No. ________

In The

Supreme Court of the United States

STONE CREEK, INC.,

Petitioner,

vs.

OMNIA ITALIAN DESIGN, INC.,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Ninth Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

Does the Ninth Circuit's refusal to disgorge profits in this case of intentional infringement involving the identical mark on identical products conflict with this Court's decision in *Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.*, 316 U.S. 203 (1942), and the Circuit courts' interpretation of *Mishawaka*, mandating disgorgement of profits to deter infringement, even when direct competition or diverted sales cannot be shown?

LIST OF PARTIES AND CORPORATE DISCLOSURE STATEMENT

The parties include the petitioner, Stone Creek, Inc., an Arizona corporation, and the respondent, Omnia Italian Design, Inc., a California corporation. Stone Creek, Inc. does not have a parent corporation. No publicly held corporation holds a ten percent interest in Stone Creek, Inc.

RELATED CASES

Stone Creek, Inc. v. Omnia Italian Design, Inc., Case No. 2:13-cv-00688-DLR, U.S. District Court for the District of Arizona, Judgment entered April 30, 2018.

Stone Creek, Inc. v. Omnia Italian Design, Inc., Appeal No. 15-17418 Consolidated with Appeal No. 16-15304, U.S. Court of Appeals for the Ninth Circuit, Order and Amended Opinion entered August 30, 2017.

Omnia Italian Design, Inc. v. Stone Creek, Inc., No. 17-731, U.S. Supreme Court, order denying cert. entered May 14, 2018.

Stone Creek, Inc. v. Omnia, Inc., Appeal No. 18-15914, U.S. Court of Appeals for the Ninth Circuit, Order and Memorandum entered April 20, 2020.

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The opinion of the United States Court of Appeals for the Ninth Circuit is reported at 2020 U.S. App. LEXIS 12535. App. 2. The District Court's order denying Stone Creek disgorgement of Omnia's profits is reported at 2018 U.S. Dist. LEXIS 62663. App. 65. The District Court's findings of fact and conclusions of law following trial is set forth at 2015 U.S. Dist. LEXIS 151726. App. 78.

JURISDICTION

On April 20, 2020, the Ninth Circuit filed its opinion affirming the District of Arizona's judgment awarding injunctive relief to Stone Creek but denying an award of Omnia's profits. App. 2. On May 7, 2020, the Ninth Circuit granted Stone Creek's motion to extend the time to file a petition for rehearing en banc until May 18, 2020. Stone Creek timely filed a petition for rehearing, and on June 26, 2020, the Ninth Circuit denied Stone Creek's petition for rehearing. App. 1. This Court has jurisdiction under 28 U.S.C. § 1254(1) and the Supreme Court Court's March 19, 2020, Order extending the deadline to file a petition for a writ of certiorari to 150 days from the date of the lower court order denying a petition for rehearing.

CONSTITUTIONAL, STATUTORY PROVISIONS, AND REGULATIONS INVOLVED

15 U.S.C. § 1117(a)

15 U.S.C. § 1125(a)

These statutes appear in the appendix.

I. INTRODUCTION

In this trademark infringement action under 15 U.S.C. § 1125(a), the Ninth Circuit decided an important federal question in a way that conflicts with relevant decisions of the Supreme Court by affirming the District Court's conclusion that brand awareness or more than minimal sales are required before an accounting of profits may be awarded pursuant to section 1117(a) of the Lanham Act. App. 2. Such a conclusion, however, conflicts with prior precedent of the Supreme Court, severely undercuts the rights of federally registered mark owners, and provides a roadmap for blatant infringement. The Ninth Circuit's four-page decision is even more problematic in light of the specific findings of actual confusion among customers.

Since first considering the issue more than 75 years ago, the Supreme Court established that, in awarding profits due to infringement, the burden falls on the defendant to demonstrate that profits are not attributable to the infringement. *Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.*, 316 U.S. 203, 206-07 (1942) ("The burden is the infringer's to prove that his infringement had no cash value in sales made by him. If he does not do so, the profits made on sales of goods bearing the infringing mark properly belong to the owner of the mark.”).

The burden of demonstrating that profits are not attributable to the infringement falls upon the infringer. *Nintendo of Am., Inc. v. Dragon Pac. Int’l*, 40 F.3d 1007, 1012 (9th Cir. 1994). Shifting the burden to the infringer in this way takes “the burden of proving economic injury off the innocent party, and places the hardship of disproving economic gain onto the infringer.” *George Basch Co., Inc. v. Blue Coral, Inc*., 968 F.2d 1532, 1539 (2d Cir. 1992). “There may well be a windfall to the trade-mark owner where it is impossible to isolate the profits which are attributable to the use of the infringing mark. But to hold otherwise would give the windfall to the wrongdoer.” *Mishakawa*, 316 U.S. at 207.

Here, despite acknowledging blatant appropriation of a mark in violation of the Lanham Act, the Ninth Circuit concluded a defendant meets its burden by: (1) establishing that an infringer lacks brand awareness in the area that the stolen mark is used in; or (2) establishing that an infringer has made “only minimal sales” in that new area. The Ninth Circuit came to this conclusion without citing any authority for the proposition that brand awareness is required to prove that profits are attributable to the unlawful use of the mark.

The requirement imposed by the Ninth Circuit’s decision, however, is inconsistent with Circuit precedent and the purpose of the Act to make infringement "unprofitable." *Maier Brewing Co. v. Fleischmann Distilling Corp.*, 390 F.2d 117, 124 (9th Cir. 1968). The Supreme Court has long made clear that "the protection of trade-marks is the law's recognition of the psychological function of symbols," and that "[w]hatever the means employed, the aim is the same—to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trade-mark owner has something of value." *Mishawaka*, 316 U.S. at 205. Consequently, if an infringer exploits customers' "response to the diffused appeal of the plaintiff's symbol," the infringer profits from its infringement. *Id.*; App. 8-9 (Lucero, J. dissenting).

Here, Respondent Omnia Italian Design, Inc. admits, and the District Court found, that Omnia stole the STONE CREEK mark because it wanted an "American sounding name," and STONE CREEK "sounded American". App. 84-85. Omnia further admits, and the District Court found, that because of this diffused appeal, Omnia digitally recreated a mark identical to the STONE CREEK mark, slapped it on the furniture it sold to Bon-Ton, and reaped $4,455,352 from the sale of that infringing furniture to Bon-Ton's customers, all while having full knowledge of Stone Creek's senior use. App. 84-87. As Omnia concedes and as this Court has long held, "[o]nce the plaintiff demonstrates gross profits, they are presumed to be the result of the infringing activity." *Mishawaka*, 316 U.S. at 206-07.

Contrary to the thrust of the Ninth Circuit's decision, however, the analysis is not merely whether Stone Creek would have sold $4.5 million in authentic STONE CREEK goods but for the infringement. Instead, to rebut the presumption Omnia had the burden of showing "that some purchasers bought goods bearing the infringing mark because of the defendant's recommendation or his reputation or for any reason other than a response to the diffused appeal of the plaintiff's symbol." *Mishawaka*, 316 U.S. at 205. Omnia, however, presented no evidence, and the District Court made no findings, regarding why any purchaser bought any of the $4.5 million in infringing STONE CREEK furniture, let alone for any reason other than a response to the diffused appeal of the American-sounding STONE CREEK mark. Omnia, instead, offered post-infringement survey evidence showing no one in the Midwest had heard of Stone Creek, as confirmed by Stone Creek's minimal sales there, all of which served as the basis for the District Court and the Ninth Circuit's erroneous conclusion that Omnia did not, and could not, have intended to divert Stone Creek's minimal Midwest sales. App., 3-4, 87-88.

Contrary to the notion undergirding the District Court and the majority's conclusion that no one in the Midwest could have been confused because no one in the Midwest had heard of Stone Creek, the District Court found that Omnia's vice-president apologized to Stone Creek's president for the actual confusion caused by Omnia's unauthorized use of the mark:

> Omnia's use of the STONE CREEK mark was confirmed by Murray Eastern, Omnia's Vice President of Sales, in an email dated January 24, 2013, wherein Mr. Eastern admitted selling furniture under the STONE CREEK mark: "Ron, yes, we do sell our products to those stores under their marketing name 'Stone Creek Leather.'"
>
> Mr. Eastern's email went on: "In this day of internet shopping and surfing, it is unfortunate and probably a nuisance for you that your stores are receiving inquiries regarding these products due to the similar name . . . "

App. 87. The District Court further found that Stone Creek had more than $610,000 in sales in the Midwest, and that Stone Creek received inquiries from consumers in the Midwest regarding infringing STONE CREEK furniture. App., 82, 86. After that, the Ninth Circuit in *Stone Creek I* confirmed that "[t]he indistinguishable marks and goods, coupled with a fanciful mark, evidence of actual confusion, convergent marketing channels, and blatant copying, tell the real story," but, then, completely reversed course in *Stone Creek II* on the basis that "[d]isgorgement here, where Omina did not profit from the infringement, would amount to an inequitable windfall because Stone Creek lacks brand awareness in the Midwest and has made only minimal sales there." *Stone Creek*, 875 F.3d at 432; App., 4.

The Ninth Circuit has it backwards by giving the inequitable windfall to Omnia, the adjudicated trademark infringer. Trademark law and policy expressly endorse disgorging profits as a remedial, if imprecise, mechanism. *George Basch*, 968 F.2d at 1539 ("Due to the inherent difficulty in isolating the causation behind diverted sales and injured reputation, damages from trademark or trade dress infringement are often hard to establish.") (collecting cases noting the same); *Ideal World Marketing, Inc. v. Duracell, Inc.*, 997 F.Supp. 334, 338 (E.D.N.Y. 1998) ("[A] consideration of the relevant case law indicates that an award of profits has largely served a remedial function in trademark cases, designed to compensate plaintiffs for diverted sales and to address the difficulties of proof inherent in such cases."); *Daisy Grp., Ltd. v. Newport News, Inc.*, 999 F.Supp. 548, 552 (S.D.N.Y. 1998) (noting that profits may be "an alternative measure of damages because of the difficulty of proving actual lost sales."); *Oxford Indus., Inc. v. Hartmarx Corp.*, No. 88 C 0322, 1990 U.S. Dist. LEXIS 5979, at *23 (N.D. Ill. May 2, 1990) (unpublished) ("Unless he can show diversion of sales, a trademark owner will be hard pressed to prove damages, and even if he shows [1] [actual] confusion of the marks and [2] diversion of customers it is difficult to show how many customers bought the infringer's product who would have bought the trademark owner's but for the deception."). "Any doubts about the actual amount of gross sales or profits will be resolved against the infringing party." 5 McCarthy on Trademarks and Unfair Competition § 30:66 (5th ed.) (2017).

The built-in flexibility of using disgorgement of profits as a remedial measure to approximate damages to serve the Act's purposes should not be overcome by an infringer's submission of scantly relevant consumer surveys. "The likelihood of confusion surveys have no bearing on the cash value of [the infringer's] sales of the disputed [products], nor do they measure the amount of actual confusion in the marketplace among those who purchased the disputed [products]." *Adidas Am., Inc. v. Skechers United States*, No. 3:15-cv-01741-HZ, 2017 U.S. Dist. LEXIS 122459, at *86 (D. Or. Aug. 3, 2017) (unpublished) (rev'd on other grounds, 890 F.3d 747 (9th Cir. 2018)).

In other words, Omnia's survey that purported to measure Stone Creek's general brand awareness in the Midwest after the infringement had occurred, was entirely irrelevant as to why any infringing STONE CREEK goods were purchased, let alone for some reason other than a response to the diffused appeal of the American-sounding mark.

Simply put, Omnia admits it willfully and intentionally sought to capitalize upon the diffused appeal of the American sounding STONE CREEK mark when it copied the mark and placed it on identical leather furniture as that sold by Stone Creek. This is the case, regardless of whether Omnia believed that Stone Creek was in Arizona and Omnia was in the Midwest, with no likelihood of confusion, no direct competition, and no possibility of diverted sales. Thus, the record demonstrates Omnia "utterly failed" to rebut the presumption that its profits are attributable to the diffused appeal of the American-sounding STONE CREEK mark, necessitating review by this court. App., 7-9.

Moreover, three days after the Ninth Circuit issued its decision, the Supreme Court issued its decision in *Romag Fasteners, Inc. v. Fossil*, *Inc.*, 590 U.S. ___, 140 S. Ct. 1492 (2020), holding although "a trademark defendant's mental state is a highly important consideration in determining whether an award of profits is appropriate," the addition of a willfulness requirement as a condition to an award of profits under section 1125(a) is not supported by the plain language of the Act nor historical principles of trademark law. Even so, Omnia admits it willfully and intentionally sought to capitalize on the psychological appeal of the STONE CREEK mark, irrespective of the recent *Romag* decision. App. 85. Stone Creek respectfully submits review of this question by this court is necessary to secure and maintain uniformity of nationwide trademark law and to prevent future trademark pirating.

II. STATEMENT OF THE CASE

A. The *Stone Creek I* decision.

After discovering that Omnia blatantly copied its STONE CREEK mark, Stone Creek filed suit for trademark infringement in the District of Arizona. The parties tried the case commencing on October 20, 2015, and concluding on October 23, 2015. At the conclusion of trial, the District Court made several findings of fact, including that Omnia's blatant copying and use of the STONE CREEK mark was not likely to cause confusion. App. 87-88. Stone Creek appealed.

Despite "crediting" the District Court's findings of fact, the Ninth Circuit in *Stone Creek I* "reversed the District Court's findings of no likelihood of confusion because it [was] based on faulty legal foundations." *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 436 (9th Cir. 2017). In addressing the District Court's *Sleekcraft* analysis, the Ninth Circuit

> [concluded] that the court legally erred in framing many of the *Sleekcraft* factors, leading us to reverse the finding of no likelihood of confusion. The indistinguishable marks and goods, coupled with a fanciful mark, evidence of actual confusion, convergent marketing channels, and blatant copying, tell the real story.

Id., at 432. In fact, the Ninth Circuit devoted an entire section of its decision examining the actual confusion aspect of the analysis:

> Given the other factors favoring likelihood of confusion, it is not surprising that Stone Creek has put forward several instances of actual confusion. Such evidence is not necessary for a finding of likelihood of confusion, but it bears on the inquiry and is particularly potent. *See Sleekcraft*, 599 F.2d at 352-53. The District Court disregarded Stone Creek's evidence because the court focused on whether there was "actual confusion by any consumer in the [Midwest] who purchased Omnia furniture believing it was manufactured or sold by

> Stone Creek." This approach misapprehends the breadth of likelihood of confusion, which can exist even when consumers are not "confused as to the source of a product they actually purchase." *Brookfield Commc'ns*, 174 F.3d at 1057.

Id., at 433. Simply put, Omnia's copying of the mark caused actual confusion among customers as "Stone Creek and Bon-Ton were simultaneously advertising and selling under the STONE CREEK mark in the Midwest"—an area where Stone Creek's reputation reached. *Id.*, at 434. In fact, the Ninth Circuit made a point of noting that Stone Creek had made more than $610,000 in sales to the Midwest, and that "in light of the particular facts of this case, the small volume of the overall sales does not undercut Stone Creek's distribution of furniture in the Midwest." *Id.* The Ninth Circuit ultimately concluded in *Stone Creek I* that

> [t]he slam-dunk evidence of a conceptually strong mark together with the use of identical marks on identical goods is difficult to surmount. Viewing the facts through the correct legal lens, there is no substantial argument that the other factors and evidence overcome the robust case that Omnia's use of the STONE CREEK mark is likely to cause confusion.

Id., at 436. All of this notwithstanding, however, the Ninth Circuit also held "the District Court properly ruled that Stone Creek must show intentional or willful infringement before disgorgement of Omnia's profits could be awarded." *Id.*, at 442. The Ninth Circuit, then, remanded the action to the District Court to determine willfulness with a specific instruction:

> We note that many of the factual findings that the court has already made—including those on Omnia's intent in selecting and using the STONE CREEK mark—may be relevant to willfulness.

Id.

B. The District Court declined to award profits and found Omnia did not willfully infringe.

On remand, and based on its credited factual findings, the District Court found that Omnia was an unintentional or non-willful infringer. App. 67-68. The court further held that, even assuming Omnia had willfully infringed,

> Omnia met its burden by demonstrating that the infringing products were purchased for reasons unrelated to consumer perception of an affiliation between Stone Creek and the infringing products. For instance, Omnia established that consumers in the BTT were unaware of the Stone Creek brand and experienced no actual confusion between Stone Creek and Omnia when purchasing Omnia's Stone Creek furniture.

App., 68-70. The court further justified this conclusion with Omnia's statements that it picked the STONE CREEK mark because it "sounded American," that

Omnia did not research where Stone Creek sold its furniture prior to using the mark, that Stone Creek had minimal sales in the Bon-Ton trading territory, and, based on a survey Omnia conducted, that Stone Creek was not known in the Bon-Ton trading territory. *Id.* Stone Creek appealed.

C. The *Stone Creek II* decision.

On April 20, 2020, the Ninth Circuit issued a memorandum decision affirming the District Court's decision denying Stone Creek's claim for attribution. App. 2. This, because "disgorgement here, where Omnia did not profit from the infringement, would amount to an inequitable windfall because Stone Creek lacks brand awareness in the Midwest and has made only minimal sales there." App. 4. As support, the majority cited the Ninth Circuit's decision in *Maier Brewing Co. v. Fleischmann Distilling Corp.* that quoted *Mishikawa* for the proposition that "[t]he Plaintiff, of course, is not entitled to profits demonstrably not attributable to the unlawful use of his mark" and concluding the District Court's finding in this regard "is not clearly erroneous, as it is supported by record evidence, including expert testimony." *Maier Brewing Co. v. Fleischmann Distilling Corp.*, 390 F.2d 117, 123 (9th Cir. 1968); App. 4. On May 7, 2020, the Ninth Circuit granted Stone Creek's motion to extend the time to file a petition for rehearing en banc to May 18, 2020. Stone Creek timely filed a petition for rehearing. On June 26, 2020, the Ninth Circuit denied Stone Creek's petition for rehearing. App. 1.

III. REASONS FOR GRANTING THE PETITION

Review by this Court is necessary because the Ninth Circuit Court of Appeals decided an important federal question in a way that conflicts with the Supreme Court's holding in *Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.*, 316 U.S. 203, 206-07 (1942) regarding disgorgement of profits, and the Circuit courts' subsequent interpretation and application of *Mishawaka*. Supreme Court Rule 10(a), (c). In particular, the Ninth Circuit's opinion that Omnia's profits from sales of the infringing goods were not attributable to the infringement simply because Stone Creek lacks brand awareness in the Midwest and has made only minimal sales there, has never been the law. App. 4. As this court explained in *Mishawaka*, "[t]he protection of trade-marks is the law's recognition of the psychological function of symbols," and that "[w]hatever the means employed, the aim is the same—to convey through the mark, in the minds of potential customers, the desirability of the commodity upon which it appears. Once this is attained, the trade-mark owner has something of value." 316 U.S. at 205. Consequently, "[i]f another poaches upon the commercial magnetism of the symbol he has created, the owner can obtain legal redress." *Id.*; *see also* App. 7-8 (Lucero, J. dissenting). That is precisely what occurred here.

A. Omnia admits it intended to trade on the diffused appeal of the STONE CREEK mark.

When Omnia elected to "use" the STONE CREEK mark because it "sounded American," it acted deliberately and intentionally. *Stone Creek I* credited the District Court's findings, including that (1) Bon-Ton wanted to sell Omnia's furniture under a different label with an "American made name" and that (2) Omnia unlawfully branded its furniture with the STONE CREEK mark because the mark "sounded American." Using documentary materials Stone Creek provided to Omnia in the course of their business relationship, and without Stone Creek's knowledge or permission, Omnia digitally recreated a mark identical to the STONE CREEK mark, slapped it on the furniture it sold to Bon-Ton, and reaped $4,455,353 from the sale of that furniture to Bon-Ton's customers. App. 7-8; 84-88.

On these facts it is clear the "diffused appeal" or "psychological function" of the STONE CREEK mark is the conveyance to customers that furniture bearing that mark was "American-made." Bon-Ton contracted with Omnia to purchase furniture bearing a mark signifying that the furniture was American made, and Omnia picked STONE CREEK for this reason. The burden then fell on Omnia to show that the nearly $4.5 million it made though the sale of infringing STONE CREEK branded furniture to Bon-Ton, and ultimately to consumers, was not attributable to its exploitation of the diffused appeal of Stone Creek's American-sounding name. App. 88. In other words, "once the plaintiff demonstrates gross profits, they are presumed to be the result of the infringing activity." *Mishawaka*, 316 U.S. at 206-07. The record confirms Omnia "utterly failed to meet its burden." App., 9 (Lucero, J. dissenting).

B. Omina offered no evidence, and the District Court made no findings, regarding why the infringing STONE CREEK furniture was purchased.

"Although the award of profits is designed to make the plaintiff whole for losses which the infringer has caused by taking what did not belong to him, Congress did not put upon the despoiled the burden—as often as not impossible to sustain—of showing that but for the defendant's unlawful use of the mark, particular customers would have purchased the plaintiff's goods." *Mishawaka*, 316 U.S. at 206. Instead,

> if it can be shown that the infringement had no relation to profits made by the defendant, that some purchasers bought goods bearing the infringing mark because of the defendant's recommendation or his reputation or for any reason other than a response to the diffused appeal of the plaintiff's symbol, the burden of showing this is upon the poacher. The plaintiff of course is not entitled to profits demonstrably not attributable to the unlawful use of his mark.

Id. Simply put, Stone Creek was not required "to prove by a procession of witnesses, that when they bought [furniture] from the infringer they had a clear, well-focused consciousness that they were buying the petitioner's [furniture] and that otherwise they would not have bought them," but that is exactly what the Ninth Circuit's decision requires Stone Creek to have done. *Id.*, at 207-08.

Indeed, Omnia offered no evidence, and the District Court made no findings, regarding why any of the $4.5 million in infringing STONE CREEK furniture was purchased, if not for each customer's response to the diffused appeal of the STONE CREEK name. Instead, Omnia offered survey evidence purporting to show "99.75% of the respondents to the survey are not familiar with Stone Creek in Arizona and Stone Creek has no brand awareness in the BTTT" and that "Approximately 0.3% of its total sales occurred in the BTTT," and claiming "the evidence established, as confirmed by the District Court findings of fact, that customers purchased the infringing products for reasons totally unrelated to the perception of an awareness of Stone Creek." App. 46, 53-57. But this directly conflicts with this Court's holding in *Mishikawa* because it conflates evidence of infringement with evidence of damages. This, because "[t]here is no support in the law for [the infringer's] theory that it can reduce its profits under 15 U.S.C. § 1117(a), by using the rate of confusion results from its likelihood of confusion surveys." *Adidas Am., Inc. v. Skechers United States*, No. 3:15-cv-01741-HZ, 2017 U.S. Dist. LEXIS 122459, at *86 (D. Or. Aug. 3, 2017) (unpublished) (rev'd on other grounds, 890 F.3d 747 (9th Cir. 2018)). As Stone Creek has maintained, Omnia's "likelihood of confusion surveys in this case only show that some people, who did not actually purchase the disputed [goods], reported that they were confused about the origin of a particular [good] in different contexts." *Id.* In other words:

> Under 15 U.S.C. § 1117(a), Skechers carries the burden of demonstrating that its "infringement had no cash value in sales," otherwise, its profits from the infringing mark belongs to adidas. *Mishakawa*, 316 U.S. at 206-07. The likelihood of confusion surveys have no bearing on the cash value of Skechers's sales of the disputed footwear, nor do they measure the amount of actual confusion in the marketplace among those who purchased the disputed footwear.

Id. This case is no different. The court here found that Omnia only chose Stone Creek for Bon-Ton's line of leather furniture after considering several alternative suggestions, and that "Omnia selected the STONE CREEK mark for Bon-Ton's private label, in part, because it sounded American . . . " App. 85. After that, Omnia sold more than $4.5 million in infringing STONE CREEK furniture, sales that are presumed to have occurred because of each purchaser's response to the diffused appeal of the American sounding name. App. 88. Omnia, then, offered post-infringement survey evidence purporting to demonstrate that no one in the Midwest had heard of Stone Creek, and, thus, no one in the Midwest could have purchased an infringing STONE CREEK product thinking it was from Stone Creek in Arizona. But, this sheds no light on why any of the infringing STONE CREEK goods were purchased, and, thus, does nothing to rebut the presumption that the infringing furniture was purchased because of each customer's response to the diffused appeal of the American-sounding STONE CREEK mark. Simply put, the District Court and the Ninth Circuit's conclusion that Stone Creek was not entitled to disgorgement of Omnia's profits under these facts directly conflicts with this Court's longstanding holding in *Mishawaka*, has nationwide implications, and necessitates review by this Court.

The ruling, besides being legally incorrect, is apt to prove catastrophic, since the decision operates to remove trademark protections for millions of small businesses throughout the country. Indeed, under the new ruling, trademark pirates can steal a trademark, run to a location in which the trademark only has "minimal sales," and use that stolen mark until caught—all without financial penalty and while moving on to the next successful mark to pirate. The Court of Appeals decision, besides providing a roadmap for trademark pirates, effectively overturns 75-years of Supreme Court precedent by shifting the attribution burden back to the plaintiff to produce evidence of brand awareness and significant sales in the area the trademark pirate took the mark.

C. Omnia's good faith belief there was no likelihood of confusion is irrelevant to the analysis.

Omnia's contention it did not believe there was a likelihood of confusion because the companies operate in completely different geographic regions of the country, and because Omnia believed they did not compete, is not determinative. In fact, *Stone Creek I* put this issue to bed when the Ninth Circuit detailed the simultaneous selling and advertising under the STONE CREEK mark. Moreover, allowing the Ninth Circuit's decision to stand eviscerates the policies of the Lanham Act that is intended to protect marks on a nationwide basis. "Equity must take account of the purposes served by the Lanham Act: One is to protect the public so it may be confident that, in purchasing a product bearing a particular trade-mark which it favorably knows, it will get the product which it asks for and wants to get. Secondly, where the owner of a trademark has spent energy, time, and money in presenting to the public the product, he is protected in his investment from its misappropriation by pirates and cheats." *Tamko Roofing Prods. v. Ideal Roofing Co.*, 282 F.3d 23, 38 (1st Cir. 2002), *quoting Monsanto Chem. Co. v. Perfect Fit Prods. Mfg. Co.*, 349 F.2d 389, 395 (2d Cir. 1965). "We think it doubtful whether even the second of these purposes, protection of the trademark owner, is adequately served by a rule which would allow accountings only where the parties directly compete." *Id.*; *see also Maltina Corp. v. Cawy Bottling Co.*, 613 F.2d 582, 585 (5th Cir. 1980) (holding that a "diversion of sales," or direct competition, is not necessary for an award of profits because of the need to protect a trademark as a property right). Even the Ninth Circuit held in its prior decisions that "[i]n those cases where there is infringement, but no direct competition, this can be accomplished by the use of an accounting of profits based on unjust enrichment rationale. Such an approach to the granting of accountings of profits would, by removing the motive for infringements, have the effect of deterring future infringements. The courts would therefore be able to protect the intangible value associated with trade-marks and at the same time be protecting the buying public from some of the more unscrupulous members of our economic community." *Maier Brewing Co. v. Fleischmann Distilling Corp.*, 390 F.2d 117, 123 (9th Cir. 1968). The Ninth Circuit's decision here, however, flies in the face of all these decisions.

Even so, the idea that Stone Creek did not compete with Omnia in the Midwest, at all, is not even supported by the District Court's credited factual findings. In fact, this was the entire basis for the Ninth Circuit's reversal of the District Court's finding of no likelihood of confusion in *Stone Creek I* where that court explained "[t]he District Court's factual findings confirm that . . . Stone Creek and Bon-Ton were simultaneously advertising and selling under the STONE CREEK mark in the Midwest," even if direct competition were a prerequisite to an award of profits under 1125(a). *Stone Creek I*, 875 F.3d at 434.

D. The Ninth Circuit's ruling is inconsistent with Circuit precedent holding that unjust enrichment, even if actual sales are not diverted, provides an independent basis for disgorgement.

The Ninth Circuit "previously determined that Omnia's blatant appropriation of the mark violated the Lanham Act." *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 429 (9th Cir. 2017). The Lanham Act violation based on likelihood of confusion is not being challenged. What is being challenged is the Ninth Circuit's analysis upholding the sufficiency of the remedy which provides injunctive relief but no disgorgement of profits. The Ninth Circuit erroneously limited its analysis to "brand awareness" and the fact that the parties had different sales territories, ignoring clear Circuit-level precedent that unjust enrichment, as presented by the facts of this case, provides an independent basis for disgorgement.

The Lanham Act requires that remedies for infringement be "subject to the principles of equity" and permits disgorgement of profits only to the extent it "constitute[s] compensation and not a penalty." 15 U.S.C. § 1117(a). Circuits have cautioned that plaintiffs are not "entitled to a windfall." *Bandag, Inc. v. Al Bolser's Tire Stores, Inc.*, 750 F.2d 903, 918 (Fed. Cir. 1984); *Fifty-Six Hope Road Music, Ltd. v. A.V.E.L.A., Inc.*, 778 F.3d 1059, 1073-74 (9th Cir. 2015). However, awarding profits is proper "where the defendant is 'attempting to gain the value of an established name of another.'" *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d

1400, 1406 (9th Cir. 1993) (*quoting Maier Brewing Co.*, 390 F.2d at 12); *Tamko Roofing*, 282 F.3d at 35 (Disgorgement of profit may be awarded in a trademark infringement action when parties are not in "direct competition."). Even when parties do not directly compete, disgorgement serves the purposes of the Lanham Act to protect the public and to protect trademark owners' investment in their trademarks. *Id.*

Here, the Ninth Circuit did not consider disgorgement as an independent basis which may be upheld to serve the purposes of the Lanham Act. Instead, the majority held that disgorgement "would amount to an inequitable windfall since Stone Creek lacks brand awareness in the Midwest and has only made minimal sales there." App. 2-4. As Judge Lucero in her dissent notes, the majority's "reliance on a lack of brand awareness and sales is misplaced," and it fails to consider the deterrent aspect central to the Act to make infringement "unprofitable." App. 7-9.

The Third Circuit summarized available rationales for disgorging profit:

> We have held that an accounting of an infringer's profits is available "if the defendant is unjustly enriched, if the plaintiff has sustained damages, or if an accounting is necessary to deter infringement." *Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 177-78 (3d Cir.2005) (emphasis added). In so holding, we have emphasized the "or" in this construction—noting that because "[t]hese rationales are stated disjunctively; any one will do." *Id*.

> at 178. Accordingly, [Plaintiff] did not need to establish actual damages to justify the imposition of an accounting of profits—she needed only to show that an accounting was necessary to deter infringement or that Marshak and his associates were unjustly enriched. We think Treadwell easily satisfies this standard.

Marshak v. Treadwell, 595 F.3d 478, 495 (3d Cir. 2009).

The Second Circuit adopts the same rule:

> The rule in this circuit has been that an accounting for profits is normally available "only if the 'defendant is unjustly enriched, if the plaintiff sustained damages from the infringement, or if the accounting is necessary to deter a willful infringer from doing so again.'" *Burndy Corp. v. Teledyne Industries, Inc.*, 748 F.2d 767, 772 (2d Cir.1984) (*quoting W.E. Bassett Co. v. Revlon, Inc.*, 435 F.2d 656, 664 (2d Cir.1970)). Courts have interpreted the rule to describe three categorically distinct rationales. *See e.g.*, *Cuisinarts, Inc. v. Robot-Coupe Intern. Corp.*, 580 F.Supp. 634, 637 (S.D.N.Y.1984) ("These justifications are stated in the disjunctive. Any one will do."). *George Basch Co., Inc. v. Blue Coral, Inc.*, 968 F.2d 1532, 23 U.S.P.Q.2d 1351 (2d Cir. 1992).

George Basch, 968 F.2d at 1537.

Here, as Judge Lucero in the dissent persuasively argues, the Ninth Circuit's decision sets forth far reaching requirements for infringed trademark holders without giving even glancing consideration for the Act's purpose of deterring infringement.

E. This Court recently confirmed willfulness is not required for an award of profits under section 1125(a).

In light of the foregoing, it becomes clear Omnia intended to trade off the diffused appeal of the STONE CREEK mark and its infringement was unquestionably willful. This, aside from the Supreme Court's holding in *Romag Fasteners, Inc.*, that "Romag alleged and proved a violation of §1125(a), a provision establishing a cause of action for the false or misleading use of trademarks. And in cases like that, the statutory language has *never* required a showing of willfulness to win a defendant's profits." *Romag Fasteners, Inc. v. Fossil, Inc.*, 590 U.S. ___, 140 S. Ct. 1492, 1495 (2020) (emphasis in original). In other words, willfulness is not and has never been a precondition to an award of profits pursuant to section 1125(a) of the Lanham Act. To the extent it is a consideration under the principles of equity, Omnia willfully infringed upon the American sounding STONE CREEK mark with one goal: to cause Bon-Ton's customers to buy STONE CREEK furniture believing it was American. Otherwise, Omnia would have chosen one of the alternative American-sounding names it considered, but Omnia did not.

In sum, without review of these issues by the full court, the District Court and the majority, here, play right into Omnia's hands. "Where, however, the infringement is deliberate and willful, and the products are non-competitive, both the trade-mark owner and the buying public are slighted, if the court provides no greater remedy than an injunction." *Maier Brewing Co.*, 390 F.2d at 123. Without consideration by this court, this is exactly where the District Court and the Ninth Circuit's rulings leave Stone Creek.

V. CONCLUSION

For the reasons set forth above, Stone Creek respectfully submits that review by this Court is necessary to secure and maintain uniformity of this Court's decisions regarding intentional trademark piracy on a nationwide basis.

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