was a Nazi eagle, a larger number described it as an American or bald eagle. *See* Verbatim Nos. 1402, 1405, 2207, 2208, 2402, 3401, 4402, 4403, 4406, 5405, 8204, 8205, 8401. Moreover, each of the other designs made other anti-Wal-Mart statements. One stated, “Come for the low prices, stay for the knife fights” (according to Smith, this statement referred to a report he received of a knife fight between two customers and to poor security at Wal-Mart stores and their surrounding parking lots). The other Wal★ocaust design drew a sarcastic comparison between having “family values” and giving discounts on items that can destroy families – “alcohol, tobacco and firearms.” Such negative references could have provided an additional tip-off to many consumers that these were anti-Wal-Mart designs, even if they missed the parodic character of the word “Wal★ocaust.”

Similarly, one feature of the tested Wal-Qaeda design, “Support the Troops Boycott Wal-Qaeda,” may well have provided an extra reason for some respondents to think that the shirt was sponsored by a major retailer. Quite a number of the verbatims in Jacoby Exhibit 14, part 3, reflect the assumption that the slogan “support the troops” was a sentiment that many American companies are promoting. *See* Verbatim Nos. 2503, 3402, 5306, 5504, 6508, 7303, 7401, 7507, 9302. By contrast, designs that show an Edvard Munch scream, a statue of Mao Tse Tung, and such phrases as “Dime Store from Hell,” “Freedom Haters *Always*,” and “Hell’s Happy Burger” (as in the “Wal-Qaeda Mural” design) are clear indications of hostility to the store that is being portrayed. Similarly, phrases such as “Freedom Hater Mart,” Bentonville Bullies/Billies, and portrayals of Chairman Mao as recipient of a “human resource award” or Hillary Clinton as recipient of “employee of the year” are all so suggestive of parody and sarcasm that no reasonable consumer would see them as being issued by a mainstream American corporation like Wal-Mart. The findings of Jacoby’s survey, even if accepted as valid for the two designs that were tested, should not be applied to any other designs.

II. THE DOCTRINE OF POST-SALE CONFUSION DOES NOT APPLY TO PARODY.

Wal-Mart presents data from the Jacoby study that are said to support a claim

of likelihood of post-sale confusion, but it never expressly justifies holding Smith liable for such confusion. However, the doctrine of post-sale confusion has no application here.

As originally enacted, the Lanham Act required confusion on the part of “purchasers.” There had, however, been a line of federal cases beginning before the enactment of the Lanham Act, that extended trademark law to apply to non-purchasers. As explained by Professor McCarthy, the leading case was *Mastercrafters Clock & Radio Co. v. Vacheron & Constantin-Le Coultre Watches*, 221 F.2d 464 (2d Cir. 1955), where Judge Jerome Frank explained the basis for the doctrine (221 F.2d at 466):

[A]t least some customers would buy [the copier’s] cheaper clock for the purpose of acquiring the prestige gained by displaying what many visitors at the customers’ homes would regard as a prestigious article. [The copier’s] wrong thus consisted of the fact that such a visitor would be likely to assume that the clock was an Atmos clock. ... [T]he likelihood of such confusion suffices to render [the copier’s] conduct actionable.

Another example given by Professor McCarthy is the purchase of imitation Levi pants. Even though the wearer is not confused, viewers who are prospective purchasers are confused, to the injury of the trademark owner. 4 *McCarthy on Trademarks* 23:7 (4th ed. 2007).

To address these concerns, Congress struck the “purchasers” clause in both

sections 2(d) and 32 of the Act, but only for the purpose of protecting against deception of potential purchasers. As the Senate Committee on the Judiciary explained, specifically about the change in section 2(d),

The purpose of the proposed change [to section 2(d)] is to coordinate the language here with that used elsewhere and to omit the word “purchasers,” since the provision actually relates to potential purchasers as well as to actual purchasers. The word “purchasers” is eliminated so as to avoid the possibility of misconstruction of the present language of the statute.

S. Rep. No. 87-2107, 87th Cong., 2d Sess. (Sept. 18, 1962), reprinted in 1962 U.S.C.C.A.N. 2844, 2847.

In explaining the similar revision in section 32, which provides the cause of action for infringement, the Committee stated, “This change is parallel to a similar change made in section 2(d).” *Id.* 2850-2851. There is an identical explanation of the amendments’ purpose in the House Report. *Registration and Protection of Trademarks*, H. Rep. No. 1108, 87th Cong., 1st Sess. (Sept. 5, 1961), at 4, 8.

Applying the doctrine of post-purchase confusion to this case would not accomplish the objective to which this change was directed for two reasons. First, the communicative message on the T-shirts that Smith is selling is not aimed at potential purchasers of the T-shirts to encourage them to purchase similar shirts, as the stitching on counterfeit Levi pants is aimed at communicating that the pants are Levi’s, or as the

appearance of Mastercrafters' electric clock was intended to communicate to viewers that the clock's owner had a fancy Swiss timepiece. Rather, the message that the wearer of the shirt is communicating (and that Smith is communicating through the wearer) is one of hostility to Wal-Mart. This is a non-commercial message whose contents it is entirely outside the purposes of the Lanham Act.

Moreover, Smith has taken special scruples to ensure that even if a viewer of the shirt does not understand the message that the shirt communicates, and searches online to try to find a shirt to buy (such as by using a search engine to find "wal-qaeda" or "walocaust"), the potential purchaser will quickly learn that these are anti-Wal-Mart terms. As shown by Smith Affidavit ¶ 52, and by the search results that are filed with the memorandum as Exhibit R, the top results on a Google or Yahoo! search for "Walocaust" bring up a link to Smith's walocaust.com web site with the legend, "Lampoons the company's own advertising to portray it as cruel and harmful to working people" (on Google) or an excerpt from Smith's explanation of how he derived the word "walocaust" (Yahoo!). Similarly, a search for Wal-Qaeda on one of these two search engines will bring up a list of search results that plainly reveals the hostility of the maker to Wal-Mart. Most of the other search results show discussions of this case and of Smith's anti-Wal-Mart views. And, if the viewer then clicks through to Smith's

web sites, he will see both the strong disclaimers of affiliation with Wal-Mart and the anti-Wal-Mart message that the shirts are intended to convey. In effect, the shirts function as advertisements for the political expression on Smith's anti-Wal-Mart web sites; they are not advertisements for potential purchase by persons who want to associate themselves positively with Wal-mart or buy its goods. In this way, Smith prevents any possible confusion on the part of potential purchasers of the shirts, thus breaking any link between the confusion of one who sees the shirt and Wal-Mart's own potential purchasers.⁴

Accordingly, Wal-Mart's motion for summary judgment should be denied to the extent that it is based on claims of post-sale confusion, and Smith's motion for summary judgment should be granted for the same reason.

III. THE TARNISHMENT CLAIM SHOULD ALSO BE REJECTED.

Most of Wal-Mart's arguments for tarnishment were anticipated in our opening

⁴ In this regard, it is important that Wal-Mart's claims of post-sale confusion must only be reached if its claim of point-of-sale confusion fails. After all, if Wal-Mart prevails on its point-of sale claims, it will have no need to argue that Smith's shirts cause post-purchase confusion – a finding of point-of-sale confusion (assuming that it overcomes the First Amendment and fair use defenses) would be sufficient for a finding of liability and the issuance of an injunction with respect to any design on which such a finding is made. The only reason why Wal-Mart needs to advance a post-purchase confusion argument is that the point-of-sale argument is so badly flawed in light of the way in which Smith's shirts would have to be located on the Internet before they could be purchased, which prevent any likelihood of confusion at the point of sale.

brief. One new point Wal-Mart's contention that Smith is making a "commercial use in commerce." WM SJ Mem. 27-28. Although that is an element of a claim for dilution, that statute **also** provides a defense based on "non-commercial use," and so a dilution claim cannot prevail unless it **also** overcomes that defense.

In *Mattel, Inc. v. MCA Records*, 296 F.3d 894, 905-907 (9th Cir. 2002), the court explored the language and the legislative history of the "non-commercial use" defense and concluded that the defense was intended to protect uses which, although sold, nevertheless consist entirely of non-commercial speech. The issue there was whether a song by the rock group Aqua entitled "Barbie Girl," which portrayed the ideal of Barbie in an unflattering light, constituted dilution, and the court of appeals held that the use was within the noncommercial use exception in words that could have been written for this case:

Barbie Girl is not purely commercial speech, and is therefore fully protected. To be sure, MCA used Barbie's name to sell copies of the song. However, as we've already observed, see pp. 901-02 supra, the song also lampoons the Barbie image and comments humorously on the cultural values Aqua claims she represents. Use of the Barbie mark in the song Barbie Girl therefore falls within the noncommercial use exemption to the FTDA. For precisely the same reasons, use of the mark in the song's title is also exempted.

MCA Records, 296 F.3d at 906-907.

Wal-Mart cites cases such as *Deere & Co. v. MTD Prod's*, 41 F.3d 39 (2d Cir.

1994), and *Coca-Cola Co. v. Gemini Rising*, 346 F. Supp. 113 (E.D.N.Y. 1972), as examples of dilution by tarnishment. But it was plainly the purpose of the newly strengthened fair use provision of the federal trademark dilution amendments to overrule such cases, which involved, respectively, a comparative advertisement that portrayed the logo for plaintiff's lawn tractor being chased around a lawn by defendant's supposedly more robust tractor, and a parody of the Coca-Cola logo that referred sarcastically to the rumored use of coca leaf in the original Coke formula. One of the main examples discussed at the House hearings that produced the new fair use language was the distortion of the Camel cigarette logo to produce "Joe Chemo" T-shirts. *Committee Print to Amend the Federal Trademark Dilution Act, Hearing Before the Subcommittee on Courts, the Internet and Intellectual Property, Committee on the Judiciary, House of Representatives, 108th Cong., 2d Sess. (April 22, 2004)*, at 35, 40. The new definition of fair use was intended to protect against suits directed at such expression. *Trademark Dilution Revision Act of 2005*, House Rep. No. 109-23, 109th Cong. 1st Sess. (2005), at 25. Smith's Wal★ocaust and Wal-Qaeda parodies, although doubtless as offensive to Wal-Mart as cancer references are to the tobacco companies, are not within the newly amended dilution law.

Our opening memorandum addressed the problem that Jacoby, although

presenting statistics showing the fraction of his respondents who were less likely to shop at Wal-Mart, never tested his data for statistical significance. The Teach Affidavit, however, explained why the data are **not** statistically significant. In this regard, it should not be sufficient that Jacoby has numbers in his tables that **look** large enough to have meaningful predictive value about the entire population; the differences found in his survey, as compared with his sample size, must **be** large enough. Tests of statistical significance are the means by which scientists decide the meaningfulness of reported data, that is, whether the data have any predictive value or demonstrate a causal connection of some sort. Although it is true that most trademark studies are based on non-probability samples to which tests of statistical significance are not applies, most trademark studies are also not prepared for the purpose of justifying the issuance of an injunction against political parodies. To justify such a prior restraint against speech - assuming that such a restraint could ever be sustained – more powerful proof, that meets the test of statistical significance, should be required.

An additional flaw in Jacoby's analysis is that his question to his respondents failed to eliminate from his tarnishment findings those respondents who were less likely to shop at Wal-Mart because they found Smith's commentary persuasive. Jacoby asked only whether, as a result of seeing the shirt, respondents were less likely to shop

at Wal-Mart. Criticism is, after all, a permissible purpose under dilution law, and it is the very **purpose** of criticism to persuade the viewer not to patronize the target of the criticism.

For all these reasons, as well as those set forth in Smith's opening brief, Wal-Mart's dilution claims should be rejected.

IV. ANY INJUNCTION GRANTED SHOULD BE CLOSELY TAILORED TO THE SPECIFIC VIOLATIONS PROVED AND RESTRICT AS LITTLE SPEECH AS POSSIBLE.

Wal-Mart did not submit a proposed order with its motion for summary judgment, but the conclusion of its memorandum asks the Court to enjoin "all use" of the terms Wal★ocaust or Wal-qaeda on or in connection with goods and services. Such a broad injunction would run afoul of the well-established rule that trademark injunctions should be no broader than necessary to remedy the violation. Thus, even if Wal-Mart were to prevail on its claims of infringement or dilution with respect to one or more of Smith's designs, the Court should issue a narrowly tailored injunction that remedies only that violation, while leaving Smith free to parody Wal-Mart in other ways, so long they are not confusing or tarnishing.

Thus, for example, in *SunAmerica Corp. v Sun Life Assur. Co.*, 77 F.3d 1325, 1338-1339 (11th Cir. 1996), the Court reversed a broad injunction issued after findings

of infringement that forbade “any further use of any Sun Life mark.” The court held that a district court is obligated to consider whether narrower alternatives, or a combination of narrower alternatives, would be sufficient to protect the public interest against marketplace confusion. Similarly, in *Better Business Bureau v. Medical Directors*, 681 F.2d 397, 404-405 (5th Cir. 1982), the Fifth Circuit held that it was error to enter a broad injunction against a company’s making any reference to the Better Business Bureau so long as it included a disclaimer. And in *U-Haul Int’l. v. Jartran*, 793 F.2d 1034, 1042 (9th Cir. 1986), it was held to be error not to limit an injunction to future uses that were false or deceptive.

Moreover, *SunAmerica*, *Better Business Bureau* and *U-Haul* were all strictly commercial cases in which businesses won the right to have narrow alternatives considered with respect to the manner in which they would advertise their businesses. Even more so here, where the markholder seeks to squelch core political speech, only a particularly narrow injunction should be issued limiting Smith’s right to use his Wal★ocaust and Wal-Qaeda words for the purpose of expressing his opinions about Wal-Mart, even if those opinions are placed on physical items and sold. For example, even if the Court accepts Jacoby’s opinion that one or both of the T-shirt designs that he tested cause confusion and or dilution, the injunction should be limited

to that design, and not extended to future uses (or other designs) that may not be confusing. The Court should also consider whether to allow sales so long as a stronger disclaimer is used (such as on the shirt page itself).

CONCLUSION

Wal-Mart's motion for summary judgment should be denied, and Smith's motion for summary judgment should be granted.

Respectfully submitted,

/s/ Gerald Weber

Gerald Weber (Georgia Bar 744878)
ACLU of Georgia Foundation
70 Fairlie Street, S.W., Suite 340
Atlanta, Georgia 30303
(404) 523-6201

June 8, 2007

/s/ Paul Alan Levy

Paul Alan Levy (DC Bar 946400)
Gregory Beck (DC Bar 494479)
Public Citizen Litigation Group
1600 - 20th Street, N.W.
Washington, D.C. 20009
(202) 588-1000

UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
Atlanta Division

CHARLES SMITH,)	
)	
Plaintiff/Counterclaim-Defendant,)	
)	
v.)	Civil Action No.
)	1:06 CV 0526 (TCB)
WAL-MART STORES, INC.,)	
)	
Defendant/Counterclaim Plaintiff.)	

CERTIFICATE OF SERVICE

The undersigned counsel hereby certifies

(1) that the foregoing opposition to Wal-Mart’s motion for summary judgment and all accompanying papers have been electronically filed with the Clerk using the CM/ECF system which will automatically send e-mail notification of such filing to all attorneys of record, and

(2) that the memorandum of law has been prepared in Word Perfect in 14 Point Times Roman type, and then published into PDF format.

/s/
Paul Alan Levy (DC Bar No. 946400)

Public Citizen Litigation Group
1600 - 20th Street, N.W.
Washington, D.C. 20009
(202) 588-1000

June 8, 2007