

In the Matter of

**CERTAIN VERTICAL MILLING MACHINES
AND PARTS, ATTACHMENTS,
AND ACCESSORIES
THERE TO**

Investigation No. 337-TA-133



USITC PUBLICATION 1512

MARCH 1984

UNITED STATES INTERNATIONAL TRADE COMMISSION

COMMISSIONERS

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In the Matter of)

CERTAIN VERTICAL MILLING MACHINES)
AND PARTS, ATTACHMENTS, AND)
ACCESSORIES THERETO)

Investigation No. 337-TA-133

COMMISSION ACTION AND ORDER

The U.S. International Trade Commission has concluded its investigation under section 337 of the Tariff Act of 1930, 19 U.S.C § 1337, of alleged unfair methods of competition and unfair acts in the unauthorized importation of certain vertical milling machines and parts, attachments, and accessories to these machines into the United States, or in their sale by the owner, importer, consignee, or agent of either, the alleged effect or tendency of which is to destroy or substantially injure an industry, efficiently and economically operated, in the United States. Complainant Textron, Inc., is the owner of Federally registered trademarks in the names "Bridgeport" and "Quill Master," and asserts a common law trademark in the overall external appearance of its Series I vertical milling machine and in the name "Series I." The Commission's investigation concerned allegations that forty-three respondents and one respondent intervenor had engaged in the following unfair methods of competition and unfair acts:

- (a) violation of section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a);
- (b) infringement of Federally registered trademarks in violation of section 32(1) of the Lanham Act, 15 U.S.C. § 1114(1);

- (c) infringement of common law trademark rights;
- (d) trademark dilution;
- (e) misappropriation simulation or adoption of shape design and trade dress;
- (f) passing off;
- (g) false advertising; and
- (h) unfair competition.

This Action and Order provides for the Commission's final disposition of investigation No. 337-TA-133 and is based upon the Commission's unanimous determination that there is no violation of section 337. The Commission made this determination in public session on March 1, 1984.

Action

Having reviewed the record compiled in this investigation including (1) the parties' submissions, (2) the transcript of the evidentiary hearing before the Administrative Law Judge (ALJ) and the exhibits accepted into evidence, (3) the ALJ's initial determination on violation, and (4) the arguments and submissions made in connection with the Commission's review of the initial determination, the Commission unanimously determined, on March 1, 1984, that, with respect to the respondents and respondent intervenor in investigation No. 337-TA-133, there is no violation of section 337 of the Tariff Act of 1930 in the importation or sale in the United States of certain vertical milling machines and parts, accessories, and attachments thereto.

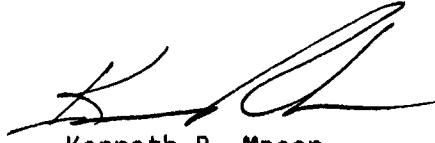
Order

Accordingly, it is hereby ORDERED THAT—

1. Investigation No. 337-TA-133 is terminated as to all issues and all respondents and the respondent intervenor;
2. The Secretary shall serve copies of this Commission Action and Order and the Commission opinion in support thereof upon each

party of record to this investigation and upon the U.S. Department of Health and Human Services, the U.S. Department of Justice, the Federal Trade Commission, and the U.S. Customs Service; and shall publish notice of this Action and Order in the Federal Register.

By order of the Commission.

A handwritten signature in black ink, appearing to read 'K. R. Mason', with a large, sweeping flourish extending to the right.

Kenneth R. Mason
Secretary

Issued: March 22, 1984

In the Matter of)
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CERTAIN VERTICAL MILLING MACHINES)
AND PARTS, ATTACHMENTS, AND)
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)

Investigation No. 337-TA-133

VIEWS OF THE COMMISSION

On November 29, 1983, the Commission determined to review the initial determination (ID) ^{1/} of the administrative law judge (ALJ) that there is a violation of section 337, 19 U.S.C. § 1337, in investigation No. 337-TA-133, Certain Vertical Milling Machines and Parts, Attachments, and Accessories Thereto. ^{2/} We determine that there is no violation of section 337 in the importation or sale of certain vertical milling machines and parts, attachments, and accessories to these machines.

PROCEDURAL HISTORY

On October 14, 1982, Textron, Inc. (Textron), of Providence, Rhode Island filed a complaint with the Commission under section 337 of the Tariff Act of 1930. Bridgeport Machines (Bridgeport) is the division of Textron which manufactures, distributes, and sells vertical milling machines and their attachments and accessories in the United States. On November 11, 1982, the

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- ^{1/} The following abbreviations will be used throughout this memorandum: Administrative Law Judge (ALJ); initial determination (ID); Commission investigative attorney (IA); transcript of evidentiary hearing before the ALJ (TR); transcript of Commission hearing (CTR); complainant's exhibit (CX); complainant's physical exhibit (CPX); respondent's exhibit (respondent's name X).
- ^{2/} The Commission's review was pursuant to Rules 210.54 and 210.56 of the Commission's Rules of Practice and Procedure. 19 C.F.R. §§ 210.54 and 210.56.

Commission instituted an investigation to determine whether there is a violation of section 337 of the Tariff Act of 1930 in the unauthorized importation or sale of certain vertical milling machines and parts, attachments, and accessories thereto by reason of the alleged:

- (a) violation of section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a);
- (b) infringement of Federally registered trademarks in violation of section 32(1) of the Lanham Act, 15 U.S.C. § 1114(1);
- (c) infringement of common law trademark rights;
- (d) trademark dilution;
- (e) misappropriation, simulation, or adoption of shape, design and trade dress;
- (f) passing off;
- (g) false advertising; and
- (h) unfair competition;

the effect or tendency of which is to destroy or substantially injure an industry which is efficiently and economically operated in the United States. ^{3/}

The original notice of investigation named the following forty-three respondents:

1. Chanun Machine Tool Co. Ltd., Taipei, Taiwan
2. Hong Yeong Machinery Industrial Co., Ltd., Sheng Kang Hsiang Taichung Hsien, Taiwan
3. Poncho Enterprise Co., Ltd., Taipei, Taiwan
4. M.I.T. Machinery & Tool Co., Ltd., Taipei, Taiwan
5. Warner Tool & Machine Tool Co., Ltd., No. Hollywood, California
6. ABC Industrial Machine Tool Co., Los Angeles, California
7. Big-Joe Industrial Machine Tool Corp., Houston, Texas
8. South Bend Lathe, Inc., South Bend, Indiana
9. Enco Manufacturing Co., Chicago, Illinois
10. Maw Chang Machinery Co., Ltd., Taichung, Taiwan

^{3/} 47 Fed. Reg. 51821.

11. Lilian Machinery Industrial Co., Ltd., Taipei, Taiwan
12. DoAll Co., Des Plaines, Illinois
13. Jenq Shing Enterprises Co., Ltd., Taipei, Taiwan
14. Kabaco Tools, Inc., Sterling Heights, Michigan
15. Lio Ho Machine Works, Ltd., Chung Li City, Taiwan
16. She Hong Industrial Co., Ltd., Taichung, Taiwan
17. Yun Fu Machinery Co., Ltd., Taichung, Taiwan
18. Yeong Chin Machinery Industries Co., Ltd., Taichung Taiwan
19. Y.C.I. USA, Inc., Compton, California
20. Long Chang Machinery Co., Ltd., Taichung, Taiwan
21. Nahshon Machinery Co., Ltd., Taichung, Taiwan
22. Fu Shanlong Industry Co., Ltd., Taichung, Taiwan
23. Great International Corp., Taipei, Taiwan
24. Yamazen U.S.A., Inc., Carson, California
25. Hsu Pen Machinery Co., Taichung, Taiwan
26. Kingtex Corp., Taipei, Taiwan
27. Pal-Up Enterprises Co., Ltd., Feng Yuan, Taiwan
28. Shye Shing Machinery Mfg. Co., Ltd., Taichung, Taiwan
29. Rutland Tool & Supply Co., Inc., City of Industry, California
30. Pilgrim Industries, Inc., Nashville, Tennessee
31. Select Machine Tool Co., Culver City, California
32. Webb Machinery Corp., Torrance, California
33. Luson International Distributors, Inc., Ravenswood, West Virginia
34. Deka Machine Sales Corp., Yonkers, New York
35. Intermark-Hartford Corp., Teterboro, New Jersey
36. Republic Machinery Co. Inc., Los Angeles, California
37. Jet Equipment & Tools Inc., Tacoma, Washington
38. Delta Machine & Tool Co., Inc., Philadelphia, Pennsylvania
39. Cadillac Machines Inc., Anaheim, California
40. Haerr Machinery Inc., Anaheim, California
41. Kanematsu-Gosho, U.S.A., Inc., Arlington Heights, Illinois
42. King Machinery Inc., Compton, California
43. Kieheung Machinery Works, Daejeon, South Korea

One party, Alliant Machine Tool Corp. (Alliant), intervened in this investigation and was named a respondent. ^{4/} The Commission terminated this investigation with respect to ten respondents. Nine of these respondents reached settlement agreements with Textron and one respondent went out of business. ^{5/}

^{4/} See 48 Fed. Reg. 31309

^{5/} See respondents thirty-four through forty-three.

On January 26, 1983, the Commission amended the notice of investigation to add additional counts alleged against the respective respondents and declare the investigation more complicated. The Commission set an administrative deadline of February 17, 1984 for completion of this investigation. ^{6/}

On October 31, 1983, the ALJ issued her initial determination that, of the remaining thirty-three respondents, the following had violated section 337:

1. Chanun Machine Tool Co. Ltd.
2. Hong Yeong Machinery Industrial Co., Ltd.
3. Poncho Enterprise Co., Ltd.
4. M.I.T. Machinery & Tool Co., Ltd.
5. Warner Tool & Machine Tool Co., Ltd.
6. ABC Industrial Machine Tool Co.
7. Big-Joe Industrial Machine Tool Corp.
8. South Bend Lathe, Inc.
9. Enco Manufacturing Co.
10. Maw Chang Machinery Co., Ltd.
11. Lilian Machinery Industrial Co., Ltd.
12. DoAll Co.
13. Jenq Shing Enterprises Co., Ltd.
14. Kabaco Tools, Inc.
15. Lio Ho Machine Works, Ltd.
16. She Hong Industrial Co., Ltd.
17. Yun Fu Machinery Co., Ltd.
18. Yeong Chin Machinery Industries Co., Ltd.
19. Y.C.I. USA, Inc.
20. Long Chang Machinery Co., Ltd.

With regard to the specific unfair acts alleged under section 337, the ALJ found that eleven respondents had used a photograph of a Bridgeport

^{6/} The amendment to the notice of investigation clarified the specific unfair acts alleged against each respondent. The large number of respondents and alleged unfair acts and the extensive discovery required in this investigation justified declaring the investigation more complicated. 48 Fed. Reg. 4745.

vertical milling machine in their respective advertising and sales literature and operating manuals. Six of these firms used a photograph that had the name "Series I" on the machine in the photograph. The other five respondents removed the name "Series I" from the photograph. Based on this evidence, the ALJ found that Chanun, Poncho, Lilian, Warner, M.I.T., ABC, Big-Joe, South Bend Lathe, Enco, Maw Chang, and Long Chang had violated section 43(a) of the Lanham Act through false advertising and engaged in common law false advertising. ^{7/}

The ALJ found that the following sixteen respondents had engaged in passing off: DoAll, Hong Yeong, Jenq Shing, Kabaco, Lio Ho, Maw Chang, She Hong, Poncho, Lilian, South Bend Lathe, Chanun, Enco, Yun Fu, Warner, Big-Joe, and Yeong Chin. The ALJ stated that evidence of close copying of the Bridgeport vertical milling machine together with copying portions of Bridgeport's catalogue, sales literature or operating manuals permitted an inference that respondents intended to lead purchasers to believe that they would be acquiring a Bridgeport machine. The ALJ also found that some of these respondents referred to Series I in their catalogues, thereby contributing to the finding of passing off. ^{8/}

In addition, the ALJ found that respondent Chanun's advertising brochure for an attachment for a vertical milling machine is deceptive, constitutes false advertising, and infringes Textron's Federally registered trademark "Quill Master". ^{9/} The ALJ also found that respondent Hong Yeong's use of

^{7/} ID at 55-56.

^{8/} Id. at 61.

^{9/} Id. at 53.

the name "Bigport", which is written in script on the name plate of its vertical milling machine and in its advertising, infringes Textron's registered trademark, "Bridgeport", which also is written in script form and appears in the identical place on the Bridgeport machine. ^{10/} Finally, the ALJ found that Y.C.I. USA, Inc.'s representations in its U.S. advertising that the company has patent protection for its vertical milling machine when no such patent protection existed constitutes false advertising. ^{11/}

The ALJ found that the domestic industry is efficiently and economically operated. Furthermore, respondents' unfair acts have the effect or tendency to substantially injure the domestic industry. ^{12/}

The ALJ found that the remaining fourteen respondents had not violated section 337, because Textron had not proven common law trademark infringement, trademark dilution, or misappropriation, simulation, or adoption of shape, design and trade dress. ^{13/} Thus, the ALJ's ID terminated the investigation with respect to the following respondents:

1. Alliant Machine Tool Corp.
2. Nahshon Machinery Co., Ltd.
3. Fu Shanlong Industry Co., Ltd.
4. Great International Corp.
5. Yamazen U.S.A., Inc.
6. Hsu Pen Machinery Co.
7. Kingtex Corp.
8. Pal-Up Enterprises Co., Ltd.
9. Shye Shing Machinery Mfg. Co., Ltd.

^{10/} Id. at 52.

^{11/} Id. at 60.

^{12/} Id. at 64, 69-70.

^{13/} Id. at 43, 57-58.

10. Rutland Tool & Supply Co., Inc.
11. Pilgrim Industries, Inc.
12. Select Machine Tool Co.
13. Webb Machinery Corp.
14. Luson International Distributors, Inc.

The Commission determined to review the ID in this investigation and published a notice in the Federal Register identifying eight issues for review. ^{14/} The issues identified for review were: (1) the existence of a common law trademark in the exterior appearance of the Bridgeport Series I vertical milling machine, (2) the existence of a common law trademark in the name "Series I", (3) infringement of Bridgeport's alleged common law trademarks, (4) the availability of the equitable defense of laches, (5) passing off, (6) violation of section 43(a) of the Lanham Act through false advertising, (7) false advertising, and (8) injury. The Commission held a public hearing on the specified issues regarding violation and on remedy, public interest, and bonding on February 7, 1984. ^{15/} On March 1, 1984, the Commission unanimously determined that there is no violation of section 337 in the importation or sale of certain vertical milling machines, parts, attachments, and accessories thereto.

The alleged common law trademarks

Vertical milling machines are metal cutting machines used to produce machined surfaces on a piece of metal by means of rotary milling cutters.

^{14/} The Commission received petitions for review from Textron, the IA, and several of the respondents. The petitions for review and responses to the petition discussed all of the issues that the Commission identified for review. 48 Fed. Reg. 54911.

^{15/} On December 12, 1983, the Commission determined to extend the administrative deadline in this investigation to March 23, 1984. 48 Fed. Reg. 56451.

Textron's Series I vertical milling machine is a knee type, non-numerically controlled machine that weighs approximately one ton and has a one or two horsepower motor. Textron asserts that it possesses a common law trademark in the overall exterior configuration of the Bridgeport Series I vertical milling machine. The claimed trademark resides in the commercial impression allegedly created by seven features of the machine: the column, pedestal, knee, saddle, turret, ram, and head. ^{16/} In addition, Textron claims a common law trademark in the name Series I which appears on its small vertical milling machine and which is used in Textron's advertising and other literature.

UNFAIR ACTS

I. Common law trademark in the overall exterior appearance of the Bridgeport vertical milling machine

The Commission has applied the traditional definition of common law trademark, i.e., any word, name, symbol, or device, or any combination thereof, adopted and used by a manufacturer or a merchant to identify his goods and to distinguish them from those manufactured or sold by others. ^{17/} Proof of the existence of a common law trademark requires that the party asserting the trademark show that: (1) the party has the right to

^{16/} TR at 295-298.

^{17/} Certain Sneakers With Rubber Soles and Fabric Uppers, Inv. No. 337-TA-118, USITC Pub. No. 1366 (1983) at 5 (hereinafter Sneakers); Certain Cube Puzzles, Inv. No. 337-TA-112, USITC Pub. No. 1334 (1982) at 4 (hereinafter Cube Puzzles); Certain Vacuum Bottles, Inv. No. 337-TA-108, USITC Pub. No. 1305 (1982) at 4 (hereinafter Vacuum Bottles); 3 R. Callman, Unfair Competition, Trademarks, and Monopolies, § 65 at 2.

use the mark, and (2) the mark is either inherently distinctive or has acquired secondary meaning. Trademark protection, however, will be denied if the mark is functional or generic. ^{18/}

The ALJ concluded that there is no common law trademark in the overall exterior appearance of the Bridgeport Series I vertical milling machine. ^{19/} In reaching this conclusion, the ALJ found that Textron had failed to prove secondary meaning in the alleged mark and that the overall exterior appearance was non-functional. ^{20/} The ALJ also found that any trademark that Textron might have in the machine was generic. ^{21/} We reach the same conclusion as the ALJ but for different reasons. ^{22/} Specifically, we disagree with the ALJ's findings regarding the need to adopt the claimed mark with the intent that it serve to identify the source of the product, possible secondary meaning in the "style" of the Bridgeport machine, functionality, and genericness of the overall external appearance of the Bridgeport Series I vertical milling machine.

^{18/} 1 J. McCarthy, Trademarks and Unfair Competition, (1973) § 15.1 at 514; §12.1 at 405; § 15.7 at 533 (hereinafter McCarthy).

^{19/} ID at 25.

^{20/} Id. at 32.

^{21/} Id. at 35.

^{22/} The ALJ stated in the ID that "something in the appearance of the Bridgeport Series I has acquired secondary meaning." Id. Based on this dicta, Textron argued that if the Commission determined that the overall exterior appearance of the machine is not entitled to trademark protection, the portions of the column and ram with a "Swedish curve" configuration should be accorded such protection. Textron brief on Issues Identified for Review at 20-22. We find that there is no common law trademark in that portion of the design of these machines characterized as "Swedish Curves."

The right to use the alleged trademark

The ALJ found that although Bridgeport may have adopted and used the "Swedish curve" design to identify its machine, Bridgeport had not adopted the overall exterior appearance of the machine with the intent that it serve as a trademark. ^{23/} The ALJ related this finding on Bridgeport's intent in adopting the overall exterior appearance of the machine to the right to use the mark. Because Bridgeport did not adopt the overall exterior appearance of its vertical milling machine with the intent that it serve to identify the source of the machine and thus, did not satisfy the first requirement of the analysis, the ALJ did not reach the issue of whether Bridgeport had a right to use the overall exterior appearance of the machine as a trademark. ^{24/} The ALJ did find that Bridgeport had the right to claim the "Swedish curves style" as a trademark. ^{25/}

We disagree with the ALJ's requirement that Bridgeport initially adopt a claimed trademark with the intent that it serve as a trademark. Claimants that seek protection for marks that acquire secondary meaning through use of the mark may not have initially adopted the alleged mark with the intent that it identify the source of the product. Although parties may attempt to influence the acquisition of secondary meaning in a symbol through exposing the public to the claimed mark, it is the success of this attempt to gain

^{23/} ID at 13.
^{24/} Id. at 14.
^{25/} Id.

secondary meaning rather than the intent of the party that is dispositive. ^{26/}

We find that if a common law trademark exists in the exterior appearance of the Series I vertical milling machine, Textron has the right to use the mark. Bridgeport began manufacturing vertical milling machines with similarities to the present design in 1938. ^{27/} Although changes have been made in the design of the machine since then, there has been no major change in the machine since the 1950's. ^{28/} Bridgeport has sold over 250,000 vertical milling machines in the United States and has dominated the U.S. market for these machines. ^{29/} Thus, Bridgeport has the right to use the alleged trademark in the overall exterior appearance of the Series I vertical milling machine.

Inherent distinctiveness and secondary meaning

We agree with the ALJ's finding that the exterior appearance of the Bridgeport vertical milling machine is not inherently distinctive and that the appearance is adapted to the function it performs. ^{30/} However, there are no obvious "flights of fancy" in the design. ^{31/} Textron's evidence regarding inherent distinctiveness of its design consisted of testimony from Mr.

^{26/} Carter-Wallace, Inc. v. Proctor & Gamble Co., 434 F.2d 794 (9th Cir. 1970).

^{27/} TR at 295.

^{28/} Id. at 40, 755, 1358-59.

^{29/} Id. at 313.

^{30/} Inherently distinctive marks are trademarks that are immediately identifiable with the party asserting rights in the mark because they are unique or arbitrary creations. Coined words such as Xerox are the most common type of inherently distinctive trademark. McCarthy § 11.1 at 346.

^{31/} ID at 15.

Bowditch, the curator of Power and Shop Machinery at the Henry Ford Museum and an expert in semiotics (nonverbal communication), that in 1938, when Bridgeport adopted the basic design of that portion of its machine below the turret, the design was a radical departure from previous vertical milling machine design. ^{32/} In addition, there were other vertical milling machines in existence at the time that Bridgeport adopted its design which were very dissimilar to the Bridgeport design. ^{33/} Mr. Clancy, the president of Bridgeport Machines Division, testified that Mr. Waldstrom and Mr. Bannow, the original owners of Bridgeport and the designers of the machine, intended that the curves in the machine be distinctive and refused to change the shape of the machine. ^{34/}

There is no evidence on the record, however, that consumers immediately identified this design as indicating that Bridgeport manufactured this machine. Moreover, what may have been distinctive in 1938 may no longer be distinctive in 1984. The general configuration of vertical milling machines, even those that Textron identifies as noninfringing, appears similar in many respects to the Bridgeport machine, i.e., they all have rams, heads, columns etc., some of which are similar to the Bridgeport design. ^{35/} The use of a curve as opposed to an angular design is not intrinsically fanciful or arbitrary or suggestive. ^{36/} Moreover, other vertical milling machines incorporating the curved design have been on the U.S. market since 1975 and

^{32/} TR at 678.

^{33/} CX 222-243.

^{34/} *Id.* at 23-24, 47-48.

^{35/} TR at 305.

^{36/} McCarthy at §§ 7.12-7.13 at 172-73.

consumers know that these machines exist and have a curved design. Use of the curved design for several years by third parties diminishes the inherent distinctiveness of the curved design. ^{37/} Therefore, we find that the design of the Bridgeport Series I vertical milling machine is not inherently distinctive. Textron, thus, must establish that the exterior design of the Bridgeport vertical milling machine has acquired secondary meaning.

Secondary meaning is a mental association in buyers' minds between the alleged mark and a single source of the product. ^{38/} The Commission has required such an association in the minds of a substantial number of the relevant buyer group. ^{39/} Proof of secondary meaning is a question of fact which must be established by a preponderance of the evidence. ^{40/} Although there is no predetermined amount of proof required to establish secondary meaning, the courts have required more evidence of secondary meaning where the mark is descriptive or the mark is associated with a characteristic that motivates the purchase. ^{41/}

Evidence of secondary meaning can consist of both direct and circumstantial evidence. ^{42/} Direct evidence can consist of buyers' testimony, affidavit, or survey, on the existence of the necessary association between the mark and the source of the product. Circumstantial evidence can consist of information relevant to buyers' exposure to the mark and allows the

^{37/} Id. § 15.9 at 536. Bridgeport also uses portions of its Series I vertical milling machine, such as the column and head, on other machines that it manufactures. TR at 78.

^{38/} McCarthy § 15.2 at 516.

^{39/} Certain Vacuum Bottles, supra, at 8; Certain Sneakers, supra, at 7.

^{40/} McCarthy at §§ 15.10–15.11 at 538–41.

^{41/} Id. at § 15.11.

^{42/} Certain Sneakers, supra, at 7.

trier of fact to draw inferences from indirect evidence. Advertising, length of use, exclusivity of use, and sales volume, for example, may support an inference of secondary meaning in a mark. ^{43/} In addition, the Commission may draw inferences of secondary meaning from deliberate and close copying of the alleged mark, particularly if the mark is very strong. However, the existence of intentional close copying alone is not sufficient to establish secondary meaning. Additional evidence of secondary meaning must be presented. ^{44/}

Based on an evaluation of both the direct and circumstantial evidence, the ALJ found that Textron had failed to prove secondary meaning in the overall exterior appearance of the machine. However, the ALJ found that "something" in the appearance of the Bridgeport Series I had acquired secondary meaning. ^{45/}

We find that Textron has failed to sustain its burden of proof with regard to secondary meaning in either the overall exterior appearance of the machine or any portion of the machine. We disagree with the ALJ's conclusion that "something in the appearance of the Bridgeport Series I has acquired secondary meaning." The finding that some consumers are able to identify the style of the Bridgeport machine is insufficient to find a trademark in this investigation.

We agree with the ALJ's conclusion that the fact that consumers testified that they could recognize the Bridgeport machine does not necessarily show

^{43/} Id.

^{44/} Kimberly Knitwear v. Kimberly Stores, Inc. of Michigan, 331 F. Supp. 1339, 1341 (W.D. Mich. 1971); Certain Sneakers, supra, at 8.

^{45/} ID at 25.

secondary meaning in the overall exterior appearance of the machine. As the ALJ noted, the conspicuous display of a brand name and, in some instances the Taiwanese manufacturer's name, diminishes the weight accorded consumers' testimony regarding their ability to recognize and identify a particular machine as a Bridgeport. ^{46/}

Textron's other direct evidence of secondary meaning included a consumer survey. Textron's survey expert, Dr. Zeisel a professor emeritus of law and sociology at the University of Chicago, conducted two analyses of this survey prior to the evidentiary hearing. The survey used three black and white photographs of machines. These photographs depicted a vertical milling machine manufactured by Yeong Chin that allegedly infringes Bridgeport's claimed mark, ^{47/} a large vertical milling machine with an attachment not normally found on a Bridgeport machine, ^{48/} and a horizontal-vertical milling machine. ^{49/} Thus, the survey involved only one vertical milling machine of the type in question in this investigation. All name plates identifying the manufacturer of each machine were blocked out of the pictures used in these surveys.

In the survey, the interviewer showed "qualified persons" the three pictures and asked if they could identify what firm manufactured a particular machine and what made the interviewee think that a particular firm manufactured the machine. ^{50/} The preliminary survey analysis included

^{46/} Id. at 16.
^{47/} CPX DD
^{48/} CPX JJ
^{49/} CPX LL.
^{50/} CX 297, 320.

persons who stated that they were familiar with vertical milling machines as "qualified participants". The second survey analysis included only persons from shops that either owned a vertical milling machine or expected to purchase a machine within the next year. The percentage of persons who were unable to identify the manufacturer of any of the machines was much higher in the preliminary survey. ^{51/}

The ALJ concluded that the results of the survey should be given little weight because of the machines shown to the interviewees. The ALJ also found that if the survey shows any secondary meaning for the overall external appearance of the Bridgeport Series I, it is not a strong showing and is not proof of a strong mark. ^{52/} Specifically, the ALJ found that Textron's failure to use a photograph of a Bridgeport Series I vertical milling machine in the survey was critical because Textron had not clearly identified the essential features of its claimed trademark. Thus, showing other machines might show likelihood of confusion but not secondary meaning because the machine in the photograph used in the survey was not identical to the Bridgeport machine. ^{53/} The ALJ noted that the survey respondents included personnel who would not normally have experience with vertical milling machines, such as secretaries and maintenance workers. The ALJ also found that the choice of control pictures may have biased the survey results towards the selection of the Yeong Chin vertical milling machine as a Bridgeport. ^{54/} The ALJ noted the reasons given for identification of the

^{51/} CX 297; Alliant X 71.

^{52/} ID at 21.

^{53/} Id. at 18.

^{54/} Id. at 19.

Yeong Chin machine as manufactured by Bridgeport and concluded that some people recognize a machine that generally looks like the Bridgeport Series I as a Bridgeport. ^{55/}

We find that the technical problems with the Zeisel survey together with many ambiguous responses substantially weakens the weight accorded this evidence of secondary meaning in the claimed mark. ^{56/} An analysis of the interviewees' reasons for identification of the photographs indicates a substantially lower degree of proof of secondary meaning than Textron asserts and reinforces the ALJ's finding that there is no common law trademark in the exterior appearance of the Bridgeport vertical milling machine. ^{57/}

In the second survey analysis which has results more favorable to Textron, 56% of the persons responding identified the Yeong Chin machine as a Bridgeport, 2% identified it as a Bridgeport imitation, 2% identified the machine as either a Bridgeport or an imitation, and 2% identified the manufacturer as probably Bridgeport. Twenty-nine percent of the persons

^{55/} Id. at 20.

^{56/} Unlike the ALJ, we find that this survey is relevant solely to the issue of secondary meaning. The control pictures chosen and the use of black and white photographs with the name of the manufacturer removed from the machine preclude use of this survey to establish likelihood of confusion. The survey fails to replicate market conditions. See Giant Food Inc. v. Nation's Food Service, Inc., 710 F.2d 1565 (C.A.F.C. 1983).

^{57/} Even assuming that the survey evidence is probative of secondary meaning, this investigation is distinguishable from the other cases relying on survey evidence to establish the existence of secondary meaning because of weakness of other direct and circumstantial evidence of secondary meaning in the asserted mark. See Ideal Toy Corp. v. Plawner Toy Mfg. Corp., 685 F.2d 78, 82 (3d Cir. 1982); Union Carbide Corp. v. Ever-Ready Inc., 531 F.2d 366, 381 (7th Cir. 1976); Monsieur Henri Wines Ltd. v. Duran, 204 USPQ 601, 605-06 (TTAB 1979).

responding could not identify the manufacturer of the machine and 10% identified the Yeong Chin machine as manufactured by other firms. ^{58/} The large vertical milling machine and the horizontal-vertical milling machine each were identified as Bridgeport's machine by 15% of the persons responding to the survey. ^{59/} In addition, several of the persons responding identified Bridgeport as the manufacturer of more than one of the machines. ^{60/}

Only 46.7% of the interviewees identified only the Yeong Chin machine as a Bridgeport. ^{61/} Focusing on responses that were possibly related to the shape of the machine results in an identification percentage of approximately 38%. The persons responding gave the various reasons for their identification of the Yeong Chin machine as a Bridgeport machine. These reasons included: I know what a Bridgeport looks like (20.8%), I have some like it (13.6%), the head design (8.3%), style of it (5.8%), motor on top (1.2%), looks like a Bridgeport but some differences (0.4%), just a guess (1.2%), might be a Bridgeport (2.6%), bigger/older Bridgeport (3.8%), shape of it (3.4%), it's a Bridgeport series I or II (1.2%). ^{62/} Some of those persons responding that "I have some like it" or "I know what a Bridgeport looks like" may have identified some aspect of the machine unrelated to the alleged trademark such as the position of the motor on the head.

^{58/} CX 320 at 5.

^{59/} Id.

^{60/} CX 297. Textron's survey expert testified that he drew the figures used on page 6 of CX 320 from table B of CX 297. TR at 611.

^{61/} CX 297 at Table A.

^{62/} CX 320 at 6. In some instances interviewees gave more than one reason for their identification of a particular machine. Id.

In addition to these defects in survey analysis, we find that the strength of Textron's word mark "Bridgeport", that firm's domination of the small vertical milling machine market in the United States, and the absence of effort to promote the shape of the machine apart from the word mark lessens the weight that should be attributed to those survey responses identifying the only small "Bridgeport-type" vertical milling machine photograph as a Bridgeport. ^{63/} Thus, we find that little weight can be accorded this evidence of secondary meaning.

In addition to this direct evidence on secondary meaning, Textron presented circumstantial evidence on the length of use of the alleged mark, advertising and promotion of the mark, and evidence of intentional close copying of the claimed mark. The ALJ accorded little weight to Textron's circumstantial evidence of secondary meaning. ^{64/} The ALJ based this assessment upon (1) Textron's failure to define the alleged trademark until the firm commenced this investigation, (2) the failure to advertise the claimed mark separate and apart from the name "Bridgeport", (3) and the fact that the evidence of close copying was weakened by respondents' copying of features that no longer appear on the Bridgeport machine manufactured in the United States. ^{65/}

^{63/} During the hearing, the ALJ expressed the concern that Bridgeport's dominance of the small vertical milling machine market and the absence of another picture that depicted a Bridgeport-type machine could lead interviewees to identify the sole picture even resembling as a Bridgeport. TR at 642-643.

^{64/} ID at 21.

^{65/} Id. at 21-24.

Textron's evidence on length of use and advertising and promotional efforts suffers from significant deficiencies. There is little evidence regarding when Bridgeport's overall external configuration allegedly achieved recognition as an indication of the source of the machine. Bridgeport did not assert the mark until 1982 when it filed the complaint in this investigation. Although it is unnecessary for Bridgeport to adopt a design with the intent that it serve as a trademark, the timing of the assertion of that mark and Bridgeport's statement reserving the right to modify the exterior appearance of its machines is probative evidence regarding the existence of secondary meaning in the claimed mark. ^{66/}

Textron has not advertised the claimed trademark separate and apart from its strong word mark "Bridgeport." The name Bridgeport appears in all advertising and in the operator's manuals for the machine. The use of blazer patches with a silhouette of a Series I vertical milling machine and other promotional articles with limited distribution provides little evidence that the shape of the machine creates a commercial impression separate and apart from the word mark Bridgeport. ^{67/}

With regard to the significance of the evidence of close copying in this investigation, we find that little weight should be accorded this circumstantial evidence because of the limited number of design alternatives actually in existence for use in the manufacture of vertical milling machines,

^{66/} John Deere & Co. v. Farmhand Inc., 560 F. Supp. 85, 99 (S.D. Iowa 1982).

^{67/} See In re McIlhenny Co., 278 F.2d 953, 126 USPQ 138 (C.C.P.A. 1960); In re Johnson & Johnson, 129 USPQ 371 (TTAB 1961); Certain Vacuum Bottles, supra, at 10-11.

and the fact that many of the respondents either copied the old Bridgeport design or copied a copy of the Bridgeport design. Such evidence is ambiguous as to whether there was an intent to trade on any goodwill associated with the shape of the machine.

Some courts justify the inference of secondary meaning drawn from deliberate close copying based on the assumption that the second user of the mark recognized the goodwill in the mark and intended to benefit from copying the mark. ^{68/} Inferred secondary meaning is also closely associated with likelihood of confusion. ^{69/} In this investigation, most of the design modifications by the manufacturing respondents involved the internal workings of the machines. There are a limited number of design alternatives for a vertical milling machine in the sense that the Bridgeport design is a combination of curved surfaces and the allegedly non-infringing designs are either a combination of all angles and straight edges or a combination of angles and curves. ^{70/} There is evidence that several of the Taiwanese manufacturing respondents simply worked from one of the Bridgeport Series I designs because they were readily available in the U.S. market and the

^{68/} See *Harlequin Enterprises, Ltd. v. Gulf & Western Corp.*, 644 F.2d 946 (2d Cir. 1981); *Truck Equipment Service Co. v. Freuhauf Corp.*, 536 F.2d 1220, n. 13 (8th Cir.), cert. denied, 429 U.S. 861 (1976).

^{69/} *Surgicenters of America, Inc. v. Medical Dental Surgeries Co.*, 601 F.2d 1011 (9th Cir. 1979).

^{70/} For example, the Lagun machine, which Textron alleges is non-infringing, has a pedestal shaped similarly to the Bridgeport design. TR at 109; CPX E. The Hurco machine's design, which is also non-infringing, resembles a series of rectangles and cubes. See CPX F.

Taiwanese knew that the Bridgeport design worked. ^{71/} Subsequent entrants in the market, such as Alliant, then built upon the design of the Taiwanese machines. ^{72/} This does not provide strong evidence of secondary meaning in the exterior appearance of the Bridgeport vertical milling machine.

Functionality

In addition to finding that Textron failed to prove that the overall exterior appearance of its vertical milling machine has achieved secondary meaning, the ALJ found that Bridgeport had failed to prove that its claimed trademark in the overall exterior appearance of the Bridgeport Series I was nonfunctional. ^{73/} The ALJ based this finding on an analysis of each of the seven components of the claimed trademark. The ALJ found that Textron failed to prove that alternative designs for each part of the claimed trademark existed, that these designs worked, and that these designs could be

^{71/} The ALJ made a finding on abandonment that respondents had a right to copy the "abandoned" features of the Bridgeport machine and that to that extent the imports did not look like the Bridgeport machine. She found that this lessened the inference of secondary meaning from intentional close copying. ID at 24. Abandonment, however, is an act or omission which causes a mark to lose its significance as an indication of origin and quality. McCarthy § 17.2 at 590 (citing 15 U.S.C. § 1127). Although the ALJ's approach recognizes the problem with the claimed trademark not corresponding to those aspects of the machine which serve to identify Bridgeport as the source of the machine, it fails to recognize that some consumers continue to identify those aspects of the old Bridgeport design which Textron has excluded from its claimed mark as indicating the source of the machine. The situation in this investigation is analagous to trademarks for products that have changes in various models. Buyers rely upon a certain level of quality established through many years of product changes. Id. § 17.10 at 600.

^{72/} Alliant X 22.

^{73/} ID at 32.

manufactured at a cost that would allow effective competition. ^{74/} We disagree with this holding because of its focus on the component parts of the claimed mark rather than on the overall appearance of the machine.

In Morton-Norwich, the court stated that the particular design of the whole assembly of those parts constituting the claimed trademark must be essential to the functioning of the article or to the economy of its manufacture to make it ineligible for trademark protection. ^{75/} Although the ALJ found that portions of Bridgeport's design were functional because redesigning the head of the machine, for example, could affect the function of the machine, it is the overall appearance of the machine that must be considered in determining functionality of the claimed trademark.

The Bridgeport design is not the easiest or simplest design to manufacture. The curves in the design have caused casting problems in the past. ^{76/} Those machines that Textron identified as non-infringing all weigh substantially more than the Bridgeport machine and additional metal would add a significant amount to the cost of the respondents' machines. ^{77/} There are, however, vertical milling machines sold in the United States with alternative configurations at prices comparable to Bridgeport's prices even

^{74/} Id. at 28-31.

^{75/} In Re Morton-Norwich Products Inc., 671 F.2d 1332, 1338, 1340 (C.C.P.A. 1982).

^{76/} TR at 47-49.

^{77/} Id. at 1229-30.

though they may weigh more than the Bridgeport machine. ^{78/} These machines compete with the Bridgeport Series I vertical milling machine even though many of them are larger and heavier than the Bridgeport machine, because vertical milling machines are available in a continuum of sizes and capabilities and the Series I machine is in the middle of the range of these machines. ^{79/}

A vertical milling machine differs from many of the products for which a party seeks trademark protection because there are a limited number of configurations for a vertical milling machine design. One can either design a machine with curved or rounded contours or angular contours or a combination of the two shapes. The photographs of many of the allegedly non-infringing vertical milling machines show a basic angular design with very little variation in the shape of the column or ram. ^{80/} The Lagun machine ^{81/} has a pedestal that has a curved and fluted shape similar to the Bridgeport pedestal; however, Textron states that it does not infringe its alleged mark.

Complainant presented evidence of three proposed designs for the column of a vertical milling machine and one alternative design for the ram of the machines. Mr. Jahnke, a machine design expert, designed these small wooden models of these portions of a vertical milling machine during the course of the evidentiary hearing. ^{82/} In addition, Mr. Jahnke did mathematical calculations to establish that these designs could be used in a machine with a

^{78/} Id. at 1414-15; CX 292 at 3, 6, 13, 15, 77-78, 106, 121, 123.

^{79/} TR at 306-08, 315-16, 838-319, 870-71.

^{80/} See CX 124, 166-74.

^{81/} CPX F.

^{82/} See CPX Q, S, T & U.

weight similar to that of a Bridgeport machine and would result in stronger castings than the Bridgeport machine. ^{83/}

Mr. Jahnke did not test these designs for potential problems in casting, nor did he test for potential problems with resonant vibration. Although Mr. Jahnke only redesigned the ram and column of the machine and not the other five parts of the machine that allegedly constitute the trademark, the short time necessary to design three alternatives to the Bridgeport column design demonstrates the comparative ease of such a task. Mr. Jahnke's proposed alternative designs for the column of the machine do vary from both the Bridgeport design and other existing designs; however, the three proposed designs all share a similar angular shape. In addition, one respondent has admitted that it will redesign the exterior of its machine should the Commission find that Textron has a common law trademark. ^{84/} Therefore, to the extent that all use of curved shapes or a combination of curves and angles will not result in infringing designs, we find that there are potential alternatives available for respondents' use.

We find that respondents have failed to show that the Bridgeport design is essential to competition. Although adoption of an existing design may affect competition through increased cost of manufacture, we find that Textron has sufficiently demonstrated that a machine could be designed that would not require substantially more metal and would perform the same functions as a Bridgeport Series I machine. Morton-Norwich contains no requirement that specific alternate designs already be in production.

^{83/} TR 2297-2380.

^{84/} CX 317 at 19.

Genericness

The ALJ also found that any trademark that Textron might have in the overall exterior appearance of the Bridgeport vertical milling machine is generic. ^{85/} The basis of this finding was that the general exterior appearance of the machine has remained fairly constant since the mid-1950's and the machine has become widely known as the Bridgeport-type vertical milling machine. Additionally, the ALJ found that "Even Bridgeport referred to the name "Bridgeport" as a generic description of its Series I." ^{86/} Thus, the ALJ concluded that the general exterior appearance of the Bridgeport machine now indicates only a certain type of vertical milling machine. ^{87/}

We disagree with the ALJ's finding of genericness. We find that the record does not show that the majority of consumers equate the overall exterior appearance of the Bridgeport machine with all small vertical milling machines. ^{88/} Although the particular control pictures used in the survey weigh against using identification of these machines as non-Bridgeports to establish that the shape of the Bridgeport machine is not generic, the failure of some interviewees to recognize the machine pictured in exhibit LL as a vertical-horizontal milling machine indicates that the Bridgeport-type shape does not indicate a small vertical milling machine to all prospective

^{85/} ID at 35.

^{86/} See Alliant X 60 at 2.

^{87/} Id.

^{88/} We recognize that there is a substantial interrelation of the strong trademark in the name "Bridgeport" and the exterior appearance of the Bridgeport Series I vertical milling machine. Although we find that the appearance of the Bridgeport machine is not generic, there is sufficient association of the word mark "Bridgeport" with small vertical milling machines to affect the analysis of the survey responses.

purchasers. Furthermore, there have been small vertical milling machines with configurations different from the Bridgeport design in the U.S. market for many years and consumers do not identify these machines as Bridgeport or Bridgeport type machines. ^{89/}

In conclusion, we find that Textron has failed to satisfy its burden of proof that there is secondary meaning in the exterior appearance of its Series I vertical milling machine. Ambiguities in the survey responses, the presence of third party users of the alleged mark for a significant period of time, Bridgeport's failure to promote the alleged mark separate and apart from the strong word mark, combined with our belief that a number of survey interviewees' responses could have resulted from Bridgeport's dominance of the vertical milling machine market, weigh against finding the survey and any inference from respondents' close copying sufficient to establish secondary meaning in the alleged mark. Although the question of functionality is a close one because the evidence of alternative designs that would not cost more to manufacture consists of proposed designs, we find that the shape of the Bridgeport vertical milling machine is not essential to competition. Combinations of curves and angles or various arrangements of angles should provide alternatives to the Bridgeport design. ^{90/} Finally, we find that the overall exterior appearance of the Bridgeport vertical milling machine is not generic.

^{89/} See, e.g., CX 171-173, 179-182.

^{90/} Even if trademark protection is accorded this design it would be narrowly circumscribed. McCarthy § 7.13 at 173.

II. Common law trademark in the name Series I

The ALJ found that the alleged mark Series I was descriptive and thus required proof of secondary meaning. The ALJ concluded that Textron had failed to prove secondary meaning in this mark. ^{91/} We also find that Textron has not proved secondary meaning in the name "Series I." Textron alleged that (1) it has used this alleged trademark extensively, (2) some of the respondents use the name Series I on their machines, and (3) the vice president of respondent South Bend Lathe recognized that the name had secondary meaning when he requested respondent Lilian to remove the designation from the machines manufactured by Lilian for South Bend Lathe and from accompanying literature.

Bridgeport began using the designation Series I on its vertical milling machines in 1969 to distinguish its smaller machine from a larger machine, the Series II. ^{92/} The name Series I has appeared in Bridgeport's advertising material and sales and operations manuals and is also attached to the machine itself. ^{93/}

We find that Textron has not proved secondary meaning in the name Series I. First, the name is descriptive because it designates a machine that is smaller than a Series II vertical milling machine. Descriptive marks require more evidence to establish secondary meaning than more distinctive marks. ^{94/} South Bend Lathe's action in requesting that Lilian remove

^{91/} ID at 9.

^{92/} TR at 28.

^{93/} See CX 259, 277, 288 and CPX A.

^{94/} McCarthy § 15.11.

Series I from the machines and literature is not an admission that rights exist in the alleged mark but appears to be a prudent attempt to avoid any potential problems. Bridgeport has not promoted the mark Series I apart from its registered mark Bridgeport, nor has it provided survey evidence that the name Series I indicates that Bridgeport manufactures a product. Respondents' copying of the name Series I without further proof of secondary meaning is insufficient to establish trademark rights in a descriptive term. ^{95/}

III. Infringement of the alleged common law trademark

As indicated above, we find that there is no common law trademark in the exterior appearance of the Bridgeport Series I vertical milling machine. Assuming arguendo that such a trademark exists, we find that respondents have not infringed this mark. In determining whether a common law trademark is infringed, the Commission assessed whether there is a likelihood of confusion of an appreciable number of reasonable buyers faced with the allegedly similar marks. ^{96/} We applied the analysis set forth in Application of E.I. DuPont DeNemour & Co., 476 F.2d 1357 (C.C.P.A. 1973) in deciding whether there is a likelihood of confusion in this investigation.

The ALJ found that there was no likelihood of confusion "resulting solely from the exterior appearance of any of respondent's (sic) imported vertical milling machines." ^{97/} However, the ALJ made no finding regarding confusion over sponsorship of respondents' machines. We concur with the ALJ's finding

^{95/} Ralston Purina Co. v. Thomas J. Lipton Inc., 341 F. Supp. 129 (D.C.N.Y. 1972); McCarthy § 15.5 at 532.

^{96/} 2 McCarthy § 23.1 at 35; Certain Cube Puzzles, supra, at 19.

^{97/} ID at 43.

that there is no likelihood of confusion with regard to source or origin and additionally find that there is no likelihood of confusion with regard to sponsorship.

The ALJ found that there is no clear evidence of actual confusion regarding the source of respondents' machines among prospective purchasers in the marketplace. Although various Bridgeport employees testified that unidentified consumers had expressed confusion as to the source of Bridgeport's castings, interchangeability of parts between the respondents' and Bridgeport's vertical milling machines, and whether Bridgeport had licensed the Taiwanese, there was no connection between these rumors and the respondents. 98/

The ALJ also found that the machines manufactured and/or sold by respondents all have large name plates showing the brand names. Most customers see these machines before they purchase them and have considerable experience working on vertical milling machines. These machines represent a considerable investment for these purchasers, and buyers take great care in making a purchase. They often ask other people about their machines and observe various machines in operation before making their purchasing decision. Prospective purchasers are easily able to distinguish among respondents' and Bridgeport's vertical milling machines. 99/

98/ Id. at 40.

99/ The ALJ also found evidence of passing off by some respondents and concluded that although this may tend to show a likelihood of confusion, most respondents did not engage in this practice. Id. at 41. We find that passing off has not been established in this investigation and thus to this extent we reject the ALJ's finding on both passing off and proof of likelihood of confusion. See discussion infra at 38-39.

We adopt the ALJ's findings with regard to the degree of care that purchasers of vertical milling machines exercise in their purchasing decisions. We also find that labeling of the machines is strong evidence against likelihood of confusion. In Litton Systems Inc. v. Whirlpool Corp., Appeal No. 83-1004, (February 14, 1984), the Court of Appeals for the Federal Circuit held that likelihood of confusion cannot be founded on mere similarity between products. ^{100/} The conspicuous display of the brand name on each manufacturer's product is strong evidence of no likelihood of confusion. Indeed, in Litton the court placed the burden of proving why affixing a name is not sufficient to avoid a likelihood of confusion on the party asserting trademark infringement. ^{101/}

The allegedly infringing vertical milling machines are very similar in general exterior appearance to the Bridgeport machine. Several of the respondents' machines appear identical to the old Bridgeport design, and the goods in question are directly competitive. ^{102/} These factors are not dispositive in this case. The nature of the goods indicates that this is a major purchase for prospective buyers. Although the ultimate decision to purchase may be made quickly, buyers thoroughly investigate the available machines, examine brochures and other literature, discuss the relative quality of various machines, and many buyers try out a machine either at the distributor's showroom or in another shop. ^{103/} Although some machines are

^{100/} Litton Systems Inc. v. Whirlpool Corp., Appeal No. 83-1004, (February 14, 1984), slip op at 46.

^{101/} Id. at 47-48.

^{102/} See, e.g., CX 1, 12, 16, 20, 105.

^{103/} See, e.g., TR at 734, 1656, 1704, 1783-85.

sold through catalogues there is evidence that buyers investigate the machine before purchasing through a catalogue. ^{104/} Although the likelihood of confusion may increase for sales through a catalogue, the record indicates that most sales are made through distributors or are made in other face-to-face situations, for example, where someone buys a used machine from another shop owner. Prospective purchasers of vertical milling machines are careful consumers and are sufficiently experienced to know that a machine that is boldly labeled as another brand is not a Bridgeport.

With regard to potential confusion, the record reveals that Mr. Boyce, a machine shop owner, removed the name plate from one of his Bridgeport machines and placed it on a Samson. He felt that the machines were so similar that his customers who were not vertical milling machine owners or operators would think that they were all Bridgeports. The only potential confusion as to source resulting from the copying of the exterior appearance of the machine would result from similar situations involving mislabeling. This does not appear to be a common practice and we do not believe that this small potential for confusion justifies a finding of likelihood of confusion.

Another relevant factor in determining likelihood of confusion is the length of time that the allegedly infringing goods have been present in the

^{104/} Textron contends that the majority of sales in the United States are made through catalogues. Textron's evidence in the form of its proposed findings of fact and conclusions of law and an appendix to the post hearing brief before the ALJ identify only Big Joe and Enco as dealing primarily through catalogues. Textron's exhibit regarding the percentage of machines imported and sold by respondents represented in this investigation is not persuasive because some of the figures are in terms of sales and others in terms of total imports. See CX 291. Moreover, testimony on the record frequently refers to distributors, who sell through showrooms and who are not parties to this investigation. TR at 426-27, 435-36, 440-41, 1778, 1858; CX 85, 86.

market without proof of actual confusion. These machines appeared in the U.S. market in 1975 and sales have increased substantially over time. ^{105/} Textron, however, was unable to present substantial evidence of actual confusion as to source or origin.

Even assuming that there is a trademark in the overall external appearance of the Bridgeport vertical milling machine, the mark is very weak. We recognize that rumors exist regarding whether Bridgeport has licensed the Taiwanese machines and that consumers have asked Bridgeport if they have licensed the Taiwanese manufacturers or if the Bridgeport castings are made in Taiwan. ^{106/} However, potential consumers also know about the existence of a Bridgeport plant in Singapore and this may have contributed to the rumors regarding licensing. Textron has failed to provide evidence of intent to foster a belief that Bridgeport licensed their machines beyond the act of copying the Bridgeport machine. There is no evidence of actual misrepresentations regarding licensing of the design and many respondents who distribute the machines in the United States have made substantial efforts to disassociate themselves from Bridgeport. ^{107/}

Likelihood of confusion over sponsorship or licensing of a mark has been recognized as an appropriate cause of action under trademark infringement. However, courts have found likelihood of confusion over sponsorship only in cases involving very strong trademarks. Thus, in Grotrian, Helfferich, Schulz, Steinweg v. Steinway & Sons, 523 F.2d 1331 (2d Cir. 1975), the court

^{105/} See CPX N.

^{106/} TR at 456.

^{107/} TR at 1496-97; YCI exhibits C, G.

noted the world-wide fame of the Steinway mark for pianos, the deliberate intent to infringe the Steinway mark, and evidence of actual confusion. In Steinway the dealers of the German piano told Steinway dealers that their piano was a German Steinway. Other dealers invited association between the Steinway and the Grotrian-Steinweg in their advertisements. Moreover, the telephone company mistakenly listed the Grotrian dealer under Steinway. ^{108/}

Similarly, in HMH Publishing Co., Inc. v. Brincat, 504 F.2d 713, 716-17 (9th Cir. 1974), the court held that use of the registered trademarks "Playboy" and "bunny" in the marketing of automotive products resulted in a likelihood of confusion over sponsorship. The court emphasized that the mere possibility that the public will be confused with respect to HMH's sponsorship of appellant's products is not enough. There must exist a likelihood that such confusion will result. ^{109/} The court found that likelihood of confusion had been demonstrated through the strong evidence of intent to cause confusion and the expectation that confusion would result. ^{110/}

Finally, in Boston Prof. Hockey Ass'n v. Dallas Cap & Emblem Mfg., Inc., 510 F.2d 1004, 1012 (5th Cir. 1975); the court found that deliberate intent to copy a team emblem after seeking exclusive manufacturing rights for the strong trademark provided substantial evidence of likelihood of confusion over the sponsorship of the patches bearing the emblem. The court noted that without

^{108/} Grotrian, Helfferich, Schulz, Steinweg v. Steinway & Sons, 523 F.2d 1331, 1341-42 (2d Cir. 1975). The court of appeals upheld the lower court's finding that Grotrian's intent to trade on Steinway's goodwill, and evidence of actual confusion, outweighed evidence regarding the high standard of care that buyers of pianos exercise when purchasing a piano. Id. at 1342.

^{109/} HMH Publishing Co., Inc. v. Brincat, 504 F.2d 713, 716 (9th Cir. 1974).

^{110/} Id. at 717.

plaintiff's marks, defendants would not have a market for the particular product. The court rejected the argument that confusion as to the source of the product is necessary where the trademark is the triggering mechanism of the sale of the emblem. ^{111/}

The evidence in this investigation does not rise to the level which courts have relied upon in cases based on confusion as to sponsorship. Mr. Boyce, a machine shop owner, testified that when he saw a Millport vertical milling machine he thought that Bridgeport had sold the Taiwanese company the rights to make the machine, the old-style casting, since Bridgeport was no longer using that casting. ^{112/} He went on to say "Well, from what they [the salesmen] were saying I thought it was a good machine. I thought it was as equal quality as the Bridgeport, for a little less money." ^{113/} Mr. Boyce did not buy the Millport because other people told him that the Millport was junk. ^{114/} Thus, the shape of the Millport machine was not an important consideration in his decision regarding which machine to buy. The sellers' representations and friends' recommendations were more important.

Mr. Boyce responded affirmatively to Textron's counsel's question as to whether he thought that in 1982, when he bought the first of three Samson machines, that Bridgeport had sold rights to the Taiwanese to make the machine. ^{115/} Mr. Boyce bought a second Samson machine, a variable speed machine, three months after purchasing the first machine. He again responded

^{111/} Id. at 1011.

^{112/} TR at 430.

^{113/} Id.

^{114/} Id. at 431.

^{115/} TR at 446.

affirmatively when asked if he thought that Bridgeport had licensed the Taiwanese manufacturers when he bought that machine. ^{116/} Mr. Boyce immediately had considerable repair problems with the second Samson machine. ^{117/} In spite of these problems, Mr. Boyce bought a third Samson machine within a few months of the second purchase. Mr. Boyce again thought that Bridgeport licensed the Taiwanese to use the old Bridgeport design. ^{118/} After he bought the third Samson, Mr. Boyce bought a Bridgeport machine. ^{119/} The only significance that Mr. Boyce attached to the external configuration of the machine was that if he had machines similar to a Bridgeport, customers who were not machine tool operators would think that he had Bridgeport machines. The machines in his shop would have a uniform appearance and people would think that he had better equipment. ^{120/} Thinking that Bridgeport licensed or sold the right to use the exterior design is not the same as assuming the sponsor's control over the quality of the machine. Mr. Boyce did not attribute any qualitative aspect to his belief regarding sponsorship. He knew what he was purchasing and he knew the difference between the Samson machines and the Bridgeport machine.

^{116/} Id. at 447.

^{117/} Id. at 449-451.

^{118/} Id. at 449.

^{119/} Id. at 453.

^{120/} Id. at 458-61.

IV. The equitable defense of laches ^{121/}

We find that the defense is not available to any of the respondents in this investigation.

The ALJ found that respondent Alliant could assert the equitable defense of laches. Bridgeport had knowledge of the presence of allegedly infringing machines in 1976 and, in 1977, a Bridgeport employee visited four Taiwanese plants manufacturing "lookalike machines." ^{122/} Although recognizing that the defense is normally limited to those parties against whom the claimant has failed to take action, the ALJ found that in this case Alliant could have reasonably relied on Bridgeport's failure to take action against other alleged infringers. The ALJ also found that Alliant had relied to its prejudice on this inaction because Alliant would not have adopted the particular design of its machine if it had known that Bridgeport claimed a trademark in this design. ^{123/} The ALJ found that other respondents had failed to establish prejudicial reliance because these machines would have still been manufactured even if Bridgeport had asserted trademark rights. ^{124/} Therefore, the ALJ concluded that these other respondents could not assert the defense.

^{121/} We have considered respondents' claim of the equitable defense of laches only in an effort to reach all of the issues raised in our review of this ID.

^{122/} ID at 45.

^{123/} Id. at 49.

^{124/} Id. at 50. Although some of these firms have expanded capacity as their shipments to the United States increased, this is not the type of action that courts recognize as excusing a finding of trademark infringement, particularly where a second user of a claimed mark knowingly copied the mark. *Tisch-Hotels Inc. v. Americana Inn, Inc.*, 350 F.2d 609, 615 (7th Cir. 1965); *Cuban Cigar Brands, N.V. v. Upman Intern., Inc.*, 457 F. Supp. 1090, 1098 (S.D.N.Y. 1978).

We concur with the ALJ's findings on the unavailability of the defense to respondents other than Alliant. However, we disagree with the ALJ's holding with regard to Alliant because Alliant cannot rely on Bridgeport's inaction against the other allegedly infringing firms. ^{125/} Even if Bridgeport inexcusably delayed in bringing its claim against those respondents that have been in the U.S. market for a number of years, the same is not true of respondent Alliant. This respondent is a new entrant in the market, and Bridgeport has not given an affirmative indication that its inaction against other allegedly infringing parties means that it will not act against new entrants.

V. Passing off

The Commission has interpreted passing off as a situation where there is proof of intent to confuse the buyer. ^{126/} Passing off differs from trademark infringement because the essential component of passing off lies in an act of deception, i.e. an act which induces someone to purchase the product of one manufacturer thinking that he is buying the product of another. ^{127/}

^{125/} Hughes Aircraft Co. v. General Instrument Corp., 275 F. Supp. 961, 973 (D.R.I. 1967); Pierce v. American Communications Co., 111 F. Supp. 181, 190 (D. Mass. 1953).

^{126/} See Certain Cube Puzzles, *supra*, at 26; Vacuum Bottles, *supra*, at 28. Passing off can mean the substitution of one brand of goods when another brand of goods is ordered. Substitution of goods does not apply to the situation where a prospective purchaser inquires about one brand of vertical milling machine and a sales person reveals that he does not sell the requested product but successfully sells his own product to the buyer. In this investigation, the buyer knows what he is purchasing and there is no deception.

^{127/} Venetianaire Corp of America v. A & P Import Co., 302 F. Supp. 156 (D.C.N.Y. 1969), *aff'd*, 429 F.2d 1079 (2d Cir. 1970).

The ALJ found that the combination of close copying of Bridgeport's vertical milling machine and some respondents' copying of advertising, sales literature, operating manuals, and use of the name Series I in their material supported a finding of intent to confuse the buyer into believing that he was purchasing a Bridgeport machine. 128/

Although an inference of intent is permissible in many cases of intentional copying, we find that the record fails to support a finding that the effect of adding copied literature to the sales situation faced by the typical vertical milling machine buyer indicates an intent to deceive that buyer. 129/

A manufacturer can imitate a product. He cannot, however, market it in a way which he knows will induce purchasers to buy it thinking that it is the product of another. 130/ The record contains substantial evidence that respondents made considerable efforts to distinguish their machines from the Bridgeport machine. The machines are clearly labeled and all of the literature has the respondents' name printed throughout the material. 131/ Although labeling is not totally dispositive in cases involving intent as an element of the offense, display of the brand name constitutes strong evidence that respondents did not intend to deceive purchasers. 132/

128/ ID at 59-60.

129/ See discussion of likelihood of confusion, supra, at 28-35.

130/ Kellogg Co. v. National Biscuit Co, 305 U.S. 111, 119 (1938); K-S-H Plastics, Inc. v. Carolite, Inc., 408 F.2d 54 (9th Cir. 1969).

131/ See CX 19, 31, 59, 73, 98.

132/ T&T Mfg. Co. v. A.T. Cross Co., 449 F. Supp. 813, 822 (D.R.I.), aff'd, 587 F.2d 533 (1st Cir. 1978).

In addition to the labeling, distributors testified that any attempt to sell an imported machine as a Bridgeport would ruin the distributor's reputation and could preclude any future sales to that buyer. ^{133/} Former Bridgeport distributors informed their customers that they no longer sold Bridgeport machines and referred customers that wanted to buy a Bridgeport machine to the Bridgeport direct sales offices. ^{134/}

Based on this evidence, we find that respondents have not engaged in passing off.

VI. False advertising and violation of section 43(a) of the Lanham Act

Having found no common law trademark infringement or passing off, we reach the remaining alleged unfair act on review. Common law false advertising and false advertising as a violation of section 43(a) of the Lanham Act differ in that courts have required proof of direct economic loss to complainant and have given less emphasis to deception of consumers in common law false advertising than under the Lanham Act cause of action. ^{135/} In this investigation, certain respondents have used a photograph of a Bridgeport machine in some of their advertisements and other literature. ^{136/} The photograph can be identified as that of a Bridgeport machine from the distinctive shape of the motor on the head of the machine. ^{137/}

^{133/} TR at 1017-18, 1176-77, 1593, 1627-28, 1636-37, 1764.

^{134/} Id. at 1382, 1812-15.

^{135/} McCarthy at § 27.1 at 241.

^{136/} See CX 1, 2, 3, 12, 25, 51, 71, 77, 86, 91, 105, 111, 112, 201.

^{137/} TR 838-230-240. U.S. Motors owned a patent on this particular type of motor and Bridgeport was the only manufacturer of vertical milling machines licensed to use this motor.

Use of the photograph of a competitor's product to advertise another manufacturer's product is false advertising. ^{138/} Moreover, the innocence or lack of bad intent of the user or the similarity of the actual product to the photograph does not preclude a finding of false advertising. ^{139/} The ALJ found that the following respondents have engaged in false advertising: Chanun, Poncho, Lilian, Warner, M.I.T., ABC, Big-Joe, South Bend Lathe, Enco, Maw Chang, Y.C.I and Long Chang. During the course of this investigation, respondent Y.C.I. falsely stated that it had patent protection for the head of its vertical milling machine. ^{140/} This also constitutes false advertising. ^{141/} We agree with the ALJ's finding on false advertising to the extent that it is based upon section 43(a) of the Lanham Act.

The element of confusion or deceptiveness in false advertising under section 43(a) of the Lanham Act is considered in determining whether there is injury and the type of relief available to the plaintiff. Courts have required actual deception for award of monetary damages. However, where plaintiffs seek injunctive relief, courts have required only proof of a tendency to mislead. ^{142/}

^{138/} Norton Co. v. Newage Industries, Inc., 204 USPQ 382, 384 (E.D. Pa. 1979); Edeling & Reuss v. International Collectors Guild Ltd., 462 F. Supp. 716, 720 (E.D. Pa. 1978); Certain Miniature Plug-In Blade Fuses, Inv. No., 337-TA-114, USITC Pub. No. 1337 (1983) at 32.

^{139/} Ames Publishing Co. v. Walker Davis Publications, Inc., 372 F. Supp. 1, 12 (D. Pa. 1974).

^{140/} ID at 60, 61. In December 1983, a U.S. patent issued to Y.C.I. See U.S. Letters Patent 4, 422,498.

^{141/} Petersen v. Fee International, Ltd., 381 F. Supp. 1071 (D.C. Okla. 1974); Kuddle Toy Inc. v. Pussycat-Toy Co., 183 USPQ 642 (D.C.N.Y. 1974).

^{142/} Parkway Baking Co. v. Freihoff Baking Co., 255 F.2d 641, 648-49 (3d Cir. 1958); Sublime Products, Inc. v. Gerber Products, Inc. (S.D.N.Y. Feb. 2, 1984).

We find that the use of a photograph of a Bridgeport machine to advertise respondents' machines and a false claim of patent protection could tend to mislead the consumer. Thus, we find that respondents Chanun, Poncho, Lillian, Warner, M.I.T., ABC, Big-Joe, South Bend Lathe, Enco, Maw Chang, Y.C.I and Long Chang have engaged in false advertising under section 43(a) of the Lanham Act.

Injury to the domestic industry

Section 337 of the Tariff Act of 1930 requires that the Commission find that the unfair methods of competition or unfair acts cause or have a tendency to cause substantial injury to the domestic industry. ^{143/} The complainant has the burden of proof in establishing such substantial injury and that respondents' unfair practices cause such injury. The requisite finding of injury is distinct from the Commission's finding that an unfair act or unfair method of competition exists. ^{144/} Thus, the Commission must analyze the question of causation of injury in terms of imports traded through the unfair acts of false advertising and registered trademark infringement. ^{145/}

In establishing the existence of this causal relationship between the unfair acts and the condition of the domestic industry, the Commission has considered factors such as (1) lost sales, (2) underselling, (3) decreased employment in the domestic industry, (4) excess domestic capacity, (5) volume

^{143/} We adopt the ALJ's findings with regard to the existence of an efficiently and economically operated industry in the United States.

^{144/} Certain Limited-Charge Cell Culture Microcarriers, Inv. No. 337-TA-129, USITC Pub. No. 1486 (1984) at 41; Certain Spring Assemblies and Components Thereof, and Methods for Their Manufacture, Inv. No. 337-TA-88, USITC Pub. No. 1172 (1981) at 43-44.

^{145/} The ALJ's analysis of causation was based on imports and sales of all respondents.

of imports and capacity to increase imports, (6) the presence of fairly traded imports and domestic substitutes, and (7) trends in market demand. ^{146/}

Assessing the unfair acts found to exist in this investigation, we determine that Textron has not established that these unfair acts have the effect or tendency to substantially injure the domestic industry.

The ALJ and the Commission have found that respondent Chanun has infringed Textron's registered trademark "Quill Master" and engaged in false advertising through use of this name in its advertising brochure. ^{147/}

However, the record contains no evidence of the importation or sale of any of Chanun's "Quill Master" attachments. Similarly, the record indicates that respondent Hong Yeong has infringed Textron's registered trademark "Bridgeport" through the use of the name "Bigport". However, that firm has imported and sold only a miniscule number of vertical milling machines bearing this name in the United States during the period of 1981-1982. ^{148/}

With regard to the respondents found to have engaged in false advertising, the Commission cannot assume a causal relation between any lost sale and the unfair act. There are many substitute machines that were not imported or sold in connection with brochures containing deceptive photographs

^{146/} See Certain Drill Point Screws For Drywall Construction, Inv. No. 337-TA-116, USITC Pub. No. 1365 (1983) at 18-22.

^{147/} ID at 51.

^{148/} CPX N; Textron posthearing brief before the ALJ at attachment A.

and other domestically manufactured vertical milling machines in the U.S. market. 149/

Bridgeport admitted that it may have lost sales to machines that do not infringe the alleged trademark. 150/ Added to these admittedly non-infringing machines are the machines of respondents who have not been found to have engaged in any unfair act. These machines represent the large majority of machines competing with the Bridgeport Series I vertical milling machine. 151/

There is no direct evidence that respondents' unfair acts have caused substantial injury to the domestic industry. The record shows only that Bridgeport's sales of Series I vertical milling machines declined substantially in 1982. 152/ Moreover, several respondents reduced prices for their machines in 1982 from approximately 90% of the price of a Bridgeport machine to approximately 50-60% of the price of a Bridgeport machine. 153/ Although the record does not allow calculation of total domestic consumption of vertical milling machines, an analysis of market trends indicates that

149/ In investigations involving patents, trademarks, and copyrights, the Commission's causation analysis is influenced by the assumption that the holder of the monopoly right, or his licensee, has the right to every sale in the United States. If there are no non-infringing substitutes in the market, a respondent engaged in patent infringement, for example, can only make a sale if he infringes the patent. Thus, evidence on lost sales, declining market share, or acts that would lead to lost sales such as price undercutting, is highly probative on the issue of causation. See Drill Point Screws at 20.

150/ CTR at 27.

151/ See CPX N; CX 291; Appendix A to complainant's posthearing brief to the ALJ.

152/ CX 266, Joint stipulation No. 215. We adopt the ALJ's findings with regard to injury to the domestic industry prior to 1982. See ID at 66-67.

153/ TR at 80-83, 378, 858-859.

Bridgeport had a declining market share in 1982. ^{154/} Net income also declined substantially in 1982, ^{155/} and Bridgeport decreased employment in 1982.

The entire machine tool industry experienced a drastic decline in demand from 1980-1982. Bridgeport's backlog of orders into 1981 appears to have delayed the effect of the decline in demand until 1982. However, this market factor has resulted in a substantial decline in orders between 1980-1982 for all manufacturers including respondents found to have engaged in false advertising and registered trademark infringement. ^{156/}

In addition, Bridgeport initiated a change in its method of distribution, in 1979, from a system of independent distributors to a direct sales system. ^{157/} At first, Bridgeport converted only two geographic areas, Atlanta and Chicago, to direct sales. ^{158/} In December 1981, Bridgeport

^{154/} CX 291; CPX N.

^{155/} CX 302.

^{156/} CPX N; CX 291; Taiwanese X 93.

^{157/} TR at 86-89, 178, 486; GTR at 43-44, Alliant X 34.

^{158/} TR at 86-91, 96, 224, 846-850, 892. Bridgeport then commissioned a survey to determine if a change in its entire distribution system would benefit the company. Despite the survey's recommendation against adoption of the direct sales approach and internal disagreement with the decision, CX 264; TR at 189-90, 2049, Bridgeport decided to change over to a direct sales system. Two major reasons for this change in distribution system related to Bridgeport's emphasis on its computer numerically controlled product line and possible problems with introducing new Bridgeport products through distributorships. TR at 83-84, 766. The computer controlled machines are not at issue in this investigation. More sophisticated machines require substantial training for sales and repair personnel and Bridgeport thought that some independent distributors would be unwilling to make this substantial investment. TR at 846-866. Bridgeport initially paid salesmen a commission on sales of only the computer controlled equipment, thereby providing a greater incentive for sales of these machines as compared with the Series I machine. TR at 578, 956.

notified all but five of its distributors that they would be terminated in June 1982. ^{159/} In taking this action, Bridgeport lost the goodwill that customers associated with its well-established distributors ^{160/} and incurred considerable expense in establishing the new system. ^{161/} Importantly, Bridgeport was now in direct competition with these former distributors who had well-established customer relations. ^{162/}

In June 1982, Bridgeport decided to modify its direct sales system to include several non-exclusive distributorships and subsequently also instituted a commission system for the Series I machine. ^{163/} These efforts reflect Bridgeport's recognition that total reliance on a direct sales system was not the best way to market the Series I machine. ^{164/}

Bridgeport also substantially increased capacity which came into production in 1981. ^{165/} This increased fixed costs for the company. Bridgeport increased prices from 1980 through 1982 with a price increase occurring in 1982. ^{166/} At a time when demand was contracting and competitors were decreasing prices, Bridgeport increased their prices.

^{159/} TR at 897.

^{160/} Id. at 901, 1443-44.

^{161/} Id. at 181-87, 899-900; CX 264.

^{162/} TR at 1385-86.

^{163/} Id. at 96.

^{164/} The only evidence on the effect of the change involves the Atlanta and Chicago distributorships which Bridgeport converted in 1979 and 1980. Apparently, sales of the Series I did increase in 1980-81 in the Atlanta and Chicago areas; however, this increase was much less than that for Bridgeport's computer controlled equipment and occurred before Bridgeport felt the effect of declining demand.

^{165/} Textron Posthearing Response at 1; TR at 221.

^{166/} CX 269.

Thus, we find that Textron has failed to prove that the unfair acts of certain respondents using a photograph of a Bridgeport machine, Y.C.I.'s claim of U.S. patent protection, and respondents Hong Yeong and Chanun's infringement of registered trademarks have the effect or tendency to substantially injure the domestic industry. Thus, we find no violation of section 337.

