

13-1038-cv(L)

U.S. Polo Ass'n, Inc. v. PRL USA Holdings, Inc.

UNITED STATES COURT OF APPEALS

FOR THE SECOND CIRCUIT

August Term, 2013

(Argued: February 19, 2014

Decided: May 13, 2015)

Docket Nos. 13-1038-cv(L), 13-1130-cv(CON)

UNITED STATES POLO ASSOCIATION, INC., USPA PROPERTIES, INC.,

Plaintiffs-Counter-Defendants-Appellants,

JRA TRADEMARK COMPANY, LTD.,

Intervenor-Plaintiff-Appellant,

v.

PRL USA HOLDINGS, INC., L'OREAL USA, INC.,

Defendants-Counter-Claimants-Appellees.

B e f o r e: KEARSE, WINTER, and WESLEY, Circuit Judges.

Appeal from a contempt judgment entered in the United States
District Court for the Southern District of New York (Robert W.
Sweet, Judge). We vacate and remand.

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7

8 WINTER, Circuit Judge:
9

10 This appeal is the latest chapter in a now over-30-year
11 dispute involving trademarks relating to the sport of polo used
12 on consumer goods. United States Polo Association, Inc. and USPA
13 Properties, Inc. (together, "USPA") and USPA's licensee, JRA
14 Trademark Co., appeal from Judge Sweet's order of contempt
15 finding USPA in violation of a permanent injunction. The court
16 held that appellants' logo on eyewear products was confusingly
17 similar to the logo used by appellees PRL USA Holdings, Inc. and
18 L'Oreal USA, Inc. (together, "PRL") on PRL's eyewear products.
19 USPA argues that the underlying injunction did not enjoin all
20 uses of the mark. We agree and vacate the contempt order and
21 remand for further proceedings.

22 BACKGROUND

23 USPA is the governing body of the sport of polo but also
24 markets certain consumer goods, often in competition with PRL.
25 PRL owns the trademark rights and exclusive licenses for the Polo
26 Ralph Lauren brand, which includes the "Polo Player Logo" -- an
27 image depicting a mounted polo player with a raised mallet -- and
28 the "POLO" word mark.
29

1 a) The 1984 Injunction

2 The conclusion of the opening litigation occurred in 1984,
3 when, after a bench trial, Judge Sand issued an injunction
4 against USPA. U.S. Polo Ass'n v. Polo Fashions, Inc., No. 84
5 Civ. 1142 (LBS), 1984 WL 1309 (S.D.N.Y. Dec. 6, 1984) ("1984
6 Injunction"). The 1984 Injunction prohibited USPA, inter alia,
7 from "using any of the [PRL marks] or any name or mark or symbol
8 which is confusingly similar thereto, in connection with the sale
9 . . . of any goods or the rendering of any services[.]" U.S.
10 Polo Ass'n v. PRL USA Holdings, Inc., No. 09 Civ. 9476, 2013 WL
11 837565, at *1 (S.D.N.Y. Mar. 6, 2013). While the 1984 Injunction
12 applied to all markets, the term "confusingly similar" was not a
13 bright line. Rather, as amplified in subsequent litigation,
14 discussed infra, its meaning turned on a comparison of competing
15 logos and the words associated with them, see PRL USA Holdings,
16 Inc. v. U.S. Polo Ass'n, 520 F.3d 109 (2d Cir. 2008), and varied
17 with the nature of the various markets in which the logos and
18 words are used, see U.S. Polo Ass'n v. PRL USA Holdings, Inc.,
19 511 F. App'x 81 (2d Cir. 2013) (summary order).

20 b) The Apparel Litigation

21 The mark at issue in this appeal is styled the "Double
22 Horsemen Mark." It depicts two mounted polo players vying for a
23 ball. When USPA began using four variations of this mark in
24 1996, PRL brought an action seeking to enjoin its use on a
25 variety of products ("Apparel Litigation").

1 In 2003, the parties resolved most of the issues in a
2 settlement agreement involving a number of USPA logos and word
3 marks. However, the parties went to trial on whether four
4 varieties of the Double Horsemen Mark infringed PRL's marks.
5 After a three-week trial, the jury concluded that three of four
6 Double Horsemen Marks, see Note 1 infra, did not infringe PRL's
7 marks in the markets for apparel, leather goods, and watches.
8 PRL USA Holdings, Inc. v. U.S. Polo Ass'n, No. 99-cv-10199(GDB),
9 2006 WL 1881744, at *3 (S.D.N.Y. July 7, 2006). We affirmed.
10 PRL USA Holdings, Inc., 520 F.3d at 119.

11 c) The Fragrance Litigation and Injunction

12 After conclusion of the Apparel Litigation, USPA continued
13 using the Double Horsemen Mark¹ on a variety of products. In
14 2009, USPA expanded its marketing into fragrance products. After
15 failed negotiations with PRL, USPA sought a declaratory judgment
16 that, inter alia, the Double Horsemen Mark did not violate
17 Sections 43(a) and (c) of the Lanham Act, 15 U.S.C. §§ 1125(a),
18 (c), when used in connection with its fragrance products
19 ("Fragrance Litigation"). PRL and its licensee, L'Oreal USA,
20 Inc., brought trademark counterclaims for infringement and sought
21 an injunction against the use of the Double Horsemen Mark, the

¹The "Double Horsemen Mark" hereinafter refers only to the three of four Double Horsemen Marks that the Apparel Litigation jury found did not infringe on PRL's marks. See PRL USA Holdings, Inc., 2006 WL 1881744, at *1.

1 word mark, "U.S. POLO ASSN," and "1890" (the year USPA was
2 founded) on "fragrance or cosmetics products."

3 After a bench trial, Judge Sweet rejected USPA's claims,
4 holding that using the Double Horsemen Mark on fragrance products
5 violated PRL's trademark rights. U.S. Polo Ass'n v. PRL USA
6 Holdings, Inc., 800 F. Supp. 2d 515, 542 (S.D.N.Y. 2011). The
7 court held that USPA's favorable verdict in the Apparel
8 Litigation did not dictate the outcome in the Fragrance
9 Litigation because the apparel decision did not "address[] the
10 marks at issue here in the fragrance market." Id. at 529.

11 In March 2012, the district court entered a permanent
12 injunction enjoining USPA from using the Double Horsemen Mark on
13 fragrances and related products ("Fragrance Injunction").
14 Paragraph 3, the basis of the district court's contempt finding
15 in the present matter, enjoined USPA from:

16 a. Using the Double Horsemen Mark . . . alone
17 or in combination with any name, symbol,
18 device, or other word(s) in connection with
19 the advertising, promotion, offering for sale
20 or sale of fragrances or related products
21 such as cosmetics, personal care products and
22 beauty products;
23

24 b. Using the word "POLO" alone or in
25 combination with any name, symbol, device or
26 other word(s) in connection with the
27 advertising, promotion, offering for sale or
28 sale of fragrances or related products such
29 as cosmetics, personal care products and
30 beauty products;
31
32

1 c. Using the PRL marks or any other name or
2 mark, including the image of one or more
3 mounted polo players, that constitutes a
4 colorable imitation of or is confusingly
5 similar to PRL's Polo Player Logo . . . or
6 "POLO" word mark in connection with the sale
7 or offering for sale of any goods or
8 rendering of any services;
9

10 d. Using for any commercial purpose
11 whatsoever any symbol, logo, trade name,
12 trademark, or trade dress that which is
13 calculated to or has the effect of
14 representing that the products or services of
15 or licensed by the USPA Parties are
16 associated with, sponsored, endorsed, or
17 authorized by, or are in any way connected or
18 associated with the PRL Parties or any entity
19 affiliated with them.
20

21 U.S. Polo Ass'n, 2013 WL 837565, at *4; see also U.S. Polo Ass'n
22 v. PRL USA Holdings, Inc., No. 09 Civ. 9476, 2012 WL 697137, at
23 4-5 (S.D.N.Y. Mar. 5, 2012). USPA appealed the injunction, and
24 we affirmed by summary order. U.S. Polo Ass'n, 511 F. App'x at
25 82. On its appeal, USPA argued that the Apparel Litigation
26 precluded the injunction. However, we rejected that argument on
27 the ground that the issue of confusing similarity regarding
28 USPA's use of the Double Horsemen Mark was market-specific. Id.
29 at 83-84. We also rejected USPA's argument that the Fragrance
30 Injunction's terms were overbroad, in part because of the
31 district court's finding of bad faith which we declined to
32 overturn, but also because Paragraph 3(c), which applies to all
33 markets, merely tracked the 1984 Injunction, to which USPA was
34 already subject. Id. at 86.

1 d) The Contempt Order

2 Between 2009 and 2012, USPA sold nearly one million pairs of
3 sunglasses bearing the Double Horsemen Mark. In August 2012, PRL
4 moved for an order of contempt, claiming that USPA violated both
5 the 1984 Injunction and the Fragrance Injunction by its use of
6 the Double Horsemen Mark on eyewear. The district court issued a
7 contempt order based on its finding that there was clear and
8 convincing evidence that USPA violated Paragraphs 3(c) and (d) of
9 the Fragrance Injunction. U.S. Polo Ass'n, 2013 WL 837565, at
10 *9-14.²

11 The district court held that: (i) Paragraph 3(c) of the
12 Fragrance Injunction clearly and unambiguously applied to all
13 markets, id. at *9-12; (ii) PRL proved by clear and convincing
14 evidence that "the Double Horsemen Mark is a 'colorable
15 imitation' or is 'confusingly similar' to PRL's Polo Player
16 Logo," id. at *12; and (iii) USPA did not diligently comply with
17 the Fragrance Injunction, id. at *13. In reaching these
18 conclusions, the court declined to engage in a market-specific
19 analysis of whether use of the Double Horsemen Mark in eyewear
20 was confusingly similar to PRL's use of its marks in that market.
21 In relying on Paragraph 3(c) of the Fragrance Injunction, the
22 court held that a market-by-market analysis was inappropriate in

² The district court also granted JRA Trademark's motion to intervene, 2013 WL 837565, at *7-8, and declined to decide whether USPA was in contempt of the 1984 Injunction, id. at *14.

1 the context of a motion for contempt. This ruling was based on
2 our decision in Wella Corp. v. Wella Graphics, Inc., 37 F.3d 46,
3 48 (2d Cir. 1994) (holding that the district court erred in
4 considering the Polaroid factors, Polaroid Corp. v. Polarad
5 Elecs. Corp., 287 F.2d 492, 495 (2d Cir. 1961), in making its
6 contempt determination).³

7 Finally, because PRL had been on notice of USPA's use of the
8 Double Horsemen Mark in eyewear for at least two years prior to
9 its motion for a contempt judgment, the court awarded PRL only
10 prospective relief -- that is, "future profits of any sales of
11 sunglasses containing the Double Horsemen Mark sixty days
12 following the [court's] order." U.S. Polo Ass'n, 2013 WL 837565,
13 at *15.

14 DISCUSSION

15 We review a contempt order with a "more exacting" version of
16 the abuse-of-discretion standard. Perez v. Danbury Hosp., 347
17 F.3d 419, 423 (2d Cir. 2003). Before issuing a contempt order, a
18 district court must find that the alleged contemnor had notice of
19 the underlying order, that the terms of the order were clear and
20 unambiguous, and that proof of noncompliance was clear and

³ We note that the Polaroid test is not strictly in issue here because Polaroid involved a plaintiff alleging trademark infringement within a market the plaintiff had not yet entered. Rather, USPA and PRL appear to have been competing head-to-head in the same markets, similar to the parties in Brennan's Inc. v. Brennan's Rest., L.L.C., 360 F.3d 125, 133 (2d Cir. 2004) ("Because the ultimate issue is the likelihood of confusion, analysis focuses on the particular industry where the marks compete.") (emphasis added).

1 convincing. Perfect Fit Indus. v. Acme Quilting Co., Inc., 646
2 F.2d 800, 808 (2d Cir. 1981). The district court's underlying
3 factual determinations are reviewed for clear error, but
4 questions of law, including interpretation of the order, are
5 reviewed de novo. Latino Officers Ass'n of N.Y., Inc. v. City of
6 New York, 558 F.3d 159, 164 (2d Cir. 2009).

7 Central to this appeal is whether the district court's
8 finding of a violation of the Fragrance Injunction by USPA's use
9 of the Double Horsemen Mark on eyewear required application of
10 market-specific standards.

11 Our resolution of what conduct is barred by the Fragrance
12 Injunction and of whether USPA engaged in such conduct requires
13 scrutiny of the history of the parties' litigation. A critical
14 fact in this history is that, after entry of the 1984 Injunction,
15 a jury in the Apparel Litigation found the Double Horsemen Mark
16 to be non-infringing -- not "confusingly similar" to, or a
17 "colorable imitation" of, PRL's marks -- when used as a logo in
18 marketing apparel, leather goods, and watches. This verdict
19 clearly indicated at the very least that use of the Double
20 Horsemen Mark is non-infringing in some markets. In the
21 Fragrance Litigation, the district court viewed the verdict in
22 the Apparel Litigation as not binding because of the differences
23 between the apparel and fragrance/cosmetic markets. We agreed
24 and affirmed the Fragrance Injunction. U.S. Polo Ass'n, 511 F.
25 App'x at 82.

1 However, in the present matter -- the contempt proceeding
2 based on the Fragrance Injunction -- the district court concluded
3 that the Fragrance Injunction barred use of the Double Horsemen
4 Mark in every market but that for apparel. U.S. Polo Ass'n, 2013
5 WL 837565, at *10, 12. We disagree with that ruling. The fact
6 that the Apparel Litigation does not shield USPA's use of a
7 Double Horsemen Mark on eyeglasses from an infringement finding
8 does not, without more, render it liable for infringement in that
9 and all other markets save for apparel. Indeed, our affirmance
10 of the Fragrance Injunction, in holding that infringement in one
11 industry does not "as a matter of law, preclude a finding of
12 similarity in another," U.S. Polo Ass'n, 511 F. App'x at 83,
13 stated that a market-by-market analysis is needed. Id.

14 To be sure, Paragraph 3(c) of the Fragrance Injunction
15 applies to all markets, but the language in question merely
16 repeats that of the 1984 Injunction. That Injunction, as our
17 holding in affirming the Fragrance Injunction states, requires a
18 market-by-market analysis regarding confusing similarity. Id. at
19 86 (noting that the Fragrance Injunction pertains to the
20 fragrance market and closely related fields; "[t]o the extent it
21 reaches any further, it merely tracks the language of the 1984"
22 Injunction).

23 Given the present record, it is not apparent that the
24 differences between the fragrance/cosmetic and eyeglass

1 industries are not as great as the differences between the
2 apparel and fragrance/cosmetic industries. Indeed, at least
3 without an evidentiary record demonstrating otherwise, the
4 eyeglass and apparel industries seem closer to each other than
5 either is to the fragrance/cosmetic market. But, in holding USPA
6 in contempt, the district court declined to apply a market-
7 specific test.

8 In holding that the Fragrance Injunction was violated, the
9 district court explicitly rejected USPA's argument that the order
10 "is limited to fragrance[/cosmetic] products . . . and proof of
11 confusion." U.S. Polo Ass'n, 2013 WL 837565, at *9. That
12 rejection is not consistent with our decision affirming the
13 Fragrance Injunction or with the arguments that PRL made on that
14 appeal. To be sure, Paragraph 3(c) bars use of "the image of one
15 or more mounted polo players, that constitute a colorable
16 imitation of or is confusingly similar to PRL's Polo Player logo
17 . . . in connection with the sale . . . of any goods,"
18 However, as noted, that language merely tracks the 1984
19 Injunction which, as explained earlier, does not bar use of the
20 Double Horsemen Mark in all markets. When entry of the Fragrance
21 Injunction was challenged by USPA on its appeal, PRL's brief
22 emphasized over and over again that the Fragrance Injunction was
23 limited to the fragrance market, Brief for Defendant-Counter-
24 Claimant-Appellee at 15, 19, 20, 23, 24, U.S. Polo Ass'n, 511 F.

1 App'x 81 (No. 12-1346), and to the prohibitions of the 1984
2 Injunction, id. at 29, 31-32. Most importantly, in affirming the
3 Fragrance Injunction against an overbreadth claim, we clearly
4 read the order to apply only to the fragrance/cosmetics market
5 and to be limited to the scope of the 1984 Injunction. We
6 stated:

7 This case presents no concerns akin to those
8 raised in Starter Corp. v. Converse, Inc.,
9 170 F.3d 286 (2d Cir. 1999), where an
10 injunction covered an entire market that was
11 not the one in which the infringing mark was
12 used, and prohibited use of the mark for a
13 category of goods that had been judicially
14 admitted not to be at issue, see id. at 300.
15 Here, the injunction pertains to use of the
16 Double Horsemen logo and the word "polo" in
17 the fragrance market, the focus of this
18 litigation, as well as closely related fields
19 such as cosmetics. To the extent it reaches
20 any further, it merely tracks the language of
21 the 1984 Order, to which USPA was already
22 subject. Moreover, the injunction does not
23 impede USPA's use of its outlined Double
24 Horsemen mark on apparel, which was found
25 non-infringing in the 2006 litigation, a
26 determination that has issue-preclusive
27 effect here.

28
29 U.S. Polo Ass'n, 511 F. App'x at 86.

30 Therefore, the fact that the Apparel Litigation does not
31 preclude the Fragrance Litigation does not imply that the Double
32 Horsemen Mark infringes PRL's marks in every market except
33 apparel. It simply means that a finding of confusing similarity
34 must be made on a market-by-market analysis.

1 We acknowledge that confusion may exist as to whether there
2 is an automatic bar to application of a market-by-market test in
3 contempt proceedings. In declining to apply such a test, the
4 district court relied upon our decision in Wella, in which we
5 held that undertaking a market-by-market Polaroid analysis was
6 error in that particular contempt proceeding. In Wella, a hair-
7 products manufacturer named "Wella Corporation" sought an
8 injunction against a graphics company named "Wella Graphics" from
9 using the name "Wella." Wella Corp., 37 F.3d at 47. Because
10 Wella Graphics never answered the complaint, the district court
11 entered a default judgment, enjoining Wella Graphics from
12 "[u]sing Wella or any mark confusing[ly] similar to [Wella
13 Corporation's] mark Wella." Id. Wella Graphics then slightly
14 altered its name to Wello Graphics. The district court held that
15 this change did not warrant a contempt order because the two
16 companies were not in direct competition with one another. Id.
17 On appeal, we held that the district court's use of a market-by-
18 market analysis was error. Id. at 48. However, in Wella, the
19 genuinely contested issue was not whether the name "Wello" was
20 "confusingly similar" to the name "Wella" -- it was an obvious
21 attempt at evading the injunction -- but whether the lack of
22 direct competition between the parties rendered the injunction
23 inapplicable. Id. Of course, it did not.

24 Unlike Wella, the present matter is not a case of a minor
25 and immaterial alteration of an unquestionably infringing mark.

1 Rather, it is a dispute over the use of marks that have been held
2 not to be confusingly similar to PRL's marks in another major
3 market. By contrast, Wella is limited to cases where a clearly
4 confusingly similar mark is governed by an injunction that
5 applies to all markets.

6 However, we add a word of caution about the use of market-
7 specific standards in contempt proceedings. The parties bound by
8 an injunction are entitled to clear notice of what specifically
9 they may or may not do, and any test involving a non-exhaustive
10 list of multiple factors, see Brennan's Inc., 360 F.3d at 130,
11 may not yield easily predictable results or fair notice. Use of
12 market-specific standards in contempt proceedings will,
13 therefore, lead to an order of contempt only when reasonably
14 obvious infringement is shown by clear and convincing evidence.

15 There is no record before us as to the application of
16 market-specific factors to the eyeglass and fragrance/cosmetic
17 markets, and we do not preclude a resumption of the contempt
18 proceedings on remand. However, because of the often
19 unpredictable results of market-by-market analysis, a finding
20 that the Double Horsemen Mark is, when used on eyewear,
21 confusingly similar to PRL's marks, while sufficient to find
22 liability in an infringement proceeding, is not sufficient to
23 support a contempt finding. To hold USPA in contempt, two
24 additional findings must be made: (i) a reasonable firm in

1 USPA's position, knowing the context of the Fragrance Injunction
2 -- in particular, the verdict in the Apparel Litigation and our
3 order affirming the Fragrance Injunction that adopted PRL's
4 arguments described above -- would have been on clear notice that
5 use of the Double Horsemen Mark on eyewear violated the
6 injunction; and (ii) the finding of confusing similarity is
7 supported by clear and convincing evidence. The present record
8 does not support either such finding.

9 CONCLUSION

10 We therefore vacate and remand for further proceedings in
11 accordance with this opinion. Given the efforts this panel has
12 expended on this matter and its resultant familiarity with it, we
13 order that the clerk refer any appeal from an order of contempt
14 based on the Fragrance Injunction involving eyewear to this
15 panel. This directive does not apply to an appeal from a finding
16 of infringement or non-infringement in a new infringement
17 proceeding involving eyewear or one not involving eyewear.