

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF TEXAS  
HOUSTON DIVISION

|                     |   |                           |
|---------------------|---|---------------------------|
| BDO SEIDMAN LLP,    | } |                           |
|                     | } |                           |
| Plaintiff,          | } |                           |
| VS.                 | } | CIVIL ACTION NO. H-08-905 |
|                     | } |                           |
| ALLIANTGROUP, L.P., | } |                           |
|                     | } |                           |
| Defendant.          | } |                           |

**FINDINGS OF FACT AND CONCLUSIONS OF LAW**

This case concerns whether Defendant Alliantgroup, L.P., (“Alliantgroup”) violated the unfair competition provision, Section 43(a), of the Lanham Act, 15 USC § 1051 *et seq.* , when it marketed its tax consultancy services to members of Defendant BDO Seidman LLP (“BDO”)’s fee-membership association, the Alliance, by causing likelihood of confusion as to Alliantgroup’s affiliation, sponsorship or endorsement by BDO or the Alliance. Plaintiffs also allege claims under Texas law for trade dress dilution under the Texas anti-dilution statute, Tex. Bus. & Com. Code Ann. § 16.29. A Bench Trial was held on May 27, 2009. After reviewing the evidence, the submissions of the parties, and the applicable law, the Court enters the following findings of fact and conclusions of law.

**FINDINGS OF FACT<sup>1</sup>**

1. BDO Internatinal is a “second-tier’ international accounting firm. It operates in several different nations. In the United States, it operates under the name BDO Seidman, after a merger between the American accounting firm, Seidman and Seidman with European accounting firms. BDO itself stands for Binder Dijker Otte & Co after the main founders’

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<sup>1</sup> The following facts are derived from the testimony of the witnesses and the exhibits admitted at trial.

names. BDO Seidman has been operating under that name since the early 1980's. It is one of among the twelve largest accounting firms in the United States.

2. BDO, like many of its rivals of comparable size, organizes a fee-membership association of independent accounting firms to which it provides services such as marketing expertise, financial data for comparing performance, and shared expertise between independent accounting firms. In return, the Alliance's membership costs the independent accounting firms a fee of roughly 1% to 2 % of revenue. In BDO's case, the association is called the Alliance. There are approximately 150 members in the Alliance. Members are located in diverse states across the country, from New Jersey to Hawaii.

3. BDO carefully vets admission to the Alliance, by looking to the applicant's client contacts and reputation. BDO does not manage the members of the Alliance, it does not tell them who to hire or fire for example, nor which clients to take. The only requirement BDO imposes is that members have professional malpractice insurance.

4. Because BDO carefully vets admission to the Alliance, members place trust in the BDO and Alliance name.

5. Alliance members can also join a BDO service called the Business Resource Network or "BRN." The BRN provides access to vendors such as information technology and office supplies. Because these vendors form part of the Alliance, members place especial reliance on them in business dealings.

6. Because members of the Alliance operate independently from BDO, they remain absolutely free to select third parties to provide them with financial consultancy and accounting services. For example, membership in the Alliance does not include free advice on Research and Development ("R&D") tax credits.

7. Alliantgroup is a nationwide tax consultancy business. Fifty percent of its revenue is derived from providing consultancy services on R&D tax credits. In comparison, less than ten percent of BDO's revenue is generated from similar work in R&D tax credits. It is undisputed that BDO and Alliantgroup are competitors in providing R&D tax credit services to Alliance members.

8. Alliantgroup, before the disputed marketing campaign at issue in this case, already had more than thirty Alliance members as clients.

9. In February 2008, Alliantgroup decided to launch a campaign to market its R&D tax credit services to the remaining Alliance members who were not already its clients. The marketing department provided one of its sales representatives, Stan Lenart ("Lenart") with a list of all the Alliance members. This list is available online on the BDO website.<sup>2</sup>

10. Lenart then began the marketing campaign by contacting Alliance members. As part of his marketing campaign, Lenart stressed that Alliantgroup was having success with Alliance members who had agreed to serve as references to Alliantgroup.

11. Lenart contacted Bill Chambers of Fust Charles Chambers LLP, a member of the Alliance, by telephone. Chambers, however, told Lenart that his accounting firm worked exclusively with BDO. Lenart sent a follow-up email anyway on February 6, 2008 promoting Alliantgroup's tax consultancy services. This email did not refer to BDO or the Alliance.

12. Lenart contacted Raymond Jacobi of Mengel, Metzger, Barr & Co. LLP via email on February 20, 2008. In this email, Lenart specifically promoted Alliantgroup's R&D tax credits services. In a post scriptum, Lenart stated:

We are currently getting very successful results with a number of BDO Seidman firms, including: Hill, Barth & King in Meadville, PA; Gainer, Donnelly & Desroches in Houston, TX; Kirkland,

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<sup>2</sup> Available at <http://www.bdo.com/locations/>

Russ, Murphy & Tapp in Tampa, FL; Hausmaninger, Benoe, Lang, Alford & Geselowitz in Irvine, CA; and many others. . . All the aforementioned firms would be happy to be a reference for us.

13. On or about February 8, 2008, Lenart called Nancy Kridel of Smolin, Lupa & Co., P.A., which was an accounting firm located in New Jersey and a member of the Alliance. Lenart made the following communication, which he testified he read from a sales script (the “script”) used in all his Alliance marketing campaign communications:

Hi Nancy this is Stan Lenart with the Alliantgroup and I'm at 312-386-9770. I am calling because you are part of the BDO Alliance and we are having great success with BDO Alliance firms, Nancy. We are generating increased revenue for them without increasing their head count and a number of firms would be willing to vouch for us.

Hillbarth [sic] & King in PA

Gaynor Donnelly and DeRoche [sic], Houston

Kirkland, Ross, Murphy and Tap in Tampa

And actually many more.

Please return the call

Stan Lenart 312-386-9770.

14. It appears, however, that Lenart made even more explicit references to BDO and the Alliance. These references misled Alliance members into believing that Alliantgroup was somehow affiliated, endorsed or sponsored by BDO or the Alliance. Lenart’s misleading marketing was established in the testimony of Ronald Burkett (“Burkett”), Charles Elter (“Elter”), and William Lazor (“Lazor”).

15. Burkett was the managing partner of Burkett, Burkett & Burkett, an accounting firm that was a member of the Alliance. His firm paid between 4,000-5,000 dollars a month in fees for membership. In February 2008, Lenart solicited Burkett’s firm on behalf of

Alliantgroup. Burkett could not recall the exact words Lenart used. Burkett, however, distinctly recalled that Alliantgroup claimed to represent the Alliance or to be a part of the Alliance. His declaration, sworn to on January 27, 2009, only stated that Lenart “referred to BDO Seidman and the Alliance, and said that Alliantgroup helps with the Alliance.” When asked whether his testimony was “elaboration” on his declaration, Burkett credibly explained that he found Lenart’s marketing so misleading that he took the extraordinary step of contacting Michael Horwitz (“Horwitz”), the BDO liaison for Alliance members in his region. The communication Burkett referred to was an email sent by his administrative assistant, Tammy Chapman (“Chapman”) to Horwitz. In the February 4, 2008, email Chapman stated Burkett “received a call from Stan Lenard [sic] with Alliant Group [sic] in Chicago. . . Stan’s voice mail states he helps with BDO Alliance. . . [Burkett] wants to know if you [Horwitz] know this man. He doesn’t know if this is true or not. If not, what should we do about it?”

16. Horwitz replied to Chapman’s email on February 4, 2008. He stated: “No ] the Alliantgroup is not part of our alliance program. They have been calling many of our alliance firms intimating that they are connected with the program, and they are confusing our alliance firms regularly.” Horwitz went on to state: “I called Stan Lenard [sic] to find out what he is saying. He is a telemarketer, and apologized for any ‘misleading’ statements that were ‘misinterpreted.’”

17. In his testimony, Lenart admitted on cross-examination that Horwitz had in fact contacted him and asked him to stop using the BDO and Alliance names in his marketing campaign. This was in direct contradiction to Lenart’s earlier testimony that he was unaware that his marketing was causing confusion and that he would have desisted if he had known.

18. Elter is Director of Taxation at McBride Shopa & Co. (“McBride Shopa”), an accounting firm based in Wilmington, Delaware. McBride Shopa was a member of the Alliance. In February 2008, Lenart solicited McBride Shopa on behalf of Alliantgroup. Although Elter could not remember specifically what was said by Lenart, he was certain that Lenart had implied Alliantgroup was part of the Alliance or associated in some way with the Alliance. When Elter spoke to an Alliantgroup representative, Elter mentioned the BRN and the Alliantgroup representative did nothing to dispel the belief that the Alliantgroup was part of the BRN. Because he was misled by Lenart’s marketing into thinking Alliantgroup was associated with the Alliance, Elter scheduled a lunch with Alliantgroup. He became aware that Alliantgroup did not have such an association, and, therefore, canceled the lunch.

19. On February 16, 2008, Anne Eidschun (“Eidschun”), a McBride Shopa service representative and liaison with the Alliance sent Horwitz an email on behalf of Elter regarding Lenart’s misleading communication. In the email, Eidschun stated: “One of the directors [Elter] received a call from Stan Lenhart [sic] of the Alliant Group [sic]. He indicated that his firm does a lot of work with BDO Alliance firms . . . I guess he was nice but I did not know if he was misrepresenting himself.” Horwitz responded, on February 16, 2008, “no they are not part of alliance [sic] and have been confusing many alliance [sic] firms. Thanks for the heads up.”

20. On February 18, 2008, Eidschun sent Horwitz a follow-up email, stating: “Elter actually scheduled a lunch with these people. [Elter] mentioned BDO and BRN several times and they did nothing to dispel his thinking that they were part of the group. I am now going to cancel the lunch and indicate there was a misunderstanding and miscommunication.” On February 18, 2008, Eidschun also sent an email to Lenart, canceling the lunch meeting with

Elter, and stating: “any appointments other than clients or firms directly related to BDO Seidman are just not possible.”

21. Lazor is an officer and shareholder in Kronick, Kalada Berdy & Co. (“Kronick”), an accounting firm based in Kingston, Pennsylvania. Kronick is a member of the Alliance. Lazor testified that Alliantgroup contacted Kronick and “intimated or suggested” it was a part of the Alliance. When Lazor spoke to Alliantgroup, they did not deny the impression they gave that they were affiliated with the Alliance. Because of this misleading marketing, Kronick scheduled a conference call with Alliantgroup to discuss its services. Upon realizing that Alliantgroup was not in fact associated with the Alliance, Lazor canceled the conference call.

22. On February 25, 2008, BDO sent out a general email to all the Alliance members warning them that Alliantgroup was misrepresenting an affiliation with the Alliance and BDO. BDO emphasized that there was no such relationship.

23. In response, on February 25, 2008, Lazor sent an email to the Alliance help desk, stating: “This also happened to us and before the conference call took place with them, I realized this tactic and cancelled the conference call with them. They did mislead us although some may say I am easily fooled.”

24. At trial, on cross, Alliantgroup sought to establish the lack of credibility of Burkett, Elter and Lazor by showing their bias due to ownership interests BDO might have in their accounting firms. It became clear there was no such equity interest, and that the accounting firms were independent. Membership in the Alliance only meant a net payment of a percentage of revenue amounting to one to two percent. The Court found the witnesses to be credible.

25. The Court found Lenart not to be a credible witness. Furthermore, due to the

fact he admitted he had been warned about the confusion he was causing with his marketing campaign to Alliance members, yet persisted, the Court finds Lennart and Alliantgroup had the intent to cause confusion as to the affiliation between Alliantgroup, and the Alliance and BDO.

27. Horwitz served as the BDO liaison for Alliance members in the North East and South East regions. He had worked at BDO as a partner for seven years, starting in 2001. In all this time there, he had never experience such a spike in calls and emails as he did in February of 2008 after Alliantgroup began its marketing campaign. The calls and emails all evinced high levels of confusion from Alliance members who were the recipients of marketing calls and emails from Alliantgroup regarding the affiliation between Alliantgroup and the Alliance.

### **CONCLUSIONS OF LAW**

#### *a. Overview*

1. The Lanham Act was intended to make “actionable the deceptive and misleading use of marks,” and “to protect persons engaged in . . . commerce against unfair competition.” 15 USC § 1127 [15 USCS § 1127]. While much of the Lanham Act addresses the registration, use, and infringement of trademarks and related marks, § 43(a), 15 U.S.C. § 1125(a) [15 USCS § 1125(a)] is one of the few provisions that goes beyond trademark protection. As originally enacted, § 43(a) created a federal remedy against a person who used in commerce either “ false designation of origin, or any false description or representation” in connection with “any goods or services.” 60 Stat 441. As the Second Circuit accurately observed with regard to the original enactment, however, and as remains true after the 1988 revision, § 43(a) “does not have boundless application as a remedy for unfair trade practices,” *Alfred Dunhill, Ltd. v. Interstate Cigar Co.*, 499 F.2d 232, 237 (1974). “Because of its inherently limited wording, § 43(a) can never be a federal ‘codification’ of the overall law of ‘unfair competition,’” 4 J.

McCarthy Trademarks and Unfair Competition § 27:7, p 27-14 (4th ed. 2002) (McCarthy), but can apply only to certain unfair trade practices prohibited by its text.

2. The Supreme Court has addressed the meaning of Section 43(a). *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 123 S. Ct. 2041, 156 L. Ed. 2d 18 (2003). At issue in *Dastar* was whether a producer of a new video production violated Section 43(a) by not acknowledging reliance on an original television production. *Id.* at 25-28. Although the specific language of Section 43(a) at issue in *Dastar* was “origin of goods,” the Court explained that Section 43(a) is “one of the few provisions that goes beyond trademark protection.” *Id.* at 29. The language of Section 43(a) is broader than much of the Lanham Act in that it “prohibits actions like trademark infringement that deceive consumers and impair a producer's goodwill.” *Id.* at 32.

*b. Section 43(a) Unfair Competition*

3. Section 43(a) states:

(a) Civil action.

(1) 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--

(A) *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

(B) 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 USCS § 1125 (emphasis added.) The nature of the allegation is that Alliantgroup's marketing was likely to cause confusion as to the affiliation, connection, or association of Alliantgroup with

the Alliance and BDO. The critical question is whether the marketing suggests affiliation or endorsement. In assessing whether use of a mark creates a likelihood of confusion as to affiliation or endorsement, the Fifth Circuit considers the “digits of confusion,” a list of factors that tend to prove or to disprove that consumer confusion is likely. *Scott Fetzer Co. v. House of Vacuums, Inc.*, 381 F.3d 477, 484-485 (5th Cir. 2004). Those factors are: (1) the type of mark allegedly infringed; (2) the similarity between the two marks; (3) the similarity of the products or services; (4) the identity of retail outlets and purchasers; (5) the identity of the advertising media used; (6) the defendant's intent; and (7) any evidence of actual confusion. *Id.* The Fifth Circuit has also added “[a]n eighth factor, the degree of care employed by consumers.” *Paulsson Geophysical Servs. v. Sigmar*, 529 F.3d 303, 310 (5th Cir. 2008)(internal citations omitted). The digits are a flexible and nonexhaustive list. They do not apply mechanically to every case and can serve only as guides, not as an exact calculus. *See Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 546 (5th Cir. 1998). To determine if there is a likelihood of confusion, the district court uses the standard “more than a mere possibility of confusion,” relying on *Pebble Beach Co.*, 155 F.3d at 543.

*c. Nominative fair use*

4. In this case, Defendant argues that the marketing campaign employed by Defendant is protected by the nominative fair use doctrine. One can use another's mark truthfully to identify another's goods or services in order to describe or compare its product to the markholder's product. *See, e.g., August Storck K.G. v. Nabisco, Inc.*, 59 F.3d 616, 617-18 (7th Cir. 1995); *New Kids on the Block v. News Am. Publ'g, Inc.*, 971 F.2d 302, 306-09 (9th Cir. 1992); see also RESTATEMENT, *supra*, § 20 cmt. b, at 209-10.; 3 MCCARTHY ON TRADEMARKS, *supra*, § 25:51-:52. As the Ninth Circuit has recognized, where a nominative

use of a mark occurs without any implication of affiliation, sponsorship, or endorsement--i.e., a likelihood of confusion--the use "lies outside the strictures of trademark law." *New Kids on the Block*, 971 F.2d at 308. In order to avail itself of the shield of nominative use, the defendant (1) may only use so much of the mark as necessary to identify the product or service and (2) may not do anything that suggests affiliation, sponsorship, or endorsement by the markholder. *See id.* at 308. The traditional likelihood-of-confusion analysis is applicable in a comparative-advertising situation, but the court should usually consider the nominative-use claim in conjunction with its likelihood-of-confusion analysis to avoid lowering the standard of confusion. *Pebble Beach Co.*, 155 F.3d at 547.

5. Thus, the Fifth Circuit has looked to whether the shield of nominative protects the use of the mark along with its analysis under the digits of confusion. For example, in *Pebble Beach*, there was no nominative use because the defendant golf course overtly suggested affiliation with plaintiff golf course when it placed signs naming holes after the plaintiff golf course, named dishes on its menu after plaintiff golf course and used plaintiff golf course's name in its brochure and promotional materials. 155 F.3d at 546. In *Scott Feltzer*, the shield of nominative use was present where defendant vacuum repair company advertised it repaired plaintiff vacuum manufacturer's brand along with many other brands. 381 F.3d 477, *passim* and at 486 (looking to "context" in unfair competition analysis). In this case, Alliantgroup's marketing campaign made constant use of Alliance and BDO's name in close association with Alliantgroup. *See* Findings of Fact ¶12-23. Furthermore, Alliantgroup directly suggested affiliation. *See* Findings of Fact ¶14-23 (specifically the testimony of Burkett, Lazor and Elter.) Alliantgroup was not drawing a comparison between it and several different tax consultancy services. Instead its campaign was targeted at Alliance members and the script used suggested

success specifically with Alliance members. *See* Findings of Fact ¶¶9, 10, 13. Thus, at first blush, while withholding judgment until taking a closer look at the digits to maintain a high standard for likelihood of confusion, the nominative use defense does not seem to apply.

6. Even a finding that the majority of the “digits of confusion” pointing towards an opposite finding would not change that result. *Cf. Pebble Beach Co.*, 155 F.3d at 547 (5th Cir. 1998) (“a positive finding on a majority of the digits of confusion does not require a court to find a likelihood of confusion.”). Here, however, the digits all point towards a finding of likelihood of confusion.

*d. Digits of Confusion*

*i. Type of the Mark*

7. The first digit regards the type of the markholder’s mark; specifically its “strength.” “Strong marks are widely protected, as contrasted to weak marks.” *Amstar Corp. v. Domino's Pizza, Inc.*, 615 F.2d 252, 259 (5th Cir. 1980). The strength of a service mark for the purposes of analyzing likelihood of confusion is dependent upon both the placement of the mark on the spectrum of distinctiveness, from arbitrary to generic, and the extent to which consumers in the relevant marketplace recognize the mark as an indicator of source. *See Sun Banks of Florida, Inc. v. Sun Federal Sav. & Loan Assoc.*, 651 F.2d 311, 315-16 (5th Cir. 1981).

8. Plaintiff argues that its service marks are arbitrary and therefore strong and entitled to the broadest scope of protection. Furthermore, Plaintiff points out that its service marks, BDO and the Alliance, are well known in the business world and therefore consumers have come to recognize the marks as an indicator of source. A strong mark is usually fictitious, arbitrary or fanciful and is generally inherently distinctive. It is afforded the widest ambit of protection. *See Amstar Corp.*, 615 F.2d at 259, quoting *Lunsford, Trademark Basics*, 59

Trademark Rep. 873, 878 (1969). BDO Seidman is such an arbitrary mark and is inherently distinctive. Furthermore, it is undisputed that the mark has been used with customers since the 1980's as that of one of the most prominent accounting firms in the nation, *See Findings of Fact ¶1*. Therefore it has further 'strength.'

9. Alliance is also sufficiently strong, particularly among potential customers of the parties' goods and services. Alliance is a suggestive mark that has been in use now for nearly 20 years. *Sun Banks of Fla., Inc*, 651 F.2d at 311 (suggestive marks which subtly connote something about the service or product are protected without proof of secondary meaning). Furthermore, Alliance has gained secondary meaning through its wide repute as an association of independent accounting firms, and its marketing in national media as the BDO Seidman Alliance. The conjunction with the arbitrary BDO Seidman mark has served to strengthen the Alliance mark. Moreover, Alliantgroup's marketing campaign targeted exclusively members of the Alliance who were intimately familiar with Alliance as a mark. *Scott Fetzer*, 381 F.3d at 486 (Court must look to context in which consumer receives comparative advertising.)

10. Therefore, as both BDO Seidman and Alliance are strong marks they deserve broad protection. This digit, then, points towards likelihood of confusion.

*ii. Similarity of the Marks*

11. Digit two looks to the similarity of the marks. In analyzing the similarities between the parties' marks, the marks "must be considered in light of the way the marks are encountered in the marketplace and the circumstances surrounding the purchase of [plaintiffs' and defendant's services]." *Lindy Pen Co., Inc. v. Bic Pen Corp.*, 725 F.2d 1240, 1245 (9th Cir. 1984). Alliance members encountered both marks in a selective atmosphere of

pre-screened services for independent accounting firms. BDO carefully screened before admitting members to the Alliance. Findings of Fact ¶3. BRN vendors were also screened before offering services to Alliance members. Several Alliance members who received marketing calls from Alliantgroup therefore only entertained further contact under the mistaken impression Alliantgroup was also pre-screened as being affiliated with BDO, the Alliance or the BRN. This misunderstanding was substantially encouraged because Alliantgroup made constant reference to BDO and the Alliance in its marketing. *See Pebble Beach Co. v. Tour 18 I*, 942 F. Supp. 1513, 1545 (S.D. Tex. 1996) (constant references to plaintiff's mark in defendant's marketing leads to confusion). Once Alliance members discovered that Alliantgroup was not also pre-screened by being associated with BDO, the Alliance or the BRN, they terminated further contact. Furthermore, Alliantgroup as a name bears substantial similarity to Alliance, further encouraging Alliance members to mistakenly believe there was an affiliation between the marks.

12. Alliantgroup argues that it did not commit unfair competition because its use of Alliance members as references was truthful. Thus, when customers encountered both marks together in the marketplace through the cold calls and emails, they were alerted to the lack of affiliation. The Court, however, has found that Alliantgroup as overtly misleading about its affiliation with BDO and the Alliance or made misleading omissions concerning its relationship with BDO and the Alliance. Furthermore, in the limited circumstances where Alliantgroup may have only used truthful references, this combination was still misleading. Courts have viewed the combination of the alleged infringer's mark with the plaintiffs' mark as an aggravating circumstance since such combinations may lead consumers to assume that there is an affiliation or sponsorship between the infringer and the mark owner. *See Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 960 (7th Cir. 1992) (defendant's use of mark "Thirst Aid" in

conjunction with its own mark “Gatorade” in advertising was ‘precisely the strong association . . . that is likely to cause confusion.’”).

13. Thus, there is a strong similarity between the marks, further strengthened by the context in which they are encountered in the marketplace. This, therefore, encourages confusion.

*iii. Similarity of products and services*

14. The third factor to be evaluated when determining whether there is a likelihood of confusion is the similarity between the products and services provided by the defendant and plaintiff. “The greater the similarity between the products and services, the greater the likelihood of confusion.” *Exxon Corp. v. Texas Motor Exchange, Inc.*, 628 F.2d 500, 505 (5th Cir. 1980). Here, Alliantgroup was offering the same services as BDO offered; consultancy advice on R&D tax credits. *See* Findings of Fact ¶¶6 & 7. It was all the more likely Alliance members would be confused as to the source or origin of the services because it was more likely they could be led to believe BDO endorsed Alliantgroup when both offered the same services. As in *Pebble Beach*, where both defendant and plaintiff offered golf courses at a fee, confusion is more likely here. 155 F.3d at 543

*iv. Identity of purchasers and service facilities*

15. “Dissimilarities between the retail outlets for and the predominant consumers of plaintiff’s and defendant’s goods lessen the possibility of confusion, mistake, or deception.” *Exxon Corp. v. Texas Motor Exchange, Inc.*, 628 F.2d 500, 505 (5th Cir. 1980). Here, both the retail outlets and predominant consumers are one and the same for both plaintiff and defendant: the Alliance members. Although R&D tax credits consultancy is a minor part of BDO’s revenue and a major part of Alliantgroup’s revenue, *See* Findings of Fact ¶7, both rely on the same

market, independent accounting firms, as their customers. In fact, the very purpose of Alliantgroup's marketing campaign was to target BDO's clients exclusively. This aided their ability to intimate an affiliation between the two marks that did not in fact exist. Thus, this factor points towards greater confusion.

v. *Identity of advertising media*

16. The greater the similarity in advertising campaigns, the greater the likelihood of confusion. *Exxon Corp.*, 628 F.2d at 506. Because of the unique facts of this case this factor is intertwined with the resolution of the previous factor, the identity of purchasers. Alliantgroup's marketing campaign targeted members of the Alliance mark. Under an unfair competition comparative-advertising analysis, this particular advertising campaign encouraged confusion by relying on the Alliance name to market to the Alliance members the services of the similar-sounding Alliantgroup. This digit also leads to confusion.

vi. *Alliantgroup's intent in using plaintiffs' marks*

17. Where a plaintiff can show that a defendant uses its mark with the intent of deriving benefit from the reputation or good will of the plaintiff, that fact alone may be sufficient to justify a finding of confusion. *Blue Bell Bio-Medical v. Cin-Bad, Inc.*, 864 F.2d 1253, 1259 (5th Cir. 1989). There is no doubt here of Defendant's intent to derive benefit from Plaintiff's goodwill. As Corley, a leading executive at Alliantgroup, testified, Alliantgroup's intent was to use its success with Alliance member firms to market to other Alliance member firms. Thus, Alliantgroup's script for marketing included the line, "we are having great success with BDO Alliance firms." See Findings of Fact ¶13. The Alliance members would respond positively to this marketing because of BDO and Alliance's goodwill, not because of Alliantgroup's goodwill. As Lenart explained in his testimony, when selling to the Alliance

members his whole emphasis was on Alliantgroup's success with the Alliance. Lenart admitted he did not need to use the name Alliance or BDO in his marketing at all. The use of their marks was an intentional attempt to benefit from their goodwill with the Alliance members.

18. In fact, going one step further, there is overwhelming proof that Alliantgroup not only had the intent to derive benefit from the goodwill of plaintiff's marks but intended to steal that goodwill. "Evil intent may evidence unfair competition and deception." *Fuji Photo Film Co.*, 754 F.2d at 597 (5th Cir. 1985) (internal citation omitted). Three credible witnesses testified that Alliantgroup implied affiliation with the Alliance and BDO; that Alliantgroup relied on misconceptions about its relationship with BDO and the Alliance to 'get in the door' for follow-up meetings with clients; and that Alliantgroup failed to correct Alliance members who relied on Alliantgroup's representations that Alliantgroup was affiliated with the Alliance and BRN. When Lenart was cross-examined he admitted that BDO contacted him and told him that his marketing campaign was causing widespread confusion among Alliance members. *See* Findings of Fact ¶26. Yet Lenart persisted, knowing that his marketing technique would lead to further confusion to the benefit of Alliantgroup. *Id.* This factor would be sufficient standing alone for a finding that Alliantgroup's use of plaintiff's marks is likely to confuse.

*vii. Actual confusion*

19. Evidence of actual confusion caused by a similar mark is not conclusive or required to establish a likelihood of confusion, but it is the best evidence of a likelihood of confusion. *Amstar Corp.*, 615 F.2d at 263. Moreover, "while very little proof of actual confusion would be necessary to prove the likelihood of confusion, an almost overwhelming amount of proof would be necessary to refute such proof." *Fuji Photo Film Co. v. Shinohara Shoji Kabushiki Kaisha*, 754 F.2d 591, 597 (5th Cir. 1985) (quoting *World Carpets, Inc. v. Dick*

*Littrell's New World Carpets*, 438 F.2d 482, 489 (5th Cir. 1971)). As Plaintiff points out, at issue here is “initial interest confusion.” The testimony presented established that several of the Alliance members were initially interested in Alliantgroup’s services due to confusion about their affiliation with plaintiff. Although, the Alliance members may eventually discover the lack of relationship between Alliantgroup and plaintiff, Alliantgroup has already received ‘ill-gotten gains’ in the form of benefiting from the goodwill of the Alliance and BDO marks before their deception is uncovered. Although some Alliance members canceled further meetings with Alliantgroup, others may not have done so, allowing Alliantgroup’s initial deception to succeed.

20. In fact, this species of actual confusion is well recognized; and perhaps had its most memorable recitation in this Circuit in *Elvis Presley Enters. v. Capece*, 141 F.3d 188, 204 (5th Cir. Tex. 1998). In *Elvis Presley*, a nightclub in Houston bore the name of the Velvet Elvis, without licensing the name from Elvis Presley Enterprises, which held the intellectual property rights to the Elvis legacy. *Id.* Customers were drawn to the nightclub, thinking it was associated with Elvis Presley. On discovering their mistake, many remained to purchase beverages at the institution. *Id.* One of the independent accounting firms testified at trial that many such firms did not entertain solicitations from vendors who were not directly associated with BDO. They returned Alliantgroup’s contact efforts only because of initial interest confusion caused by Alliantgroup’s constant use of the BDO and Alliance names in its marketing.

21. As in *Elvis Presley*, there is very strong evidence of actual confusion here. Horwitz, who served as the BDO liaison for Alliance members, never experienced such a high volume of confusion in his seven years at BDO as occurred after Alliantgroup launched its marketing campaign in February 2008. *See* Findings of Fact ¶27. Elter, Lazor and Burkett received solicitations from Alliantgroup as Alliance members and were made to believe

Alliantgroup was affiliated with BDO and the Alliance. *See* Findings of Fact ¶¶15, 18, & 21. The flood of email queries Horwitz received from Alliance members nationwide further demonstrates the levels of actual confusion that arose as to Alliantgroup's affiliation with BDO and the Alliance. *See* Findings of Fact ¶22. To prove infringement, [Plaintiff] must ultimately prove that a misleading representation by [Defendant], as opposed to some other source, caused a likelihood of confusion. *Scott Fetzer Co.*, 381 F.3d at 487.

*viii. Degree of Care Exercised by Consumers*

22. With respect to the eighth digit of confusion, the degree of care exercised by potential purchasers, the evidence is at best conflicting. As Defendant points out, consumers could call or email BDO to check whether Alliantgroup was affiliated with BDO and the Alliance members. All Alliance members had a specific BDO liaison, such as Horwitz, whose purpose was to communicate with Alliance members on behalf of BDO. Unlike the buying of tee shirts in *Bd. of Supervisors for La. State Univ. Agric. & Mech. College v. Smack Apparel Co.*, 550 F.3d 465, 483 (5th Cir. La. 2008), one cannot say: "Where items are relatively inexpensive, a buyer may take less care in selecting the item, thereby increasing the risk of confusion." Alliance members were likely to exercise a greater degree of care in choosing the service provider for the more substantial and specialized service of R&D tax credits consultancy. On the other hand, this factor should be assessed in light of the 'initial interest confusion,' set out by *Elvis Presley Enters.*, 141 F.3d at 204. Consumers would not exercise care initially in allowing Alliantgroup to schedule with them follow-up meeting based on a supposed affiliation with BDO or the Alliance. As the weight of the evidence shows many Alliance members were fooled into making follow-up contacts with Alliantgroup based on Alliantgroup's deceptive marketing. At this stage, they did not necessarily exercise a great degree of care, especially in light of how

misleading the marketing was. Thus, although ultimately a greater degree of care would be shown, by that time confusion had already occurred and Alliantgroup had already illicitly derived benefit from BDO and the Alliance's goodwill.

*e. Weighing the factors*

23. Based upon the foregoing review of the likelihood of confusion factors, this Court finds that plaintiffs' service marks are strong and entitled to wide protection; that Alliantgroup uses Plaintiff's exact marks prominently and frequently in its marketing; that the products and services of the parties at issue are identical; that the parties have the same customers; that there is complete overlap in the parties' communication of their brands to customers; that Alliantgroup's prominent usage of plaintiffs' marks in its marketing campaign is evidence of an intent to trade upon the reputation and goodwill of plaintiff and its marks; further that Alliantgroup's continued marketing with knowledge it was causing confusion is evidence of an evil intent to cause confusion; that a sufficient number of Alliance members are actually confused by Alliantgroup's prominent use of plaintiff's service marks; and that because of the context in which the marketing was made the usually discerning customers were unable to avoid confusion as to affiliation.

*e. Conclusion*

24. Alliantgroup, with its usage of the BDO and Alliance marks, crossed the line into unfair competition in violation of Section 43(a) of the Lanham Act. Its marketing campaign intentionally manipulated the targeted customers into believing Alliantgroup was affiliated with the BDO and the Alliance when it was not. Alliantgroup offers the same services, bears a similar name, targets the members of the plaintiff's organization, continued marketing even though it knew it was causing confusion, deliberately misled as to affiliation, and admitted none of the use

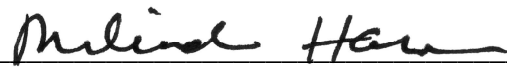
of Plaintiff's marks had any legal purpose apart from deriving benefit from the goodwill of the Plaintiff. At issue here is whether the Court should issue an injunction barring Alliantgroup from, in the future, using the BDO or Alliance mark in its marketing. The Court finds that given the facts before it, and the applicable law, such a remedy is just and proper.

25. Because the only remedy sought is granted due to the violation of the Lanham Act, Plaintiff's claim for dilution under the Texas Anti-Dilution Statute need not be addressed.

26. To the extent that the Court's Findings of Fact are in fact Conclusions of Law; and to the extent the Court's Conclusions of Law are in fact Findings of Fact; the Court ADOPTS them as such.

27. Further, the Court ORDERS the Plaintiff to submit an affidavit setting forth his demand for attorneys fees, and a brief supporting his entitlement to attorneys fees by June 18, 2009. Defendant's response to the request for attorneys fees is due the following July 2, 2009.

SIGNED at Houston, Texas, this 8th day of June, 2009.



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MELINDA HARMON  
UNITED STATES DISTRICT JUDGE