

You Can't Fake Confusion: A Lanham Act Lesson in Consumer Survey Design

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In Phelan Holdings, Inc. v. Rare Hospitality Management, Inc., a federal court in the Middle District of Florida recently held that consumers were unlikely to be completely at sea when distinguishing between two trademarks for casual dining restaurants that begin with the phrase “You Can’t Fake.” The plaintiff, Phelan Holdings, uses the

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catchphrase “You Can’t Fake Fresh” for its seafood shack restaurants. Phelan got a bit crabby about the Defendant Rare Hospitality’s use of the slogan “You Can’t Fake Steak” for its LongHorn steakhouses. Phelan captains twelve seafood restaurants in Southwest Florida that are festooned in bright, beachy decor and that cater mainly to tourists. The LongHorn restaurants are a national chain of rancher-themed restaurants designed with dark, warm colors and cowboy art, typically located in suburban areas to herd in locals.

Concerned that this cowboy chain might befuddle its customers, Phelan alleged trademark infringement through a reverse confusion theory. Reverse confusion occurs when a larger junior user saturates the market with a trademark that is confusingly similar to the trademark of a smaller, senior user. In reverse confusion cases, the senior user loses the value of its trademark because the public assumes that it is affiliated with the larger company or that the senior user is the “infringer.”

The district court analyzed the Eleventh Circuit likelihood of confusion factors, acknowledging the incontestability of Phelan’s mark. It found that while the linguistic similarity of the phrases tipped slightly in Phelan’s favor, the restaurants are strikingly dissimilar in terms of atmosphere and menu. Even though the two restaurants both compete for casual diners in the same geographical location, the Court emphasized that

the Crab Shack aimed its claws at tourists whereas mainly locals hung their boots at the LongHorn. Further, Rare Hospitality generally promotes its restaurant services through national television broadcasts, whereas Phelan primarily utilizes local media. There was no evidence that Rare adopted the mark in bad faith.

The Court then considered what is often the most persuasive evidence of the likelihood of confusion: actual confusion. While Phelan conceded that there had not been a single instance of actual marketplace consumer confusion in four years of co-existence with Rare's mark, it presented a consumer survey in which Phelan's expert concluded that there was somewhere between "13% and 26%" actual confusion between the parties' slogans. The Court rejected the survey due to the fatal flaw of using the wrong universe of respondents. In conducting its survey, Phelan's expert solicited responses from Rare's consumer base—local residents of Southwest Florida. But because Phelan alleged a theory of "reverse confusion" it should have surveyed its own customer base, or tourists of Southwest Florida. Without persuasive evidence of actual confusion, Phelan simply had no lifeline and its case was cast into the sea by the Court.

Selecting the proper survey universe is the meat and potatoes of any Lanham Act survey. It is important that counsel and expert carefully consider this vitally-important element because, at the end of the day, you just can't fake confusion.