

**IN THE UNITED STATES DISTRICT COURT
FOR THE MIDDLE DISTRICT OF TENNESSEE
NASHVILLE DIVISION**

DATA CONCEPTS, INC., Plaintiff,

v.

DIGITAL CONSULTING, INC., Defendant and Third-Party Plaintiff,

v.

NETWORK SOLUTIONS, INC., Third-Party Defendant.

No. 3-96-0429

Judge Higgins

REPORT AND RECOMMENDATION

I. INTRODUCTION

This civil action was referred to the Magistrate Judge by the Honorable Thomas A. Higgins, District Judge, by Order entered October 16, 1996. (Docket Entry No. 44). The Magistrate Judge was directed to submit proposed findings of fact and conclusions of law on the following motions: (1) Plaintiff Data Concepts Inc.'s, motion for summary judgment (Docket entry no. 32); (2) Defendant/third party plaintiff Digital Consulting, Inc.'s motion for summary judgment, or in the alternative, for preliminary injunction (Docket Entry No. 35); and (3) Third-party defendant Network Solutions, Inc.'s motion for summary judgment or in the alternative to bifurcate and stay (Docket Entry No. 27). **Id.**

Plaintiff Data Concepts, Inc., a Tennessee corporation, filed this action under 28 U.S.C. §1331, the federal question statute, and 28 U.S.C. §1338(b), the unfair competition jurisdictional statute, against the defendants Digital Consulting, Inc., a Massachusetts corporation, and Network Solutions, Inc. ("NSI"), a Virginia corporation. (Docket Entry No. 1, Complaint, at ¶ 1-5). Data Concepts seeks declaratory and injunctive relief for violations of federal trademark laws arising out of NSI's refusal to allow Data Concept's continued use of "DCI.COM" as its designated Internet address based upon Digital Consulting's contention that Data Concepts' Internet address violates its registered trademark. **Id.** at 3-9 NSI regulates the use of Internet addresses under a contract with a federal agency. (Docket Entry No. 28, NSI Memorandum of Law at ¶ 5).

Data Concepts' specific trademark claims are that it has superior rights to its Internet address trademark, that Digital Consulting has made a false designation of Digital Consulting's trademark, and NSI should not bar its use of its Internet address, "DCI.COM." (Docket Entry No. 11, First Amended Complaint at 4-7). Data Concepts seeks an injunction from Digital Consulting's use of its trademark and effective cancellation of Digital Consulting's registration of the DCI® trademark. **Id.** at 5-6 Data

Concepts later dismissed its claim against NSI, after Data Concepts reached an agreement with NSI to allow Data Concepts' use of another Internet address, "dci.com," pending the outcome of this proceeding. (Docket Entry No. 9, Stipulation and Order).

In its answer denying Data Concepts' allegations, Digital Consulting also asserted cross-claims against Data Concepts and filed a third-party complaint against NSI. (Docket Entry No. 16, Digital Consulting's Answer to First Amended Complaint at 14-15). Digital Consulting's cross-claims against Data Concepts are for trademark infringement, trademark dilution and unfair competition under the Lanham Act, 15 U.S.C. §§1114 and 1125(a), as well as for violations of comparable state statutory and common law claims for use of its registered service mark as Data Concepts' Internet address. **Id.** at p. 10-13. for its claim against NSI, Digital Consulting asserts that, as the owner of a federally registered trademark, it is a third-party beneficiary under NSI's Domain Name Dispute Policy. **Id.** at pp. 14-15. By allowing Data Concepts to register and use Digital Consulting's trademark as an Internet address, NSI breached its duty to Digital Consulting not to register or allow any use of a registered trademark of another as an Internet address.

In its motion for summary judgment, Data Concepts argues in sum that: (1) Data Concepts used the letters d, c, and i in its trademark prior to Digital Consulting's registration of its trademark; (2) Data Concepts is an innocent user with superior common law rights under federal law to the DCI trademark, thereby authorizing its use of these letters for its Internet address, "DCI.COM."; (3) there are numerous registered trademarks with the letters D, C, and I that preclude any superiority to Digital Consulting's registered trademark; (4) Data Concepts sells different services and products from Digital Consulting's services and products thereby eliminating any consumer confusion due to Data Concepts' registered Internet address; (5) the customers for these services and products are sophisticated consumers who would not be confused by Data Concepts' Internet address with Digital Consulting's registered trademark; and (6) Digital Consulting has not cited any evidence of consumer confusion to sustain its trademark claim. (Docket Entry No. 33, Data Concepts' Brief, at 3-16).

For its motion for summary judgment, Digital Consulting argues, in sum: (1) that its registered trademark is superior to Data Concepts' unregistered trademark; (2) that Data Concepts' Internet address is identical to Digital Consulting's registered trademark and thus, precludes Data Concepts' use of its trademark for Data Concepts' Internet address; and (3) that under the applicable law, there will be a likelihood of confusion if Data Concepts continues the use of Digital Consulting's registered trademark for its Internet address. (Docket Entry No. 36, Digital Consulting's Brief, at 4-22).

For its motion for summary judgment, NSI argues, in sum: (1) contracts pursuant to a federal statute are interpreted under federal common law and thus federal common law determines the right and existence of third-party beneficiaries; (2) under federal law, Digital Consulting is not a third-party beneficiary of NSI's Domain Name Dispute Policy statement; (3) even if a contract were found, NSI did not breach any contract or duty owed to Digital Consulting; and (4) if the Court denies NSI's motion for summary

judgment, then in order to facilitate litigation and further the interest of judicial economy, the Court should bifurcate this action and stay all proceedings against NSI until the dispute between Data Concepts and Digital Consulting is resolved. (Docket Entry No. 28, NSI's Brief, at 10-17).

For the reasons set forth below, the Magistrate Judge concludes that Digital Consulting has an uncontested and superior right to its DCI registered trademark. Data Concepts' use of its initial Internet address "DCI.COM" infringed upon Digital Consulting's registered trademark. Consideration of the relevant legal factors on trademark infringement leads the Magistrate Judge to conclude that there is a likely confusion of sponsorship that Data Concepts' initial Internet address is associated with Digital Consulting. Thus, Digital Consulting is entitled to summary judgment against Data Concepts on its trademark infringement claims, but only as to declaratory and injunctive relief. There is no proof of any damages to any party arising out of this dispute.

Finally, the Magistrate Judge concludes as a matter of law that Digital Consulting is not a third party beneficiary of NSI's Dispute Domain Name Policy under NSI's contract with a federal agency to manage registration of addresses on the Internet. As a matter of law, the Magistrate Judge concludes that Digital Consulting lacks standing to pursue this claim against NSI. In closing, the facts do not establish any breach of NSI's obligation to Digital Consulting. Thus, NSI is entitled to summary judgment on Digital Consulting's third party complaint.^[1]

FINDINGS OF FACT

A. NSI and the Internet

In order to understand the parties' respective contentions, the Magistrate Judge deems necessary a brief discussion of the technological and legal context in which this dispute arises. An excellent summary for this contextual discussion is set forth in an agreement between NSI and the National Science Foundation ("NSF"). (Docket Entry No. 30, Graves Affidavit, Exhibit A thereto).

NSF is the federal agency, 42 U.S.C.A. §1461, with jurisdiction over the access to and the use of the domestic, non-military portion of the "Network" [2] referred to as the Internet. 15 U.S.C. §§5521(a) and 5522(a). A portion of the NSI-NSF agreement that is pertinent to this discussion, reads as follows.

During the past two decade computer networks have facilitated collaboration among members of many research and education communities and provided them with remote access to information and computing resources. These networks have continued to grow both in the number of users connected and in the capabilities provided to the individual users. It is anticipated that such networks will become essential to research and education during this decade. In particular, the collection of interconnected networks known as the Internet has become important for many research communities. It is also of increasing importance for education.

Today more than 5,000 networks comprise the Internet. These networks link together hundreds of thousands, of computers and millions of users throughout the world. The domestic, non-military portion of the Internet includes NSFNET. It also includes other federally sponsored networks such as NASA Science Internet (NSI) and Energy Sciences Network (ESnet). NSFNET, NSI, and ESnet, as well as some other networks of the Internet, are related to the National Research and Education Network (NREN) which was defined in the President's Fiscal 1992 budget and which has been authorized by the passage in December, 1991, of the High Performance Computing and Communications Act, Public Law 102-194.

(Docket Entry No. 30, Graves' Affidavit, Exhibit A thereto) (emphasis added).

Individuals, businesses and government can provide information about their services and products on the Internet. As described in **Panavision International L.P. v. Toeppen**, 945 F.Supp. 1296, 1299 (C.D. Cal. 1996), the person's computer can be connected to the Internet with an address that is comprised of four groups of digits separated by periods. **Id.** For each Internet address a "domain name," a string of initials interspersed with periods, must be provided. **Id.** As the court in **Panavision International** explained:

Most business domain names consist of two domains. First there is the "top level" domain which indicates the type of organization using the name. Commercial entities use the "com" top level domain name, while other top level domain names include ".net," which is used by networks, and "edu," which is used by educational organization. Next there is a "second level" domain which is frequently the name of the company (or derivative thereof) that maintains the Internet site (commonly referred to as a "Web Site"). In short, one purpose of domain names is to identify the entity that owns the Web Site.

The other primary purpose of domain names is to allow Internet users to locate Web sites quickly and easily. If an Internet user knows the name of another user's Web site, he or she can easily contact the site. If the user does not know the domain name, the user can search for the site using an Internet "search engine." Search engines search the Internet using key words selected by the searching party. The key word search will typically produce a list of Web sites that use the key words. Key word searches will frequently yield thousands of Web sites. The user can access the Web sites through machines called "Web browsers" (some Web browsers have built-in search engines). The length and success of this process is dependent upon the searching party's ability to deduce the correct key word or words and the number of the other Web sites that use the same key words.

Because users may have difficulty accessing Web sites or may not be able to access Web sites at all when they do not know (or cannot deduce) the proper domain name, businesses frequently register their names and trademarks as domain names. Therefore, having a known or deducible domain name is important to companies seeking to do business on the Internet, as well as important to consumers who want to locate those businesses' Web sites.

Vision International, 1996 WL 653726 at 1, 2 (emphasis added).

On January 1, 1993, pursuant to the National Science Foundation Act, 42 U.S.C. §1861 **et seq.**, and the Federal Grant and Cooperative Agreement Act, 31 U.S.C. §6301 **et seq.**, NSF entered into a five-year "Cooperative Agreement" with NSI under which NSI was authorized to provide Internet domain name registration services to non-military Internet users and networks. (Docket Entry No. 30, Graves' Affidavit, Exhibit A thereto). Article 3 of this Agreement explicitly provides that NSI "shall provide to non-military internet users and networks all necessary registration services (which were) previously provided by the Defense Information Systems Agency Network Information Center." **Id.**

Pursuant to this contractual provision, NSI adopted a policy to define further the performance of its registration services in the event of a conflict affecting the domain name of an Internet address. (Docket Entry No. 1, Complaint, Exhibit 3 thereto). This "Domain Name Dispute Policy" for Internet address applicants reads, in pertinent part, as follows:

Applicant is responsible for its selection of the Domain Name. Consequently, Applicant shall defend, indemnify and hold harmless (j) NSI ... for any loss, damage, expense or liability resulting from any claim, action or demand arising out of or related to the use or registration of the Domain Name, including reasonable attorneys fees. Such claims shall include, without limitation, those based upon trademark or service mark infringement, tradename infringement, dilution, tortious interference with contract or prospective business advantage, unfair competition, defamation or injury to ...

5. Applicant agrees that NSI shall have the right to withdraw a Domain Name from use and registration on the Internet upon thirty (30) days prior written notice (or earlier if ordered by the court) should NSI receive a properly authenticated order by a United States court or arbitration panel chosen by the parties (if the order is from an arbitration panel, it should include written evidence that all parties which will be bound by the decision submitted the dispute for binding arbitration to such panel) that the Domain Name in dispute rightfully belongs to a third party.

6. (a) In the event that the Applicant breaches any of its obligations under this Policy Statement, NSI may request that Applicant relinquish the Domain Name in a written notice describing the alleged breach.

(b) Applicant acknowledges and agrees that NSI cannot act as an arbiter of disputes arising out of the registration and use of Domain Names.

* * *

At the same time Applicant acknowledges that NSI may be presented with evidence that a Domain Name registered by Applicant violates the rights of a third party. Such evidence includes, but is not limited to, evidence that the Domain Name is identical to a valid and subsisting foreign or United States federal registration of a trademark or service

mark that is in full force and effect and owned by another person or entity. Trademark or service mark registrations from the individual states (such as California) of the United States are not sufficient. In those instances where the basis of the claim is other than a registered trademark or service mark. Applicant shall be allowed to continue using the contested Domain Name, unless and until a court order or arbitrator's judgment to the contrary is received by NSI as provided in paragraph 5.

(c) In those instances when the claim is based upon a trademark or service mark:

(1) Without prejudice to the ultimate determination and with recognition that trademark or service mark ownership does not automatically extend ownership to a Domain Name, NSI shall determine the date Applicant's Domain Name was first in use by Applicant (as determined by the activation date of the Domain Name). If the date of first use of the Domain Name by Applicant is not prior to the earlier of (i) the date of first use of a claimant's trademark or service mark, or (ii) the effective date of the valid and subsisting registration of this trademark or service mark owned by the claimant, NSI shall request from the Applicant proof of ownership of their own trademark or service mark by submission of a certified copy of a foreign or United States federal trademark or service mark registration (copies certified in accordance with 37 CFR.2.33(a)(1)(viii) or its successor will met this standard for registrations in jurisdictions other than the United States) owned by the Applicant that is in full force and effect and that is the same as the Domain Name registered to Applicant.

(2) In the event that Applicant's Domain Name was in use by Applicant (as determined by the activation date of the Domain Name) prior to the earlier of (i) the date of first use of the trademark or service mark or (ii) the effective date of the valid and subsisting registration of the trademark or service mark owned by the claimant, or, if Applicant provides evidence of ownership of a trademark or service mark as provided in paragraph 6(b), Applicant shall be allowed, subjected to Paragraph 6(c)(5), to continue using the contested Domain Name, unless and until a court order or arbitrator's judgment to the contrary is received by NSI as provided in Paragraph 5.

(Docket Entry No. 1, Complaint, Exhibit 3 thereto at 2-3).

As to Digital Consulting's third party beneficiary contention, the Magistrate Judge notes that the NSI policy also provides that:

7. NSI WILL NOT BE LIABLE FOR ANY LOSS OF USE, INTERRUPTION OF BUSINESS, OR ANY INDIRECT, SPECIAL, INCIDENTAL, OR CONSEQUENTIAL DAMAGES OF ANY KIND (INCLUDING LOST PROFITS) REGARDLESS OF THE FORM OF ACTION WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE), OR OTHERWISE, EVEN IF NSI HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. IN NO EVENT SHALL NSI'S MAXIMUM LIABILITY UNDER THE POLICY EXCEED FIVE HUNDRED (\$500.00) DOLLARS.

8. Any dispute arising out of this Agreement or, at the request of NSI and upon the agreement of the challenging party, a dispute regarding the right to register or use Domain Name shall be resolved by binding arbitration by the American Arbitration Association under its commercial rules then in effect in San Diego, California (hereinafter "AAA"). A single arbitrator shall be selected according to AAA rules within thirty (30) days of submission of the dispute to AAA. The arbitrator shall conduct the arbitration in accordance with the California Evidence Code and shall apply the substantive laws of the State of California, without regard for California's choice of law rules.

(Docket Entry No. 1 Complaint, Exhibit 3 thereto at 4) (Uppercase in the original).

In sum, under the NSF-NSI agreement, federally registered trademark and service mark owners can challenge a domain name holder's Internet address by presenting evidence to NSI that the domain name infringes upon its registered trademark or service mark filed with the federal trademark office. Under the Domain Name Policy, upon such proof NSI can withdraw the disputed Internet address and is not expected to determine the competency of the applicant's trademark dispute.

B. Data Concepts' and Digital Consulting's Service and Trademarks

Data Concepts provides software, data management and process controls for business. (Docket Entry No. 11, First Amended Complaint at ¶ 3). For its trademark, Digital Consulting uses a block form of the lowercase letter, c, with a space between another block letter in the form of a lower case, i, that has a more significant spacing between the end of the block "C" and the bottom of the block "I". (Docket Entry No. 7, Woodson Declaration, Attachment 1 thereto).

IMAGE MISSING

Data Concepts has used this mark since 1982. (Docket Entry No. 7, Woodson affidavit). From the Magistrate Judge's review of the record, Data Concepts has not obtained a federal registration of this trademark.

In August, 1993, Data Concepts registered with NSI as its Internet Domain Name "DCI.COM." (Docket Entry No. 7, Woodson affidavit at ¶ 4). Data Concepts' Internet address was to allow it to transact its business with its customers throughout the world. **Id.** at ¶ 5.

Digital Consulting provides high technology consultation services, primarily educational services, in the field of database management systems, software productivity, application development, client/server technologies, distributed computing, mobile computing, sales

first automation, and Internet and Worldwide Web technologies. (Docket Entry No. 43, Gomes' affidavit at ¶ 4). According to its federal service mark registration, Digital Consulting's business also includes "consulting services in the field of computer systems for business, in class 42 (U.S. C.L.S. 100 and 101)." (Docket Entry No. 11, First Amended Complaint, Attachment 2 thereto). Digital Consulting also sells software for business management, as well as training services. (Docket Entry No. 43, Gomes' Affidavit at ¶ 6). Digital Consulting's educational management consulting services are provided through conferences, expositions and seminars. **Id.** at ¶ 5. Since 1981, over 2 million people have attended Digital Consulting's expositions, conferences and seminars, which are held in the United States, Canada, South America, Europe, and in the Asia/Pacific region. **Id.**

On December 29, 1987, Digital Consulting registered with the United States Patent and Trademark Office as its service or trade mark, DCI®, Registration No. 1,471,005. (Docket Entry No. 11, First Amended Complaint, Attachment 2 thereto). This DCI® service mark is used on papers promoting its services. This service mark is comprised of capital letters, D, C, and I, and a "block" style with a Roman type font, but without spacing between the letters. **Id.** DCI (Docket Entry No. 33, Attachment thereto at 9). The DCI® service mark has been in continuous use for a minimum of five (5) consecutive years subsequent to the original date of registration and remains in use today. (Docket Entry No. 43, Groves' Affidavit at ¶ 6).

On January 5, 1988, Digital Consulting registered a second trademark with the same lettering scheme enlarged and placed in a block fashion with a cat and an owl wearing a mortar board.

IMAGE MISSING

(Docket Entry No. 33, Attachment thereto at 11).

Digital Consulting, however, has also used a different font of these letters with another typeface in its advertising procedures.

IMAGE MISSING

See eg. (Docket Entry No. 34 Plaintiff's Statement of Undisputed Facts, Exhibit 4 thereto). In January, 1995, Digital Consulting registered its Domain Name and Internet address, "dciexpo.com" with NSI. (Docket Entry No. 43, Gomes' Affidavit at ¶ 17).

There are a substantial number of firms with service or trademarks registered with the federal patent and trademark office, with the letters D, C, and I in various arrangements. (Docket Entry No. 33, Plaintiff's Memorandum of Law, Exhibit A thereto). These marks utilize upper and/or lower case lettering with different fonts, spacing and arrangements of these three letters.

Id.

C. The Parties' Dispute

In letters dated March 27, 1996 and April 17, 1996, NSI informed Data Concepts that Digital Consulting had lodged a complaint with NSI about Data Concepts' registration and use of its "DCI.COM" Internet address. (Docket Entry No. 16, Exhibit B thereto). Digital Consulting's complaint was that Data Concepts' domain name was identical to Digital Consulting's registered service mark DCI® and infringed upon Digital Consulting's trademark that was registered with the federal trademark office. **Id.** These NSI letters advised Data Concepts that its domain name "DCI.COM" on the Internet appeared to be identical to a federally registered trademark that preceded the date of Data Concepts' Domain Name registration. **Id.**

According to the NSI letters, unless Data Concepts provided proof that its Domain Name was registered earlier with the federal trademark office, Data Concepts' use of its chosen Domain Name would be suspended, pending the outcome of its dispute with Digital Consulting. **Id.** NSI requested Data Concepts to submit another "Domain Name." **Id.** Data Concepts initially declined and this litigation ensued. There is no proof of any monetary loss to any party.

As stated earlier, after this action was filed, NSI and Data Concepts reached a Stipulation and Agreed Order under which Data Concepts would be allowed to use the "dci. com" Internet address, pending further Order of the Court. (Docket Entry No. 9, Stipulation and Order). Digital Consulting was not a party to that agreement.

III. CONCLUSIONS OF LAW

"The very reason of the summary judgment procedure is to pierce the pleadings and to assess the proof in order to see whether there is a genuine need for trial." Advisory Committee Notes on Rule 56, 1963 Amendment Federal Civil Judicial Procedure and Rules (West Ed. 1996). Moreover, "district courts are widely acknowledged to possess the power to enter summary judgment **sua sponte**, so long as the opposing party was on notice that she had to come forward with all of her evidence." **Celotex Corp. v. Catrett**, 477 U.S. 317, 326, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986). **Accord, Routman v. Automatic Data Processing, Inc.** 873 F.2d 970, 971 (6th Cir. 1989).

In **Anderson v. Liberty Lobby, Inc.**, 477 U.S. 242, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986), the United States Supreme Court explained the nature of a motion for summary judgment:

Rule 56(c) of the Federal Rules of Civil Procedure provides that summary judgment 'shall be rendered forthwith if the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law.' By its very terms, this standard provides that the mere existence of some alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment; the requirement is that there be no genuine issue of material fact.

As to materiality, the substantive law will identify which facts are material. Only disputes over facts that might affect the outcome of the suit under the governing law will properly preclude the entry of summary judgment. Factual disputes that are irrelevant or unnecessary will not be counted.

477 U.S. at 247-48 (emphasis in the original and added in part). Earlier the Supreme Court defined a material fact for Rule 56 purposes as "[w]here the record taken as a whole could not lead a rational trier of fact to find for the nonmoving party, there is no genuine issue for trial." **Matsushita Electrical Industrial Co. v. Zenith Radio Corp.**, 475 U.S. 574, 587, 106 S.Ct. 1348, 1356, 89 L.Ed.2d 538 (1986) (citations omitted).

A motion for summary judgment is to be considered after adequate time for discovery. **Celotex Corp. v. Catrett**, 477 U.S. 317, 326, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986). Where there has been a reasonable opportunity for discovery, the party opposing the motion that must make an affirmative showing of the need for additional discovery after the filing of a motion for summary judgment. **Emmons v. McLaughlin**, 874 F.2d 351, 355-57 (6th Cir. 1989). **But see Routman v. Automatic Data Processing, Inc.**, 873 F.2d 970, 971 (6th cir. 1989).

There is a certain framework in considering a summary judgment motion as to the required showing of the respective parties, as described by the Court in **Celotex**:

Of course, a party seeking summary judgment always bears the initial responsibility of informing the district court of the basis for its motion, and identifying those portions of "the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any," which it believes demonstrate the absence of a genuine issue of material fact [W]e find no express or implied requirement is Rule 56 that the moving party support its motion with affidavits or other similar materials negating the opponent's claim.

Celotex, 477 U.S. at 323 (emphasis deleted).

As the Court of Appeals explained, "[t]he moving party bears the burden of satisfying rule 56(c) standards." **Martin v. Kelley**, 803 F.2d 236, 239, n. 4 (6th Cir. 1986). The moving party's burden is to show "clearly and convincingly" the absence of any genuine issues of material fact. **Sims v. Memphis Processors, Inc.**, 926 F.2d 524, 526 (6th Cir. 1991)(quoting **Kochins v. Linden-Alimak, Inc.**, 799 F.2d 1128, 1133 (6th cir. 1986)). "So long as the movant has met its initial burden of 'demonstrating the absence of a genuine issue of material fact,' the nonmoving party then 'must set forth specific facts showing that there is a genuine issue for trial.'" **Emmons v. McLaughlin**, 874 F.2d 351, 353 (6th Cir. 1989) (quoting **Celotex** and rule 56(e)).

Once the moving party meets its initial burden, the Court of Appeals warned that "[t]he respondent must adduce more than a scintilla of evidence to overcome the motion [and] ... must 'present affirmative evidence in order to defeat a properly supported motion for

summary judgment.'" **Street v. J.C. Bradford & Co.**, 886 F.2d 1472, 1479 (6th Cir. 1989) (quoting **Liberty Lobby**). Moreover, the Court of Appeals explained that:

The respondent must 'do more than simply show that there is some metaphysical doubt as to the material facts.' Further, "[w]here the record taken as a whole could not lead a rational trier of fact to find' for the respondent, the motion should be granted. The trial court has at least some discretion to determine whether the respondent's claim is 'implausible.'

Street, 886 F.2d at 1480 (cites omitted). See also **Hutt v. Gibson Fiber Glass Products**, No. 89-5731 (6th Cir. filed September 19, 1990) ("A court deciding a motion for summary judgment must determine 'whether the evidence presents a sufficient disagreement to require a submission to the jury or whether it is so one-sided that one party must prevail as a matter of law.'" quoting **Liberty Lobby**.)

If both parties make their respective showings, the Court then determines if the material factual dispute is genuine, applying the governing law.

More important for present purposes, summary judgment will not lie if the dispute about a material fact is 'genuine' that is, if the evidence is such that a reasonable jury could return a verdict for the nonmoving party.

* * *

Progressing to the specific issue in this case, we are convinced that the inquiry involved in a ruling on a motion for summary judgment or for a directed verdict necessarily implicates the substantive evidentiary standard of proof that would apply at the trial on the merits. If the defendant in a run-of-the-mill civil case moves for summary judgment or for a directed verdict based on the lack of proof of a material fact, the judge must ask himself not whether he thinks the evidence unmistakably favors one side or the other but whether a fair-minded jury could return a verdict for the plaintiff on the evidence presented. The mere existence of a scintilla of evidence in support of the plaintiff's position will be insufficient; there must be evidence on which the jury could reasonably find for the plaintiff. The judge's inquiry, therefore, unavoidably asks whether reasonable jurors could find by a preponderance of the evidence that the plaintiff is entitled to a verdict -- 'whether there is [evidence] upon which a jury can properly proceed to find a verdict for the party producing it, upon whom the onus of proof is imposed.'

Liberty Lobby, 477 U.S. at 248, 252, 106 S.Ct. 2505, 91 L.Ed.2d at 211-212, 214 (citation omitted and emphasis added).

It is likewise true that:

[I]n ruling on a motion for summary judgment, the court must construe the evidence in its most favorable light in favor of the party opposing the motion and against the movant. Further, the papers supporting the movant are closely scrutinized, whereas the opponent's

are indulgently treated. It has been stated that: 'The purpose of the hearing on the motion for such a judgment is not resolve factual issues. It is to determine whether there is any genuine issue of material fact in dispute'

Bohn Aluminum & Brass Corp. v. Storm King Corp., 303 F.2d 425, 427 (6th Cir. 1962) (citation omitted). As the Court of Appeals stated, "[a]ll facts and inferences to be drawn therefrom must be read in a light most favorable to the party opposing the motion." **Duchon v. Cajon Company**, 791 F.2d 43, 46 (6th Cir. 1986) **app.** 840 F.2d 16 (6th Cir. 1988) (unpublished opinion) (citation omitted).

The Court of Appeals further explained the District Court's role in evaluating the proof on a summary judgment motion:

A district court is not required to speculate on which portion of the record the nonmoving party relies, nor is it obligated to wade through and search the entire record for some specific facts that might support the nonmoving party's claim. Rule 56 contemplates a limited marshalling of evidence by the nonmoving party sufficient to establishing a genuine issue of material fact for trial. This marshalling of evidence, however, does not require the nonmoving party to "designate" facts by citing specific page numbers. Designate means simply "to point out the location of." **Webster's Third New InterNational Dictionary** (1986).

Of course, the designated portions of the record must be presented with enough specificity that the district court can readily identify the facts upon which the nonmoving party relies; but that need for specificity must be balanced against a party's need to be fairly apprised of how much specificity the district court requires. This notice can be adequately accomplished through a local court rule or a pretrial order.

InterRoyal Corp. v. Sponseller, 889 F.2d 108, 111 (6th Cir. 1989) **cert. denied** 110 S.Ct. 1839, 108 L.Ed.2d 967 (1990). Here, the parties have given some references to the proof upon which they rely. Local Rule 8(b)(7)(A) and (C) require a showing of undisputed and disputed facts.

In **Street**, the Court of Appeals discussed the trilogy of leading Supreme Court decisions, and other authorities on summary judgment and synthesized ten rules in the "new era" on summary judgment motions:

1. Complex cases are not necessarily inappropriate for summary judgment.
2. Cases involving state of mind issues are not necessarily inappropriate for summary judgment.
3. The movant must meet the initial burden of showing 'the absence of a genuine issue of material fact' as to an essential element of the non-movant's case.

4. This burden may be met by pointing out to the court that the respondent, having had sufficient opportunity for discovery, has no evidence to support an essential element of his or her case.

5. A court should apply a federal directed verdict standard in ruling on a motion for summary judgment. The inquiry on a summary judgment motion or a directed verdict motion is the same: 'whether the evidence presents a sufficient disagreement to require submission to a jury or whether it is so one-sided that the party must prevail as a matter of law.'

6. As on federal directed verdict motions, the 'scintilla rule' applies, **i.e.**, the respondent must adduce more than a scintilla of evidence to overcome the motion.

7. The substantive law governing the case will determine what issues of fact are material, and any heightened burden of proof required by the substantive law for an element of the respondent's case, such as proof by clear and convincing evidence, must be satisfied by the respondent.

8. The respondent cannot rely on the hope that the trier of fact will disbelieve the movant's denial of a disputed fact, but must 'present affirmative evidence in order to defeat a properly supported motion for summary judgment.'

9. The trial court no longer has the duty to search the entire record to establish that it is bereft of a genuine issue of material fact.

10. The trial court has more discretion than in the 'old era' in evaluating the **respondent's** evidence. The respondent must 'do more than simply show that there is **some** metaphysical doubt as to the material facts.' Further, '[w]here the record taken as a whole could not lead a rational trier of fact to find' for the respondent, the motion should be granted. The trial court has at least some discretion to determine whether the respondent's claim is 'implausible.'

Street, 886 F.2d at 1479-80.

The Court has distilled from these collective holdings four issues that are to be addressed upon a motion for summary judgment: (1) has the moving party "clearly and convincingly" established the absence of material facts?; (2) if so, does the plaintiff present sufficient facts to establish all the elements of the asserted claim or defense?; (3) if factual support is presented by the nonmoving party, are those facts sufficiently plausible to support a jury verdict or judgment under the applicable law?; and are there any genuine factual issues with respect to those material facts under the governing law?

A. Digital Consulting's and Data Concepts' Federal Trademark Claims

As to the applicable law, the parties' federal trademark claims are for false designation or violations of trade dress and arise under Section 43(a) of the Lanham Act that provides, in pertinent part, as follows:

(a) Any person who, on or in connection with any goods or services, or any container for goods, uses in commerce any word, term, name, symbol, or device, or any combination thereof, or any false designation of origin, false or misleading description of fact, or false or misleading representation of fact, which --

(1) is likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection or association of such person with another person, or as to the origin, sponsorship, or approval of his or her goods, services, or commercial activities by another person, or

(2) in commercial advertising or promotion, misrepresents the nature, characteristics, qualities, or geographic origin of his or her or another person's goods, services, or commercial activities, shall be liable in a civil action by any person who believes that he or she is or is likely to be damaged by such act.

15 U.S.C. §1125(a) (emphasis added).

Digital Consulting's claims also fall under the Federal Trademark Dilution Act of 1995, 15 U.S.C. §1125(c). Under the latter Act, "[t]he owner of a famous mark shall be entitled ... to an injunction against another person's commercial use in commerce of a mark or tradename, if such use begins after the mark has become famous and causes dilution of the distinctive quality of the mark." 15 U.S.C. §1125(c)(1). Courts have defined the policy of the Dilution Act as "to prevent deception of the public ... [t]rademark law also protects the interests of the trademark owners in not having the value of their trademarks misappropriated." **Panavision International**, 945 F.Supp. at 1302.

As to Digital Consulting's federal unfair competition claim[3], the Lanham Act provides in pertinent part as follows:

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

(b) reproduce, counterfeit, copy, or colorably imitate a registered mark and apply such reproduction, counterfeit, copy, or colorable imitation to labels, signs, prints, packages, wrappers, receptacles or advertisements intended to be used in commerce upon or in connection with the sale, offering of sale, distribution, or advertising of goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake, or to deceive, shall be liable in a civil action by the registrant for the remedies hereinafter provided. Under subsection (b) hereof, the **registrant** shall not be entitled to recover

profits or damages unless the acts have been committed with knowledge that such imitation is intended to be used to cause confusion, or to cause mistake, or to deceive

15 U.S.C. §1114(1)(a) and (b).

For a claim under §1114, there is an affirmative defense for an "innocent infringer or innocent violator" that limits any recovery to "an injunction against future printing." 15 U.S.C. §1114(2)(A).

The purposes of the federal trademark laws were described by the Court of Appeals for the Sixth Circuit as follows:

Although trademark protection may have had its start in common law as an action in fraud, over the past one hundred fifty years it has come to focus also on protecting property interests in trademarks themselves. This shift is the result of the recognition of the purposes trademarks serve in the modern, impersonal economy. They act as a means of identifying a product as coming from or being associated with a particular, although anonymous, source, and inducing subsequent purchases by consumers. As a commentator pointed out sixty years ago:

The fact that through his trademark the manufacturer or importer may "reach over the shoulder of the retailer" and across the latter's counter straight to the consumer cannot be over-emphasized, for therein lies the key to any effective scheme of trademark protection [A trademark is] not merely the symbol of good will but often the most effective agent for the creation of good will, imprinting upon the public mind an anonymous and impersonal guaranty of satisfaction, creating a desire for further satisfactions. The mark actually **sells** the goods.

Schechter, **The Rational Basis of Trademark Protection**, 40 Harv.L.Rev. 812, 818-19 (1927) (emphasis in original).

Thus, trademark law now pursues two related goals -- the prevention of deception and consumer confusion, and, more fundamentally, the protection of property interests in trademarks.

Ameritech, Inc. v. American Inf. Technologies Corp., 811 F.2d 960, 964 (6th Cir. 1987) (emphasis added).

Section 43(a) of the Lanham Act also offers protection against infringement for the unregistered "trade dress" of a product. **Ferrari S.P.A. Esercizio Fabriche Automobili E Corse v. Roberts**, 944 F.2d 1235, 1239 (6th Cir. 1991), **cert. denied**, __ U.S __, 112 S.Ct. 3028, 120 L.Ed.2d 899 (1992) (hereinafter cited as **Roberts**). In **Roberts**, the Court of Appeals defined trade dress as "that arrangement of identifying characteristics or decorations connected with a product, whether by packaging or otherwise, intended to make the source of the product distinguishable from another and to promote its sale." *Id.*

at 1239 (quoting **Mr. Gasket.Co. v. Travis**, 35 Ohio App. 2d 65, 72 n.13, 299 N.E.2d 906, 912 n.13 (1973))._____

The issue here is not whether Data Concepts or Digital Consulting is using either trademark as its trademark on its distributed business materials in its normal business of selling their services. The precise issue here is whether Data Concepts can use, as its Internet address, letters that represent Digital Consulting's federally registered trademark.

The crucial and common element of the parties' federal trademark and unfair competition claims is the "confusion of sponsorship" theory i.e., when a representation of a product creates a false impression of the product's "source or manufacture" then the Lanham Act is violated. **Federal-Mogul-Bower Bearings, Inc. v. Azoff**, 313 F.2d 405, 408 (6th Cir. 1963). Significant willfulness or intentional wrongdoing is not required for a Lanham Act claim. **Wynn Oil Co. v. Thomas**, 839 F.2d 1183, 1189 (6th Cir. 1988); **CBS, Inc. v. Gusto Records, Inc.**, 403 F.Supp. 447, 448 (M.D. Tenn. 1974).

As to the unfair competition claim, "likelihood of confusion is the essence of an unfair competition claim. Thus the same factors are considered under §1124(a) as are considered under §1114." **Champion**, 78 F.3d at 1123. A claim for [u]nfair competition is a broader area of the law than trade or service mark infringement." **Freedom Savings & Loan Assoc. v. Way**, 583 F. Supp. 544, 552 (M.D. Fla. 1984). An infringement claim is "but a subset of those things proscribed by the unfair competition cause of action provided in §1125(a)." **Id.** Although "the factors governing this inquiry are essentially the same as those relevant to determining trademark infringement, the scope is much broader." **Id.** Unlike an infringement claim that is guided by eight factors, an unfair-competition claim centers around "whether the defendant is passing off his services as those of plaintiff by virtue of a "substantial similarity' between the two leading to confusion on the part of the potential customers." **Id.**

Under the confusion of sponsorship theory for trademark claims, the Court of Appeals for this Circuit examines eight factors:

1. the strength of the plaintiff's mark;
2. the relatedness of the services;
3. the similarity of the marks;
4. the evidence of actual confusion;
5. the marketing channels used;
6. the likely degree of purchaser care;
7. the defendant's intent in selecting the mark; and

8. the likelihood of expansion of the product lines.

Champions Golf Club, Inc. v. The Champions Golf Club Inc., 78 F.3d 1111, 1116 (6th Cir. 1996). Accord, **Holiday Inns, Inc. v. 800 Reservations, Inc.**, 86 F.3d 619, 623 (6th Cir. 1996); **Wynn Oil Co. v. Thomas**, 839 F.2d 1183, 1186 (6th Cir. 1988). See also **Someday Baby, Inc. v. JTG of Nashville Inc.**, 744 F.Supp. 811, 812 (M.D. Tenn. 1990). For the trademark dilution claim, it must be remembered that to sustain an infringement claim a party "need not show all, or even most, of any of the factors in order to prevail." **Roberts**, 944 F.2d 1235, 1242 (6th Cir. 1991), **cert. denied** 505 U.S. 1219, 112 S. Ct. 3028, 120 L. Ed. 2d 899 (1992).

1. Strength of the Mark

As to each of the **Champion** factors, the strength of a mark is partially determined by its characterization as either: (1) generic; (2) descriptive; (3) suggestive; or (4) arbitrary or fanciful. **Champions**, 78 F.3d at 1116-1117. The more distinctive a mark, the stronger the mark, the greater the protection afforded by the trademark law. **Id.**

A generic mark is "a term used to commonly describe the relevant type of goods or services." **Id.**; (quoting J. Thomas McCarthy, **McCarthy's Desk Encyclopedia of Intellectual Property** 139 (1991)). An example of this, the weakest mark, is "aspirin." **Id.**

A descriptive term has greater value and is a term that "specifically describes a characteristic or ingredient of an article." **Id.**; (quoting **Induct-O-Matic Corp v. Inductorherin Corp.**, 747 F.2d 358, 362 (6th Cir. 1984)). An example of a descriptive term is "Best." **Id.** at 1117. A descriptive term will be protected, if it has acquired a secondary meaning and thus has become "distinctive of the applicant's goods." **Id.**; (quoting **Induct-O-Matic**, 747 F.2d at 362).

A suggestive mark "suggests rather than describes an ingredient or characteristic of the goods and requires the observer or listener to use imagination and perception to determine the nature of the goods." **Id.**; (quoting **Induct-O-Matic**, 747 F.2d at 362).

The strongest marks are either arbitrary or fanciful. **Id.** An arbitrary mark is a word recognized "in everyday life, but the thing it normally signifies is unrelated to the product or service to which the mark is attached." **Id.**; (quoting **Little Caesar Enterprises v. Pizza Caesar, Inc.**, 834 F.2d 568, 571 (6th Cir. 1987)). A fanciful mark is simply "a combination of letters or other symbols signifying nothing other than the product or service to which the mark has been assigned." **Id.**

Digital Consulting's registered DCI® trademark appears to fall into the category of fanciful, because its letters signify nothing other than the initials of the company that produces the product or services. As a fanciful trademark, it is subject to the strongest protection under the Lanham Act. **Champions**, 78 F.3d at 1117. Furthermore, if a registered mark has not been contested during the initial five (5) years after its

registration, it becomes incontestable. **Wynn Oil**, 839 F.2d at 1186-87. A mark is weakened, however, if a substantial number of third parties use the mark. **Homeowner's Group Inc. v. Home Marketing Specialist, Inc.**, 931 F.2d 1100, 1108 (6th Cir. 1991).

The Magistrate Judge concludes that Digital Consulting's DCI® mark is incontestable as it has been registered and uncontested for over five (5) years. Although forty-two (42) different companies use the letters d, c, i those marks use different fonts, styles and displays of these letters in a manner distinctive from Digital Consulting's lettering in its registered trademark. (Docket Entry No. 23, Plaintiff's Motion for Summary Judgment, Attachment 3, thereto). This conclusion is premised upon the registrations of these various trademarks by the issuing federal authority.

2. Relatedness of Services

The Sixth Circuit has recognized three factors to determine the relatedness of services:

(1) cases in which the services of the parties are in direct competition, "in which case confusion is likely if the marks are sufficiently similar"; (2) cases in which the "services are somewhat related but not competitive, so that likelihood of confusion may or may not result depending on other factors"; and (3) cases in which the "services are totally unrelated, in which case confusion is unlikely."

Champions, 78 F.3d at 1118; (quoting **Homeowners Group**, 931 F.2d at 1108).

Services are "related" if the services are marketed and consumed such that buyers are likely to believe that the services, similarly marked, come from the same source, or are somehow connected with or sponsored by a common company." **Homeowners Group**, 931 F.2d at 1109.

Applying the criteria for the relatedness of the goods factors, the Magistrate Judge concludes that the Data Concepts and Digital Consulting marks fall into category two (2) in **Champions**, i.e. cases in which the "services are somewhat related but not competitive, so that likelihood of confusion may or may not result depending on other factors." 78 F.2d at 1118. While Data Concepts and Digital Consulting may have a different client base, the undisputed facts are that both are involved in database systems and the development of software. (Docket Entry No. 34, Data Concepts' Undisputed Facts, at ¶¶2, 6 and Docket Entry No. 38, Digital Consulting's Undisputed Facts, at ¶¶3-5). Inasmuch as the Internet allows access to different companies by generic listings, these goods could reasonably be deemed sufficiently related. Nevertheless, Data Concepts and Digital Consulting do not engage in direct competition, therefore the likelihood of confusion based on this factor is unclear.

3. Similarity of Marks

For the similarity of the mark factor, the critical issue is "whether the mark will be confusing to the public and singly presented." **Champions**, 78 F.3d at 1118. A side-by-side comparison of the two trademarks is not the test, rather the "must be viewed in their

entirety and in context." **Homeowners Group**, 931 F.2d at 1109, citing **Wynn Oil Co. v. Thomas**, 839 F.2d 1183, 1187 (6th Cir. 1988).

Here, Digital Consulting argues that Data Concepts' use of its DCI® trademark for Data Concepts' Internet address is the precise formulation of Digital Consulting's registered trademark. (Docket Entry No. 36, Digital Consulting's Memorandum of Law, at 12). The parties do not dispute their perspective use of the letter d,c,i, on their business materials. As to Data Concepts' Internet address, "DCI, COM," that lettering does bear significant similarity to Digital Consulting's registered trademark. The letters on both are upper case with similar fonts and without any spacing or periods. In contrast, Data Concepts' current Internet address "dci.com," in lower case without apparent similar fonts does not present such similarity. No similarity exists between the current Internet addresses of Data Concepts, "dci.com," or Digital Consulting's Internet address, "dciexpo.com."

4. Evidence of Actual Confusion

Although evidence of actual confusion is the best evidence, a party is not required to produce evidence of actual confusion. **Shoney's** 759 F.2d at 1267. Evidence of actual confusion is difficult to produce, and therefore, the lack of such evidence is not considered a significant factor. **Wynn Oil**, 839 f.2d at 1188. This factor weighs heavily only "there is evidence of past confusion, or perhaps, when the particular circumstances indicate such evidence should have been available." **Id.** Nevertheless, "the existence of only a handful of instances of actual confusion ... may even lead to an inference that no likelihood of confusion exists." **Homeowners Group**, 931 F.3d at 1110.

While there is no evidence of actual customer confusion here, given the description of the Internet whereby individuals, organizations and businesses "surf the Net" for information about various products, the use of a registered trademark for an Internet address, and the evidence that Digital Consulting is an international business, can give rise to a prospect that Data Concepts' use of the DCI® registered trademark as its Internet domain name may well cause confusion. Yet, in the Magistrate Judge's view, without other proof, Digital Consulting's use of a different Internet address may dissipate this fact to an unknown degree.

5. Marketing Channels

As to the marketing channels used, the analysis "consists of considerations of how and to whom the respective goods or services of the parties are sold." **Champions**, 78 F.3d at 1120; quoting **Homeowners Group**, 931 F.2d at 1110, and is not limited to the parties' geographic location, but to whether they have overlapping markets. **Champions**, 78 F.3d at 1121. The Court must consider any dissimilarities between plaintiff's and defendant's predominant customers as these dissimilarities could decrease the possibility of confusion. **Champions**, 78 F.3d at 1120.

To be sure, there are differences between the marketing channels of Data Concepts and Digital Consulting as the latter focuses primarily on educational services, but both

businesses use the Internet as a method to market their products. In that context, Data Concepts' use of an Internet address significantly similar to Digital Consulting's registered trademark may adversely affect the marketing channels used by both entities, as it enhances the likelihood of confusion for customers using the Internet to access either company. Of course, by its federal trademark registration, Digital Consulting is referred to as offering similar services to those of Data Concepts, i.e., "consulting services in the field of computer systems for business, in class 42 (U.S. C.L.S. 100 and 101)." (Docket Entry No. 11, Attachment 2 thereto).

Although Digital Consulting's clients and products may not now compete directly with data Concepts' services, Digital Consulting may expand into its business line. Moreover, the use of the DCI® registered trademark erodes Digital Consulting's rights, and may lead to others' misuse of its trademark. (Docket Entry No. 36 at 14). These factors of potential expansion and misuse by others are not to be ignored.

The trademark laws protect three interests which are present here: first, the senior user's interest in being able to enter a related field at some future time; second, his interest in protecting the good reputation associated with this mark from the possibility of being tarnished by inferior merchandise of the junior user; and third, the public's interest in not being misled by confusingly similar marks -- a factor which may weigh in the senior user's favor, where the defendant has not developed the mark itself Absent equities in the junior user's favor, he should be enjoined from using a similar trademark whenever the noncompetitive products are sufficiently related that customers are likely to confuse the source of origin.

Versar, Inc. v. Vertech Chem. Corp., 573 S. Supp. 844, 848 (W.D. Tenn. 1993); **citing Scarves by Vera, Inc. v. Todo Imports, Ltd.**, 544 F.2d 1167, 1172-73 (2d Cir. 1976). Consideration of this factor favors Digital Consulting.

6. Likely Degree of Purchaser Care

As to the likely degree of purchaser care, "when services are expensive or unusual, the buyer can be expected to exercise greater care in ... purchases. When services are sold to such buyers, other things being equal, there is less likelihood of confusion." **Champions**, 78 F.3d at 1120; (quoting **Homeowners Group**, 931 F.2d at 1111). This factor weighs in favor of Data Concepts, because given the nature of Digital Consulting's clients and the cost of its goods and services, customers of Digital Consulting are likely to be sophisticated, and to exercise a high degree of care when selecting or purchasing services, thus resulting in a less likelihood of confusion by Data Concepts' "DCI.COM" Internet address.

7. The Parties' Intent in Selection of the Mark

A "defendant's good intentions do not in any way preclude a finding of likely confusion." **Champions Golf Club**, 78 F.3d at 1121; quoting **Wynn Oil**, 839 F.2d at 1189. As to Data Concepts' intent in selecting this mark for its Internet domain name,

Data Concepts insists that its prior use of its trademark reflects its intent in selecting its Internet address of DCI.COM as an innocent user.

Data Concepts first used the letters, d, c, and i as its trademark in interstate commerce in 1982. (Docket Entry No. 7, Woodson Declaration at ¶3). Digital Consulting first used the DCI® trademark in 1986, and later registered the DCI® trademark on December 29, 1987. (Docket Entry No. 33, Plaintiff's Memorandum of law, at 13; and Exhibit B Trademark Legislation, thereto). Yet, Data Concepts' trademark since the inception of its business, was to use the letters d,c, and i in a lower case and in a different arrangement. Given the fact that Digital Consulting's trademark was registered at the time Data Concepts chose its Internet address (the central focus here), this intent favor weighs in Digital Consulting's favor.

Although the above eight factors serve only as guidelines in determining the likelihood of confusion, the evidence supports the contention that customer confusion is likely, given that Digital Consulting and Data Concepts offer similar services and serve partial overlapping product markets. Data Concepts' Internet address bears a significant similarity in its uppercase font and spacing of the letters in Digital Consulting's registered trademark. Data Concepts did not use this formulation of these letters in its prior business materials. The parties' use of the Internet to solicit business could well result in customer confusion given Digital Consulting's registered trademark and the use of same in its business materials.

As to Data Concepts' claim that it has superior common-law rights to the DCI mark, and that its prior use of this mark should be permitted in any geographic area in which the mark was used before Digital Consulting's registration of its mark, the Sixth Circuit has held that "if two parties acquire common-law rights in a trademark in different areas and the prior user registers the mark, then the registered owner's rights become incontestable but the other common-law owner retains exclusive rights to the mark in areas where his rights antedated registration." **Old Dutch Foods, Inc. v. Dan Dee Pretzel & Potato Chip Co.**, 477 F.2d 150, 157 (6th Cir. 1973). **See also Champion Golf Clubs**, 78 F.3d at 1124.

This prior use defense arises under 15 U.S.C. §1115(b)(5) and reads as follows:

The mark whose use by a party is charged as an infringement was adopted without knowledge of the registrant's prior use and has been continuously used by such party ... from a date prior to the registration of the mark under this chapter or publication of the registered mark under subsection c of §1062 of this title: provided however that this defense or defect shall apply only for the area in which such continuous prior use is proved.

Id.

In essence, to prevail on this defense requires Data Concepts to "show that [it] innocently started using the mark before the plaintiffs had registered it." **Old Dutch Foods**, 477 F.2d

at 157. Moreover, upon showing a likelihood of confusion "the defendant has an absolute right to use the mark in the area where it has been used prior to plaintiff's registration." Wynn Oil, 839 at 1191 (6th Cir. 1988).

In the Magistrate Judge's view, Data Concepts' claims of innocent user and superior common law rights by earlier usage of a trademark with the letters d, c, and i mischaracterizes the issue. The issue here focuses on Data Concepts' registering of its domain name for its Internet address after Digital Consulting had registered its trademark. Digital Consulting registered its mark on December 29, 1987, and that trademark has never been challenged until this action. Data Concepts never registered the mark on its business materials. Data Concepts first used its disputed "DCI.COM" Internet address in 1993. (Docket Entry No. 34, Data Concepts Undisputed Facts at ¶7).

In a word, Data Concepts began using the DCI® mark and font at issue as its Internet address approximately six (6) years after Digital Consulting registered the trademark. The Data Concept's trademark utilized since 1982 does not bear any similarity to its chosen Internet address. Moreover, as reflected by the numerous registered trademarks utilizing the letters d, c, and i, the mere use of these letters creates no such superior rights. Because Data Concepts was not using its trademark for its Internet address prior to Digital Consulting's registration, Data Concepts' cannot avail itself of the innocent user defense. Further, common law rights are not superior and Digital Consulting's registered trademark has priority over Data Concepts regarding use of "DCI.COM" as its Internet address. Therefore, the Magistrate Judge concludes that the prior use defense under 15 U.S.C. §1115(b)(5) is not a viable defense here.

For these reasons, the Magistrate Judge concludes that Data Concepts' motion for summary judgment on its federal trademark claims should be denied and Digital Consulting's motion for summary judgment on its trademark infringement and dilution claims, as well as its unfair competition claim should be granted. For the same reasons, Data Concepts' state law claims of tortious interference and unfair competition should be dismissed.

B. NSI's Motion Summary Judgment or in the Alternative for Bifurcation and Stay

In its motion for summary judgment, NSI argues that as a matter of law NSI does not owe any contractual obligation to Digital Consulting and as a matter of fact, if such an obligation exists, there has not been any breach of that obligation by NSI. In the alternative, NSI asks the Court to bifurcate the trial and stay all proceedings against NSI pending a resolution between Data Concepts and Digital Consulting. (Docket Entry No. 27, NSI's Motion for Summary Judgment). If the Court adopts the conclusion of the Report and Recommendation on the other parties' motions, the latter concern is moot.

For Digital Consulting's claim that it is a third-party beneficiary to the NSI Dispute Policy Statement, because NSI's contract is with NSF, a federal agency, federal law

controls the interpretation of the contract. **United States v. M.O. Seckinger**, 397 U.S. 203, 209, 90 S.Ct. 880, 25 L.Ed.2d 224 (1970).

As to whether Digital Consulting is a beneficiary under the NSI-NSF contract, the Restatement of Contracts states that "government contracts often benefit the public, but individual members of the public are treated as incidental beneficiaries unless a different intention is manifested." Restatement of Contracts, Second §313 at 472 (1981). Moreover, in a similar case, the Court in **Panavision International** declined to entertain a similar claim against NSI in a trademark dispute.

Panavision claims that it is a third-party beneficiary because the representations and warrants that NSI requires of domain name applicants are made for the benefit of intellectual property owners such as Panavision.

The portions of the Toeppen-NSI contract that Panavision claims created third-party rights are found in NSI's Domain Name Dispute Policy ("Policy"). However, nothing in the Policy evidences an intent to benefit intellectual property owners. It is clear beyond question that the Policy's sole purpose is to protect NSI. Indeed, as Panavision itself stated in its opposition to defendant NSI's motion to dismiss: "NSI has chosen to take absolutely no action whatsoever to ensure that the Domain Names it registers do not violate the rights of third parties. In fact, NSI has repeatedly represented that it is out to protect no interests but its own."

Although third-party contract issues are questions of intent and therefore not generally amenable to summary judgment, Panavision has not established any genuine issue of material fact with regard to this claim. The Court finds that a jury could not reasonably infer that the Toeppen-NSI contract was intended to benefit intellectual property owners. Therefore, the Court grants Toeppen's motion for summary judgment with respect to Panavision's breach of contract claim.

945 F.Supp. at 1305.

Thus, applying **Panavision International**, the Magistrate Judge concludes that as a matter of law, the NSI Dispute Policy does not create any contractual duties owed Digital Consulting. Moreover, at best, Digital Consulting is an incidental beneficiary to the NSI-NSF contract. Incidental beneficiaries, however, lack standing to sue the parties to the contract. **King v. National Indus., Inc.**, 512 F.2d 29, 33 (6th Cir. 1975); **Liem Duc Ngyen v. United States Catholic Conference**, 548 F.Supp. 1333, 1348 (W.D. Pa. 1982). In the Magistrate Judge's view, Digital Consulting has no rights to sue for any breach under the contract, as an incidental party to the contract between NSI and NSF, and therefore lacks standing to pursue any alleged breach.

As an factual matter, NSI's Domain Name Dispute Policy does not specifically name members of the public as intended beneficiaries. The earlier quoted provision of the Dispute Policy Statement made it clear that NSI would not decide trademark issues. Data Concepts' current Internet address "dci.com" does not bear any significant similarity to

Digital Consulting's registered trademark. For the reasons stated on Data Concepts' trademark infringement claim, the mere possession of a registered trademark with the letters "DCI" does not alone create superior or exclusive rights to the use of those letters in another trademark. The Magistrate Judge does not discern any facts to establish a breach of any duty to Digital Consulting.

As to Digital Consulting's contention that the circumstances between Digital Consulting and NSI created a contract implied-in-fact, for an implied-in-fact contract the parties "must have had some relationship with each other and conducted themselves in such a manner that it is obvious that they assented to be mutually obligated by the contract." **Parker v. Dept. of Health Educ. and Welfare**, 478 F.Supp. 1156, 1160 (M.D. Tn. 1979).

Digital Consulting claims that when NSI acted upon Digital Consulting's complaint, NSI showed its intent to be mutually obligated to the provision in the Policy. **Id.** at 15. The facts, however, reflect that NSI's actions in response to Digital Consulting's complaint were no more than NSI's attempt to follow its own policy. NSI did not intend its actions to create any obligation to Digital Consulting, and Digital Consulting has not produced any evidence to the contrary.

For the reasons stated above, the Magistrate Judge concludes that Digital Consulting's motion for summary judgment regarding this breach of contract claim should be denied, and NSI's motion for summary judgment should be granted. If this conclusion is rendered, NSI's alternative motion for bifurcation moot.

IV. RECOMMENDATION

For the reasons stated above, the Magistrate Judge recommends (1) Data Concepts' motion for summary judgment be denied; (2) that Digital Consulting's motion for summary judgment as to its claims regarding Data Concepts be granted, but relief limited to declaratory and injunctive relief; (3) that Digital Consulting's motion for summary judgment on its claim against NSI be denied; and (4) that NSI's motion for summary judgment be granted.

Under Rule 72(b) of the Federal Rules of Civil Procedure, any party has ten (10) days from receipt of this Report and Recommendation in which to file any written objections to this Recommendation, with the District Court. Any party opposing said objections shall have ten (10) days from receipt of any objections filed to this Report in which to file any responses to said objections. Failure to file specific objections within ten (10) days of receipt of this Report and Recommendation can constitute a waiver of further appeal of this Recommendation. **Thomas v. Arn**, 474 U.S. 140, 106 S.Ct. 466, 88 L.Ed.2d 435 (1985), **reh'g denied**. 474 U.S. 1111 (1986).

ENTERED this the 31st day of January, 1997.

WILLIAM J. HAYNES, JR.

United States Magistrate Judge

END NOTES

1. Upon a motion for summary judgment the factual contentions are viewed in the light most favorable to the party opposing the motion for summary judgment. **Duchon v. Cajon Co.**, 791 F.2d 43, 46 (6th Cir. 1986) **app.** 840 F.2d 16 (6th Cir. 1988) (unpublished opinion). As will be discussed **infra**, under recent Supreme Court holdings, upon the filing of a motion for summary judgment, the opposing party must come forth with sufficient evidence to withstand a motion for a directed verdict, **Anderson v. Liberty Lobby**, 477 U.S. 242, 247-52, 106 S.Ct. 2505, 91 L.Ed.2d 202 (1986), particularly where there has been an opportunity for discovery. **Celotex Corp. v. Catrett**, 477 U.S. 317, 106 S.Ct. 2548, 91 L.Ed.2d 265, 276 (1986). Although there are differing inferences about certain facts, under the applicable law, there are no material factual disputes and this section constitutes findings of fact under Fed.R.Civ.P. 56(d).
2. The Network is the domestic or non-military portion of the Internet. 15 U.S.C. §5512.
3. Data Concepts' unfair competition claim is based upon state common law. (Docket Entry No. 11, First Amended Complaint at 6-7).