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What's in a Name? *AFL Philadelphia LLC v. Krause* Provides Legal Lessons for Sport Organizations on Use of Employee Names in Company Communications

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Introduction

The landscape of second-tier professional sports is littered with leagues and teams that have folded—a reality that has become even more prevalent due to the recent economic downturn. For instance, this past August, the National Lacrosse League's (NLL) Orlando Titans announced that it would not field a team for the 2011 season … after having substantially completed its 2011 season ticket campaign ("Titans confirm," 2010). In March, 2010, the Los Angeles Sol, the most highly-publicized team in the newly-formed Women's Professional Soccer League (WPSL), folded after just one season (Tripp, 2010). Despite averaging over 12,000 fans a game, the Sacramento Monarchs of the WNBA closed shop after the 2009 season (Lombardo, 2009b). Last but not least, one of the most surprising failures occurred in December 2008 when the Arena Football League closed its doors after a 22-year run (Lombardo, 2009a).

In addition to the folding of leagues and teams, it is not uncommon for minor league teams to move to new locations. When leagues and teams fold or relocate, one of the major yet often overlooked marketing challenges is how best to communicate this decision to the franchise's existing fan base. The communications strategy is particularly important when fans have already made emotional and financial commitments to the league or team in terms of season ticket purchases, and thus are owed refunds for their ticket purchases. This article examines a novel case of *AFL Philadelphia LLC v. Krause* (2009) that, while ultimately resolved by the parties, provides numerous legal and business lessons for sport organizations faced with notifying their fan base of its demise or relocation.

History and Facts of the Case

The dispute first surfaced in January 2009 when Joseph Krause, the Vice President of Ticket Sales for the Philadelphia Soul of the Arena Football League, filed a complaint in Pennsylvania state court seeking payment of past wages and commissions earned. The Soul and its celebrity owner, Jon Bon Jovi, (hereinafter "team" or "Soul") responded by suing Krause in federal court for copyright and trademark infringement. The team's infringement claims stemmed from a public event Krause organized and promoted entitled "Lost Souls". The event was intended to serve as an opportunity for Soul fans to celebrate the team's recent championship season and commiserate over the loss of the team, which had gained tremendous popularity and following in the Philadelphia area.

In its complaint, the team alleged Krause infringed the team's copyrights for making and selling replicas of the team's championship ring. The team's complaint also alleged trademark infringement tied to various promotional materials and web addresses used to promote the event, including "Lost Souls," Philetofsoul.com" and "Philadelphiasoulmates.com." In response to what was perceived by Krause as a retaliatory lawsuit to his suit for past wages, Krause countersued the team. In the first such reported instance within a sport setting, Krause claimed that the Soul had infringed the trademark associated with his *name* by falsely designating the origin of an email as having been sent from Krause's Philadelphia Soul email address. The email informed Soul ticket purchasers and other fans of the cancellation of the 2009 season. Given the Soul's popularity, this email was met with public anger … anger that was, as alleged in the countersuit, directed to some degree to the "sender" of the message, Joe Krause. Krause also filed an invasion of privacy misappropriation claim under Pennsylvania state law. The team sought dismissal of Krause's countersuit and in a

rare opinion, the court allowed Krause's Lanham Act and misappropriation claims to proceed.

Krause's Trademark Infringement and State Law Misappropriation Claims

The district court first considered Krause's false designation of origin claim under the Lanham Act (15 U.S.C. Section 1125(a)). In order to state such a claim, the plaintiff must show (1) that the mark is valid and legally protectable, (2) it owns the mark, and (3) the defendant's use of the mark to identify goods or services caused a likelihood of consumer confusion (*Freedom Card, Inc. v. JPMorgan Chase & Co.*, 2005). Analysis of the first requirement turns on the extent to which personal names can serve as trademarks. The general rule is that they are not inherently distinctive marks and hence gain trademark protection only upon showing of secondary meaning (See *Tillery v. Leonard & Sciolla*, 2006)). The plaintiff must show that he used the personal name as a trademark and that a substantial portion of the consuming public associates the name specifically with his business (*Flynn v. AK Peters*, 2004).

In arguing secondary meaning, Krause claimed that he was a well-known individual with a very favorable reputation in the Philadelphia sports and entertainment business as a media personality and public relations specialist, and that his reputation directly resulted in record breaking ticket sales for the Soul. The district court, relying on the factors enumerated in *Freedom Card, Inc.*, found that the following factors tended to show secondary meaning: length of use of Krause's "favorable reputation in the industry during his tenure as Director of Sales, the extent of sales leading to buyer association based on Krause's reputation and relationships, large numbers of sales based on record breaking ticket sales, the fact of copying Defendant's name by sending the falsely designated email, and actual confusion by the recipients of the email." (*AFL Philadelphia LLC v. Krause,* 2009, *p.* 527). The district court further found that it was not necessary that Krause establish secondary meaning between his name and the Philadelphia Soul specifically. The court found that it was enough that Krause's name was associated with a particular industry (sports and entertainment) and not with a specific employer or company (in this case, the Soul).

Having found secondary meaning sufficient to establish the first element of the Lanham Act claim and given that the Soul did not contest the second element (Krause's ownership of his name), the court turned to the final element, likelihood of confusion. The Soul argued that Krause had not adequately pled likelihood of confusion related to the origin of the Soul's "goods or services" as required by *Interpace Corp. v. Lapp, Inc.* (1983), thus claiming that "recipients of the email could not be confused as to its origin because it reflected and indeed did originate from the Philadelphia Soul" (*AFL Philadelphia LLC v. Krause,* 2009, p. 529). The district court, however, rejected the team's argument. Instead, the court held that the email "clearly indicated that it originated from [Krause], albeit in his role as a Philadelphia Soul employee" *Id.* In applying the *Lapp* factors, the court held Krause "has pled a high degree of similarity between his name and the alleged infringing email designation of origin, strength in his mark based on the elements of the secondary meaning analysis …, the Philadelphia Soul's intent to trade upon [Krause's] good name in falsely designating the email, actual confusion, and that [Krause] and the Philadelphia Soul operate in the same general industry" *Id.* The court thus held that Krause had pled a likelihood of confusion sufficient to withstand a motion to dismiss.

With respect to Krause's state law-based misappropriation of name claim, the court relied on the Restatement (Second) of Torts in which a "defendant must have appropriated to his own use or benefit the reputation, prestige, social or commercial standing, public interest or other value of the plaintiff's name or likeness" (Section 652C, cmt c.). Although the Soul argued that Krause's name was not appropriated for a commercial purpose or advantage, the court clarified that, based on the law and unlike a right of publicity claim, the appropriation of one's name or likeness under an invasion of privacy claim does not require that the appropriation result in some commercial gain or advantage for the defendant. Hence, the court found sufficient grounds for Krause's claim of appropriation of his name.

Implications for Sport Marketers

Success in sport marketing and sales is largely based on the ability to build and cultivate relationships. As a result, executives (especially senior level executives) can, over the course of their employment, build up significant goodwill and a positive reputation for sales and customer service among the team's fan base. As this case suggests, it is not so much important from a legal standpoint that the executive becomes perceived as being "the face of the team." What is important is the extent to which the executive has built goodwill in his or her name within the local community generally, and the team's loyal fan base in particular. This becomes even more of a factor if the person hired has built or acquired, through his or her past employment, a pre-existing level of goodwill and reputation within the local sports community.

Although Krause was already a well-known figure within the Philadelphia sports and entertainment mar-

ketplace prior to his being hired by the Soul, the court did not rely on this factor in its decision. Hence, what is it important with respect to the sport organization's handling of such issues is to understand that its potential liability is based on the employee's name having developed secondary meaning in the market place, regardless of whether this secondary meaning developed before or after the employee joins the organization.

The case of *AFL Philadelphia LLC v. Krause* also provides important lessons for sport marketers. For sport teams that are in the unfortunate situation of having to communicate their demise or other negative information to their loyal customers, the teams need to have a strategic approach to informing their fan base, and be cognizant of the court's opinion in the *Krause* case. Even though *Krause* may have limited precedential value since the case was ultimately settled, the reasoning of the court should still be carefully considered in developing a communications strategy.

First, if the communiqué is to come from a senior sales executive, that executive must be consulted in advance, and participate in the construction of the email notification to the team's customers. This will avoid any future legal liability. Alternatively, the communication should come from a team-specific email address, not the email address of the sales executive who is primarily responsible for ticket sales. Ideally, it should be an empathically-worded email from the entire organization.

Second, in the case of a team folding or relocating, the outgoing team should anticipate the possibility that the team may, at some point in the future, return to the city. For instance, the Boston Breakers of the WUSA were resurrected as the Boston Breakers of the WPS in 2009, albeit with new ownership ("History," 2010). Ironically, the newly-reconstituted Arena Football League will again place a team in Philadelphia for the 2011 season ("Philadelphia Soul," 2010). Although the new Soul team will have new ownership, the manner in which the outgoing Soul team communicated its demise to its loyal fans, particularly to its season ticket holders, may have long-term effects on the future success of the new team. It remains to be seen what impact the Soul's ill-fated email from Krause will have on the season-ticket sales for the new Philadelphia Soul team.

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