Sports Litigation Alert

Judicial Ruling in Socios Delivers Lessons for Sports Marketing Companies

By Neil Popovic, a partner in the Business Trial Practice Group and member of the Sports Industry Team at Sheppard Mullin Richter & Hampton, LLP, and Maximilian Fuery, a summer associate at Sheppard Mullin Richter & Hampton, LLP and student at UC Hastings College of the Law.

On March 27, 2023, Judge Susan Illston granted a preliminary injunction limiting use of the mark "Socios.com" in a trademark dispute between two sports marketing companies.1 Although the court vacated the preliminary injunction a month later when the parties settled, the initial decision provides important lessons for sports marketing companies.

Background

The case concerned the marks "SocioMX" (the senior mark) and "Socios.com" (the junior mark) used by two sports marketing companies providing "fan engagement" services for U.S. fans of professional soccer. Since 2014, plaintiff Sports Marketing Monterrey Group LLC provided a fan loyalty program that connects Hispanic soccer fans in the U.S. with professional teams in Mexico. Plaintiff owns two U.S. trademarks, "SOCIOMX" and "SOCIO MX," and displays both marks online, in advertisements, and on merchandise. Before COVID-19, plaintiff generated most of its revenue through sponsorship agreements and by selling tickets to games it organized. By 2022, plaintiff hosted over thirty soccer games with professional teams from Mexico, the U.S., and Italy, reaching approximately 500,000 fans. Following the pandemic, SocioMX focused on social media advertising and creating graphics for its sponsorship partners to display in their own ads. Plaintiff's national brand partners pay SocioMX for the right to use the SocioMX mark in connection with their products or services. In 2021, plaintiff relaunched its "VIP Package," where fans receive exclusive rewards like ticket presales, chances to meet players, access to private trainings, and autographed jerseys for an annual fee. To date, SocioMX has sold more than 7,000 VIP packages.

Defendant Socios Services U.S. Inc. launched Socios.com in Europe during 2018, offering a digital app that enables professional sports teams to participate in a unique reward system where fans receive voting rights in club management. Defendant's app provides such "VIP experiences" using digital assets ("Fan Tokens") that can be purchased or obtained through participating in in-app polls, voting, and games. To date, U.S. consumers have purchased over two million Fan Tokens. In 2021, Italian soccer team Inter Milan announced Socios.com as its new Jersey Partner for the 2021-

1 Sports Marketing Monterrey Group LLC v. Socios Services US Inc., No. 22-CV-08939-SI, 2023 WL 2671379 (N.D. Cal. Mar. 27, 2023).

2022 season, and the Union of European Football Associations (UEFA) then announced its partnership with Socios.com through the 2021-2024 cycle of the UEFA Champions League and Super Cup. Socios.com's U.S. partnerships include multiple Major League Soccer (MLS) teams, as well as professional basketball, baseball, football, hockey, and NASCAR. By 2023, Socios.com spent over $68 million promoting in the U.S. and partnered with over eighty professional U.S. sports organizations.

Plaintiff first became aware of Socios.com in December 2021, noticing defendant's advertisements in Europe. Starting in March 2022, plaintiff began seeing related ads in the U.S., which stated "USA coming soon." Socios.com announced its partnership with MLS in May 2022; and by August 2022, three of SocioMX's corporate partners expressed confusion between SocioMX and Socios.com. Consequently, PepsiCo asked, "whether a Socios.com event was covered by the SocioMX-PepsiCo marketing agreement;" CapitalOne stated it was unaware SocioMX was sponsoring European soccer matches, hoping to be involved; and an MLS team president "expressed reservations about working with SocioMX following [Socios.com's] United States expansion."[2]

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Legal Standards & Analysis

To obtain a preliminary injunction, plaintiff must prove (1) likelihood of success on the merits; (2) irreparable harm in the absence of preliminary relief; (3) that the balance of equities tips in its favor; and (4) that the requested injunction is in the public interest.3

Success on the merits depends on whether the defendant's use of the mark is likely to cause consumer confusion.4 Here, SocioMX alleged reverse confusion, which "occurs when the junior user's advertising and promotion so swamps the senior user's reputation in the market that customers are likely to be confused into thinking that the senior user's goods are those of the junior user."5 Reverse confusion is intended to prevent "larger, more powerful company [from] usurp[ing] the business identity of a smaller senior user."6

Courts in the Ninth Circuit apply eight factors to assess reverse confusion: (1) strength of the mark; (2) proximity of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) type of goods and the degree of care likely to be exercised by the purchaser; (7) defendant's intent in selecting the mark; and (8) likelihood of expansion of the product lines.7

First, strength of the mark compares the conceptual strength of the senior user's mark to the commercial strength of the junior user's. Conceptual strength considers the mark's classification: generic, descriptive, suggestive, or arbitrary. Commercial strength is evaluated by the recognition value of the mark in the relevant marketplace.8 The court decided this factor in favor of SocioMX, finding that Socios.com's commercially stronger marks than were likely to swamp plaintiff's reputation. Second, goods and services are related when they are complementary, sold to the same class of purchasers, or similar in use or function.9 The court identified "factual questions about the precise delineation of the relevant consumer market," noting that SocioMX sought to expand its

2 Socios, 2023 WL 2671379, at *6.

3 Winter v. Nat. Res. Def. Council, Inc., 555 U.S. 7 (2008).

4 Applied Info. Scis. Corp. v. eBAY, Inc., 511 F.3d 966 (9th Cir. 2007).

5 Socios, 2023 WL 2671379, at *12 (quoting 4 McCarthy on Trademarks and Unfair Competition § 23:10 (5th ed.) (internal quotes omitted).

6 Commerce Nat'l Ins. Servs., Inc. v. Commerce Ins. Agency, Inc., 214 F.3d 432, 445 (3d Cir. 2000).

7 AMF Inc. v. Sleekcraft Boats, 599 F.2d 341 (9th Cir. 1979).

8 Socios, 2023 WL 2671379, at *13.

9 Ironhawk Techs., Inc. v. Dropbox, Inc., 2 F.4th 1150, 1163 (9th Cir. 2021).

customer base in the U.S.10 It found that the "buying public would reasonably believe that the products and services offered by SocioMX and Socios.com [] come from the same source if sold under the same mark."11 Third, similarity of the marks considers their appearance, sound, and meaning.12 The court found that the marks were visually similar, that the sound of the marks was "almost identical," and that their meaning was "very similar, if not identical."13

Fourth, evidence of actual confusion is persuasive proof that future confusion is likely.14 SocioMX provided probative evidence because if a "professional, such as a commercial buyer, is confused, it is proof of the likely confusion of consumers, who are less likely to detect differences in marks."15 Fifth, marketing channels considers whether the parties' customer bases overlap and how the products are advertised. The court found this factor "equivocal," noting "some overlap in marketing channels" because both parties target U.S. soccer fans.16 The sixth factor asks whether a reasonably prudent consumer would take the time to distinguish between the two product lines. The court decided this factor favored SocioMX, noting the similarity in the parties' names.17 Seventh, defendant's intent can be shown by assessing whether the defendant "culpably disregarded the risk of reverse confusion;" however, "[a]bsence of malice is not a defense to trademark infringement."18 This factor favored SocioMX because Socios.com did not conduct a U.S. trademark search before using "socios." Lastly, likelihood of product line expansion weighed in favor of SocioMX, even though both companies were "expanding their digital presence and offerings to U.S. soccer fans."19

Addressing the remaining preliminary injunction factors, the court recognized that "loss of goodwill or the loss of the ability to control one's reputation may constitute irreparable harm."20 The court found that the balance of equities favored plaintiff, reasoning that the injunction was narrowly tailored, restricting defendant's use of "socios" only in connection with soccer, and only in the U.S. Finally, the court "found that there is a likelihood of confusion between the parties' marks, and thus that the public interest weighs in favor of an injunction."21

Practical Implications

Socios offers useful guidance for both senior and junior trademark users. Both categories of users in reverse confusion cases should carefully study the relevant markets, including geography, proposed products or services, and target audiences. For example, had Socios.com limited its U.S. expansion to sports other than soccer, it might have avoided the lawsuit altogether. And if SocioMX had contacted Socios.com as soon as it learned of Socios.com's efforts to enter the U.S. market, it might have avoided potentially damaging confusion among consumers. In the end, market expansion and trademark protection both require vigilance and market knowledge.

10 Socios, 2023 WL 2671379, at *13.

11 Id. at *16 (quoting Ironhawk, at 1163) (internal quotes omitted).

12 See GoTo.com, Inc. v. Walt Disney Co., 202 F.3d 1199 (9th Cir. 2000).

13 Socios, 2023 WL 2671379, at *15.

14 Sleekcraft, 599 F.2d at 352.

15 Socios, 2023 WL 2671379, at *18 (quoting 4 McCarthy § 23:100).

16 Id. at *19.

17 Id.

18 Socios, 2023 WL 2671379, at *20.

19 Id.

20 Id. at *21 (quoting Greater Los Angeles Softball Ass'n v. Ryan, No. CV 17-04404-JFW (PJWx), 207 WL 8292779, at *8 (C.D. Cal. Sept. 21, 2017).

21 Socios, 2023 WL 2671379, at *22.