

App. 1

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

STONE CREEK, INC.,
an Arizona corporation,
Plaintiff-Appellant,

v.

OMNIA ITALIAN DESIGN,
INC., a California
corporation,
Defendant-Appellee.

No. 18-15914

D.C. No.

2:13-cv-00688-DLR

District of Arizona,
Phoenix

ORDER

(Filed Jun. 26, 2020)

Before: LUCERO,* CALLAHAN, and BADE, Circuit
Judges.

Judges Callahan and Bade have voted to deny the petition for rehearing en banc. The full court has been advised of the petition for rehearing en banc and no judge has requested a vote on whether to rehear the matter en banc. Fed. R. App. P. 35. The petition for rehearing en banc is denied.

* The Honorable Carlos F. Lucero, United States Circuit Judge for the U.S. Court of Appeals for the Tenth Circuit, sitting by designation.

NOT FOR PUBLICATION
UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

STONE CREEK, INC.,
an Arizona corporation,

Plaintiff-Appellant,

v.

OMNIA ITALIAN DESIGN,
INC., a California
corporation,

Defendant-Appellee.

Nos. 18-15914
19-15167

D.C. No.
2:13-cv-00688-DLR

MEMORANDUM*
(Filed Apr. 20, 2020)

Appeal from the United States District Court
for the District of Arizona
Douglas L. Rayes, District Judge, Presiding
Argued and Submitted December 3, 2019
San Francisco, California

Before: LUCERO,** CALLAHAN, and BADE, Circuit
Judges.

This appeal concerns Stone Creek, Inc.'s entitlement to the approximately \$4.5 million that Omnia Italian Design, Inc. made from selling furniture branded with the STONE CREEK trademark in Bon-

* This disposition is not appropriate for publication and is not precedent except as provided by Ninth Circuit Rule 36-3.

** The Honorable Carlos F. Lucero, United States Circuit Judge for the U.S. Court of Appeals for the Tenth Circuit, sitting by designation.

App. 3

Ton Stores, Inc.’s retail locations throughout the Midwest. This court 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). We credited the district court’s factual findings but remanded the case for a determination of whether Stone Creek was entitled to a disgorgement of Omnia’s profits under 15 U.S.C. § 1117(a). *Id.* at 436, 442. On remand, the district court declined to award profits and shifted costs to Stone Creek under Federal Rule of Civil Procedure 68. Stone Creek appeals these decisions. Stone Creek also challenges the district court’s admission of survey evidence relied upon by one of Omnia’s expert witnesses. We have jurisdiction under 28 U.S.C. § 1291. We affirm in part, reverse in part, and remand.¹

1. The district court did not abuse its discretion in denying Stone Creek an award of Omnia’s profits. *See Playboy Enters., Inc. v. Baccarat Clothing Co.*, 692 F.2d 1272, 1275 (9th Cir. 1982) (“[U]nless we are left with a definite and firm conviction that a clear error of judgment occurred, the trial court’s denial of an award of profits must be upheld.”). “An award of profits is not automatic upon a finding of infringement.” *Fifty-Six Hope Rd. Music, Ltd. v. A.V.E.L.A., Inc.*, 778 F.3d 1059, 1073 (9th Cir. 2015) (internal quotation marks and citation omitted). The district court determined on remand that Omnia’s sales of STONE CREEK-branded

¹ Because the parties are familiar with the facts of this case, we need not discuss them at length here.

App. 4

goods were not attributable to the infringement.² See *Maier Brewing Co. v. Fleischmann Distilling Corp.*, 390 F.2d 117, 124 (9th Cir. 1968) (“The plaintiff of course is not entitled to profits demonstrably not attributable to the unlawful use of his mark.” (quoting *Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.*, 316 U.S. 203, 206 (1941))). This finding is not clearly erroneous, as it is supported by record evidence, including expert testimony. Moreover, the Lanham Act does not entitle plaintiffs to windfalls. See 15 U.S.C. § 1117(a) (allowing for disgorgement only to the extent it “constitute[s] compensation and not a penalty”); *Fifty-Six Hope Rd. Music*, 778 F.3d at 1073. 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.

2. The district court did not abuse its discretion in admitting Omnia’s survey evidence. Stone Creek asserts that Omnia violated Rule 26 by not disclosing the individual surveys underlying the opinion of one of its expert witnesses. But Omnia provided spreadsheets containing the survey responses, and the expert himself did not receive the data broken out by individual. Stone Creek also contends that the surveys constitute inadmissible hearsay. But survey evidence is admitted as a matter of course in trademark disputes, see *E. &*

² The district court also concluded that Omnia did not willfully infringe Stone Creek’s mark because it did not intend to trade on Stone Creek’s goodwill. Because we affirm on alternative grounds, we do not reach this issue.

J. Gallo Winery v. Gallo Cattle Co., 967 F.2d 1280, 1292-93 (9th Cir. 1992), and the survey responses are admissible under Federal Rule of Evidence 703 as the bases of the expert's opinions.

3. The district court erred in awarding Omnia costs under Rule 68. Omnia and Bon-Ton made Stone Creek a joint \$25,000 offer of judgment, which Stone Creek rejected. Stone Creek then improved its position by settling with Bon-Ton for more than that amount. A settlement resulting in dismissal with prejudice constitutes a judgment for purposes of Rule 68. *Lang v. Gates*, 36 F.3d 73, 76 (9th Cir. 1994). The district court therefore needed only to add the settlement amount to the final judgment and compare that figure to the defendants' joint Rule 68 offer. Accordingly, we vacate the district court's judgment of costs and remand this case for further proceedings consistent with this disposition.

**AFFIRMED IN PART, REVERSED IN PART,
and REMANDED.**

LUCERO, J., concurring in part and dissenting in part:

I concur with the conclusion of my colleagues that the district court did not abuse its discretion in admitting Omnia's survey evidence and that it erred in shifting costs to Omnia under Federal Rule of Civil Procedure 68. I disagree, however, with their conclusion that the profits from sales by Omnia of STONE

CREEK-branded goods were not attributable to Omnia's infringement. Additionally, the majority should have addressed willfulness. Accordingly, I respectfully dissent.

I

This court previously determined that Omnia infringed Stone Creek's trademark. See Stone Creek, Inc. v. Omnia Italian Design, Inc., 875 F.3d 426, 432, 439 (9th Cir. 2017) ("Stone Creek I"). When a defendant is found liable for trademark infringement, the Lanham Act provides that a court may award disgorgement of profits to the plaintiff. See id. at 439 (citing 15 U.S.C. § 1117(a)). Willfulness is a prerequisite to the order by a court of such a disgorgement. Id. at 441. Even if a plaintiff shows willful infringement, it is entitled only to those profits that are attributable to an unlawful use of its mark. Maier Brewing Co. v. Fleischmann Distilling Corp., 390 F.2d 117, 124 (9th Cir. 1968).

A

The burden of demonstrating that profits are not attributable to the infringement falls upon the infringer. See Nintendo of Am., Inc. v. Dragon Pac. Int'l, 40 F.3d 1007, 1012 (9th Cir. 1994). In the case at bar, the district court concluded that Omnia had met that burden by showing that consumers were "unaware of the Stone Creek brand" and did not experience actual confusion between Stone Creek and Omnia in purchasing Omnia furniture bearing the STONE CREEK

mark. Stone Creek Inc. v. Omnia Italian Design Inc., No. CV-13-00688-PHX-DLR, 2018 WL 1784689, at *3 (D. Ariz. Apr. 12, 2018). Yet neither the district court nor the majority cite any authority for the proposition that brand awareness or actual confusion is required in order to prove that profits are attributable to the unlawful use of a mark. Such a requirement, moreover, is inconsistent with Ninth Circuit precedent.

In Maier Brewing, this court recognized that the protection of a trademark is essentially the defense “of the psychological function of symbols.” 390 F.2d at 122 (quoting Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co., 316 U.S. 203, 205 (1942)). A trademark induces purchasers to select the objects they want, or what objects they have “been led to believe [they] want[()], . . .” Id. Correlatively, if a trademark owner is able “to convey through the mark . . . the desirability of the commodity upon which [the mark] appears,” then the owner has achieved “something of value.” Id. Therefore, if an infringer exploits customers’ “response to the diffused appeal of the plaintiff’s symbol,” the infringer profits from its infringement. Id. at 124. Returning to the Lanham Act, I stress that the purpose of the Act is to make trademark infringement “unprofitable.” Id. at 123.

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 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.” Stone Creek Inc. v. Omnia Italian Design Inc., No. CV-13-00688-PHX-DLR, 2015 WL 6865704, at *3 (D. Ariz. Nov. 9, 2015). 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 \$4,455,352 from the sale of that furniture to Bon-Ton’s customers. Id. at *3–4.

On these facts, it is clear that the “diffused appeal” or “psychological function” of the STONE CREEK mark is the conveyance to consumers that furniture bearing the 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 thus fell upon Omnia to show that the nearly \$4.5 million it made through the sale of STONE CREEK-branded furniture to Bon-Ton, and ultimately to consumers, was not attributable to its exploitation of Stone Creek’s American-sounding name.³

Omnia utterly failed to meet that burden. Despite evidence that Omnia stole the STONE CREEK mark precisely because of its diffused appeal, the district

³ The district court and majority erroneously consider only the sale of infringing furniture by Bon-Ton. Bon-Ton itself was a purchaser of the infringing goods. See id. at *3.

court concluded that Omnia met its burden by submitting expert testimony and survey evidence regarding consumers' lack of awareness of the STONE CREEK brand. This was error. Neither logic nor precedent supports the notion that brand awareness is necessary in order for a consumer to make a purchasing decision based on the diffused appeal or psychological function of a trademark.

Maier Brewing stands for just the opposite proposition. That case criticized previous decisions relying solely on injunctions to protect a trademark owner from the diversion of sales. 390 F.2d at 122-23. Observing that even if a trademark owner's goods are of lesser quality than an infringer's, the court recognized that a trademark owner is nevertheless "deprived of [its] right to the exclusive use and control of the reputation of [its] product" if its mark is infringed. *Id.* at 122. The court explained that even if profits were not diverted from the trademark-owner because its goods were not in direct competition with the infringer's, the infringer was unjustly enriched by its infringement, and the "buying public" was harmed by "some of the more unscrupulous members of our economic community." *Id.* at 123. By limiting their focus to "brand awareness" and the fact that Stone Creek and Bon-Ton had different sales territories, both the district court and the majority ignored these concerns.

I would hold that Omnia failed to meet its burden to show that its profits from the sale of infringing furniture were not attributable to its infringement. Lack

of brand awareness or actual confusion are insufficient to meet that burden.

B

The majority did not address whether Omnia’s infringement was willful. In this circuit, disgorgement under the Lanham Act is appropriate “only in those cases where the infringement is willfully calculated to exploit the advantage of an established mark” or “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, 1405, 1406 (9th Cir. 1993) (quotations omitted).⁴

The district court found that Omnia ripped off the STONE CREEK mark because it “sounded American and because marketing materials and a logo were already prepared.” 2015 WL 6865704, at *3. It concluded that Omnia therefore did not intend to trade off Stone Creek’s goodwill because Stone Creek had no brand awareness in Bon-Ton’s trading territory. But as explained above, an inherent and protectable aspect of the STONE CREEK mark—its “diffused appeal” or “psychological function”—necessarily includes its American-sounding name. Omnia intended to trade off this aspect of the mark; Stone Creek’s lack of brand awareness or sales in Bon-Ton’s territory is irrelevant to this intent. Because Omnia’s actions were “calculated to exploit the advantage” of the STONE CREEK

⁴ The majority cites no precedent supporting that a mark is not “established” if consumers lack awareness of a brand.

mark—its American-sounding name—I would hold that Omnia’s infringement of the mark was willful. No one made Omnia do it. As I noted above, its conduct was deliberate and intentional.

C

Willfulness and attributability having been satisfied, I address equitable considerations. The Lanham Act requires that remedies for infringement be “subject to the principles of equity.” § 1117(a). The majority holds that disgorgement “would amount to an inequitable windfall since Stone Creek lacks brand awareness in the Midwest and has only made minimal sales there.” Again, its reliance on a lack of brand awareness and sales is misplaced.

In Maier Brewing, this court held that even when a trademark owner is not in direct competition with the infringer, disgorgement is yet appropriate under an “unjust enrichment rationale.” 390 F.2d at 123. The court recognized that willful infringement, even in the absence of diverted sales, “slight[s]” the trademark owner and the public “if the court provides no greater remedy than an injunction.” Id. In balancing the equities to analyze whether disgorgement is appropriate in the absence of competition, the court observed:

It seems scarcely equitable for an infringer to reap the benefits of a trade-mark he has stolen, force the registrant to the expense and delay of litigation, and then escape payment of damages on the theory that the registrant

App. 12

suffered no loss. To impose on the infringer nothing more serious than an injunction when he is caught is a tacit invitation to other infringement.

Id. (quotation and alterations omitted).

This is precisely what the district court and the majority have done.⁵ Omnia blatantly stole Stone Creek’s mark, forced Stone Creek to the expense and delay of litigation, and got off with only an injunction. It has not been ordered to disgorge its ill-gotten profits on the statement that Stone Creek did not have any sales in the territory where the infringing furniture was sold. The district court reasoned that consumers were unaware of the Stone Creek brand and therefore did not confuse it with Omnia. But this case presents the exact “unjust enrichment” situation contemplated by Maier Brewing as an independent basis for disgorgement. Because Omnia’s behavior mirrors the precise scenario described in Maier Brewing—conduct this court has condemned—the equities weigh in favor of disgorgement.

⁵ I do not consider it analytically helpful to justify the denial of an award in this case by characterizing the award as a “windfall.” Using the term “windfall” as a correlative of a sanction seems to me inappropriate. Under this logic, punitive damages would always be prohibited, even where jurisprudentially appropriate.

II

I would not be so quick to let Omnia off the hook for its willful, deliberate, intentional, and wrongful conduct. I would not allow Omnia to get off scot free with only a slap on the wrist and a scold that it “not do it again.” I would enforce the precedent of this circuit, clearly articulated in Maier Brewing. It is our clearly established precedent that in the absence of disgorgement, a party may end up adopting a deliberate business pattern of trade piracy selling products under the trademark of another. 390 F.2d at 123. In concluding otherwise, the majority invites the danger warned of in Maier Brewing. Stone Creek is a small company, based in one city, with hopes of expanding. With but an injunction facing Omnia, there is nothing to prevent it from assuming another company’s “American-sounding” mark that it might find appealing to consumers; repeating its conduct by selling infringing furniture outside the next company’s territory until it is caught; and so on.

Fifty years ago, this circuit recognized that such a result was inequitable. Because we should have done so again today, I most respectfully dissent.

App. 14

No. 18-15914

**In the United States Court of Appeals
For the Ninth Circuit**

STONE CREEK, INC.
Plaintiff-Appellant,

v.

OMNIA ITALIAN DESIGN, INC.
Defendant-Appellee.

Appeal from the United States District Court
for the District of Arizona
District Court Case No. 2:13-cv-00688-DLR
The Honorable Douglas L. Rayes

**ANSWERING BRIEF OF APPELLEE
OMNIA ITALIAN DESIGN, INC.**

**LEWIS BRISBOIS
BISGAARD &
SMITH LLP**

Jeffrey A. Miller,
SBN 126074
jeff.miller@

lewisbrisbois.com

Scott M. Schoenwald,
SBN 129792

scott.schoen-
wald@lewisbrisbois.com

**LEWIS BRISBOIS
BISGAARD &
SMITH LLP**

Daniel C. DeCarlo,
SBN 160307
dan.decarlo@

lewisbrisbois.com

633 West 5th Street,
Suite 4000

Los Angeles, California
90071

App. 15

701 B Street, Suite 1900 Telephone: 213.250.1800
San Diego, California Facsimile: 213.250.7900
92101
Telephone: 619.233.1006
Facsimile: 619.233.8627

Attorneys for Defendant-Appellee
OMNIA ITALIAN DESIGN, INC.

[2] CORPORATE DISCLOSURE STATEMENT
(Fed. R. App. P. 26.1)

Appellee Omnia Italian Design, Inc. does not have a parent corporation. No publicly held corporation holds a ten percent interest in Omnia Italian Design, Inc.

DATED: LEWIS BRISBOIS BISGAARD &
December 7, 2018 SMITH LLP

By: /s/ Jeffry A. Miller
Daniel C. DeCarlo
Jeffry A. Miller
Scott M. Schoenwald
Attorneys for Defendant-Appellee
OMNIA ITALIAN DESIGN, INC.

[2] TABLE OF CONTENTS

	<u>Page</u>
CORPORATE DISCLOSURE STATEMENT	2
TABLE OF AUTHORITIES	4

App. 16

INTRODUCTION	8
JURISDICTIONAL STATEMENT	9
A. The District Court’s Subject-Matter Jurisdiction	9
B. This Court’s Jurisdiction	9
C. Timeliness of the Appeal	9
ISSUES PRESENTED.....	9
STATEMENT OF THE CASE.....	10
A. Stone Creek’s Furniture Business and Trademark.....	10
B. Stone Creek’s Business Relationship with Omnia	10
C. Omnia’s Use of Stone Creek’s Mark.....	11
D. Stone Creek Sues Omnia.....	11
E. The District Court Enters Judgment in Omnia’s Favor.	12
F. Stone Creek’s First Appeal (<i>Stone Creek I</i>)	13
G. The District Court Enters Judgment in Omnia’s Favor on Remand	15
SUMMARY OF ARGUMENT	18
STANDARD OF REVIEW	19
ARGUMENT	20
I. The District Court’s Findings of Fact, Which This Court Ratified in <i>Stone Creek I</i> , Constitute the Law of the Case.....	20

App. 17

[3] II. Stone Creek Is Not Entitled to the Disgorgement of Omnia’s Profits Because Omnia Did Not Willfully Infringe Stone Creek’s Mark ...	23
A. Disgorgement of Profits Is Not Available As a Matter of Right.....	23
B. The District Court’s Findings of Fact from the Bench Trial That Preceded <i>Stone Creek I</i> Establish Omnia’s Lack of Willfulness	26
C. Stone Creek’s Reliance on <i>Sleekcraft</i> ’s “Intent” Factor Is Misplaced Because It Is Irrelevant to Whether Omnia’s Infringement of the Stone Creek Mark Was Willful	31
III. Stone Creek Is Not Entitled to the Disgorgement of Omnia’s Profits Because the Infringing Sales Were Not Attributable to Omnia’s Infringement	37
IV. Stone Creek Is Not Entitled to the Disgorgement of Omnia’s Profits Because It Waived Its Objection to the Calculation of Such Profits	40
V. The District Court Did Not Abuse Its Discretion in Admitting the Testimony of Dr. Charles Cowan, Omnia’s Survey Expert, Because Stone Creek’s Rule 26 and Hearsay Objections Have No Merit.....	41
CONCLUSION.....	45
CERTIFICATE OF COMPLIANCE.....	46
STATEMENT OF RELATED CASES.....	47
CERTIFICATE OF SERVICE	48

[4] **TABLE OF AUTHORITIES**

<u>Cases</u>	<u>Page</u>
<i>AMF, Inc. v. Sleekcraft Boats</i> , 599 F.2d 341 (9th Cir. 1979).....	12-14, 30-35
<i>Askins v. United States Dep’t of Homeland Sec.</i> , 899 F.3d 1035 (9th Cir. 2018).....	21
<i>Bandag, Inc. v. Al Bolser’s Tire Stores, Inc.</i> , 750 F.2d 903 (Fed. Cir. 1984)	24
<i>Bradley v. Duncan</i> , 315 F.3d 1091 (9th Cir. 2002).....	21
<i>Break-Away Tours, Inc. v.</i> <i>British Caledonian Airways</i> , 704 F. Supp. 178 (S.D. Cal. 1988).....	24
<i>Brookfield Communications, Inc. v.</i> <i>West Coast Entertainment Corp.</i> , 174 F.3d 1036 (9th Cir. 1999).....	35
<i>Contessa Food Products, Inc. v.</i> <i>Lockpur Fish Processing Co.</i> , No. CV 98-8212 NM(SHX), 2001 U.S. Dist. LEXIS 25998 (C.D. Cal. Nov. 26, 2001)	36
<i>Fifty-Six Hope Rd. Music, Ltd. v. A.V.E.L.A., Inc.</i> , 778 F.3d 1059 (9th Cir. 2015).....	24, 35
<i>Fla. Bar v. Went For It, Inc.</i> , 515 U.S. 618 (1995)	43
<i>Fleischmann Distilling Corp. v.</i> <i>Maier Brewing Co.</i> , 314 F.2d 149 (9th Cir. 1963).....	35
<i>Frank Music Corp. v.</i> <i>Metro-Goldwyn-Mayer, Inc.</i> , 772 F.2d 505 (9th Cir. 1985).....	41

App. 19

<i>Frank v. Mangum</i> , 237 U.S. 309 (1915)	21
<i>George & Co., LLC v. Imagination Entm't Ltd.</i> , 575 F.3d 383 (4th Cir. 2009).....	34
[5] <i>Grosz-Salomon v. Paul Revere Life Ins. Co.</i> , 237 F.3d 1154 (9th Cir. 2001).....	19
<i>Hall v. City of Los Angeles</i> , 697 F.3d 1059 (9th Cir. 2012).....	20
<i>Highway Cruisers of Cal., Inc. v. Sec. Indus., Inc.</i> , 374 F.2d 875 (9th Cir. 1967).....	25, 34
<i>HydraMedia Corp. v. Hydra Media Group, Inc.</i> , 392 F. App'x 522 (9th Cir. 2010).....	28
<i>Lindy Pen Co. v. Bic Pen Corp.</i> , 982 F.2d 1400 (9th Cir. 1993).....	20-21, 24-27, 33, 37
<i>M2 Software, Inc. v. Madacy Entm't</i> , 421 F.3d 1073 (9th Cir. 2005).....	44
<i>Maier Brewing Co. v. Fleischmann Distilling Corp.</i> , 390 F.2d 117 (9th Cir. 1968).....	23, 40
<i>Marketquest Group, Inc. v. BIC Corp.</i> , 862 F.3d 927 (9th Cir. 2017).....	34
<i>Mattel Inc. v. Walking Mountain Products</i> , 353 F.3d 792 (9th Cir. 2003).....	12
<i>Milgard Tempering, Inc. v. Selas Corp. of Am.</i> , 902 F.2d 703 (9th Cir. 1990).....	21
<i>Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.</i> , 316 U.S. 203 (1942)	40
<i>Morris v. Ylst</i> , 447 F.3d 735 (9th Cir. 2006).....	42

App. 20

<i>Old Person v. Brown</i> , 312 F.3d 1036 (9th Cir. 2002).....	20
<i>Pittsburgh Press Club v. United States</i> , 579 F.2d 751 (3d Cir. 1978)	44
[6] <i>Potts v. Zettel</i> , 220 F. App'x 559 (9th Cir. 2007).....	43
<i>Prudential Ins. Co. v. Gibraltar Fin. Corp.</i> , 694 F.2d 1150 (9th Cir. 1982).....	43, 44
<i>Rolux Watch, U.S.A., Inc. v. Michel Co.</i> , 179 F.3d 704 (9th Cir. 1999).....	19
<i>Skydive Arizona, Inc. v. Quattrocchi</i> , 673 F.3d 1105 (9th Cir. 2012).....	19
<i>Southland Sod Farms v. Stover Seed Co.</i> , 108 F.3d 1134 (9th Cir. 1997).....	45
<i>Spin Master, Ltd. v. Zobmondo Entm't, LLC</i> , 944 F. Supp. 2d 830 (C.D. Cal. 2012)	26
<i>Sporty's Farm L.L.C. v. Sportsman's Market, Inc.</i> , 202 F.3d 489 (2d Cir. 2000)	19-20
<i>Stone Creek, Inc. v. Omnia Italian Design, Inc.</i> , 875 F.3d 426 (9th Cir. 2017).....	15, 19, 22-24, 26-27, 31-34, 41-42
<i>SunEarth, Inc. v. Sun Earth Solar Power Co.</i> , 839 F.3d 1179 (9th Cir. 2016).....	20
<i>Thomas v. Bible</i> , 983 F.2d 152 (9th Cir. 1993).....	21-23
<i>TrafficSchool.com, Inc. v. Edriver Inc.</i> , 653 F.3d 820 (9th Cir. 2011).....	26
<i>Trent v. Valley Elec. Ass'n</i> , 195 F.3d 534 (9th Cir. 1999).....	22

App. 21

<i>United States v. Alexander</i> , 106 F.3d 874 (9th Cir. 1997).....	21-23
<i>United States v. Gadson</i> , 763 F.3d 1189 (9th Cir. 2014).....	20
[7] <i>United States v. Kama</i> , 394 F.3d 1236 (9th Cir. 2005).....	40
<i>Wendt v. Host Int’l, Inc.</i> , 125 F.3d 806 (9th Cir. 1997).....	44-45

Statutory Authorities

15 U.S.C. § 1116(a).....	24
15 U.S.C. § 1117	19, 24, 37
15 U.S.C. § 1117(a)	24, 26, 37
15 U.S.C. § 1121	9
28 U.S.C. § 1291	9
28 U.S.C. § 1331	9
28 U.S.C. § 1338	9
28 U.S.C. § 1367	9

Rules and Regulations

4 J. Thomas McCarthy, <i>McCarthy on Trademarks and Unfair Competition</i> , § 23:113 (4th ed. 2017) ...	32, 34
Fed. R. App. P. 4(a)(1)(A).....	9
Fed. R. Civ. P. 26.....	10, 41
Fed. R. Evid. 803(1).....	43, 44
Fed. R. Evid. 807	44

[8] **INTRODUCTION**

In this second appeal between the parties, appellant Stone Creek, Inc. (“Stone Creek”) operates under the erroneous premise that appellee Omnia Italian Design, Inc. (“Omnia”) willfully infringed Stone Creek’s trademark and, therefore, the disgorgement of Omnia’s profits is warranted because Omnia knew or should have known that the subject mark already belonged to Stone Creek at the time of its adoption and use. Willfulness does not depend, however, on the infringer’s knowledge, exercise of due care, or even the egregiousness of its conduct. The relevant inquiry instead is whether the infringer acted at its competitor’s expense by intending to exploit the advantage of an established mark or gain the value of an established name.

When evaluated under this prevailing legal standard, it becomes readily apparent that the district court properly denied Stone Creek’s request for disgorgement of Omnia’s profits. Stone Creek could not and did not prove that Omnia’s infringement of Stone Creek’s mark was willful because the district court’s factual findings from the October 2015 bench trial that preceded the first appeal between the parties established that Omnia did not choose the subject mark with the intent of trading off of Stone Creek’s goodwill. Without such proof of Omnia acting at Stone Creek’s expense, Stone Creek is not entitled to an award of profits. For this reason, the judgment below should be affirmed in its entirety.

[9] JURISDICTIONAL STATEMENT

A. The District Court’s Subject-Matter Jurisdiction.

The United States District Court for the District of Arizona (“district court”) exercised subject-matter jurisdiction over the underlying litigation pursuant to 15 U.S.C. § 1121, as well as 28 U.S.C. §§ 1331, 1338, and 1367.

B. This Court’s Jurisdiction.

This Court’s jurisdiction derives from 28 U.S.C. § 1291. The district court’s “Judgment in a Civil Case” constituted its final judgment and disposed of all claims. (Appellant’s Excerpts of Record, Volume 1 (“1 ER”) at 2.)

C. Timeliness of the Appeal.

The district court entered the judgment Stone Creek appeals from on April 30, 2018. (1 ER 2.) The notice of appeal, filed on May 18, 2018, was timely under Rule 4(a) (1) (A) of the Federal Rules of Appellate Procedure. (1 ER 1.)

ISSUES PRESENTED

1. Did the district court properly hold that Omnia did not willfully infringe Stone Creek’s mark because Stone Creek failed to prove that Omnia intended

to exploit the advantage of Stone Creek's mark or attempted to gain the value of Stone Creek's name?

2. Did the district court properly deny Stone Creek's request for the disgorgement of Omnia's profits because Stone Creek failed to prove that Omnia [10] willfully infringed Stone Creek's mark or that Omnia's profits are attributable to its infringement?

3. Did the district court properly exercise its discretion in not striking the admissible testimony of Omnia's qualified survey expert, Dr. Charles Cowan, because Stone Creek's hearsay and Federal Rule of Civil Procedure 26 objections lack merit?

Omnia asserts that the answer to each of these questions is "yes."

STATEMENT OF THE CASE

A. Stone Creek's Furniture Business and Trademark.

Stone Creek manufactures furniture and sells its products directly to customers in the Phoenix, Arizona area, where it operates five showrooms. (1 ER 19.) Stone Creek adopted and began using a trademark in or about 1990 and obtained state trademark protection two years later. (*Id.*) It was not until 2012, however, that Stone Creek federally registered its mark. (*Id.*) According to the federal registration, Stone Creek's mark is "a red oval circling the words 'Stone Creek' for various types of furniture." (*Id.*)

B. Stone Creek's Business Relationship with Omnia.

Representatives of Stone Creek and Omnia, a manufacturer of leather furniture, met at a California trade show in 2003. (1 ER 19.) Following Omnia's presentation, the parties agreed that Omnia would manufacture leather furniture branded with the Stone Creek mark. (*Id.*) Stone Creek and Omnia continued their business relationship [11] until 2013, when Stone Creek learned that Omnia had been using Stone Creek's mark on other furniture without Stone Creek's authorization. (1 ER 19-20.)

C. Omnia's Use of Stone Creek's Mark.

In 2008, Omnia agreed to supply leather furniture to retailer Bon-Ton Stores, Inc. ("Bon-Ton"). (1 ER 20.) Bon-Ton, however, did not want to sell the furniture under Omnia's name, but rather under a name that sounded "American." (*Id.*) Omnia suggested various names to Bon-Ton, which selected "Stone Creek" partly because the marketing materials and logo had already been prepared. (*Id.*) Omnia recreated the identical logo and sold its leather furniture to Bon-Ton branded with the Stone Creek mark from 2008 to 2013. (*Id.*) The furniture was then sold to customers at Bon-Ton's furniture galleries in the Midwest. (*Id.*) All purchasers lived within 200 miles of a Bon-Ton furniture gallery, which included parts of Illinois, Indiana, Iowa, Michigan, Ohio, Pennsylvania, and Wisconsin (the "Bon-Ton Trading Territory" or "BTTT"). (1 ER 20-21.)

D. Stone Creek Sues Omnia.

In 2013, Stone Creek’s president learned that Bon-Ton was selling Omnia’s leather furniture branded with the Stone Creek mark after customers contacted Stone Creek regarding product options, store locations in the Midwest, and a warranty issue. (1 ER 21.) Upon inquiry by Stone Creek, Omnia acknowledged that it was selling furniture using Stone Creek’s mark. (*Id.*) Stone Creek thereafter filed suit against [12] Omnia in the district court for federal and common law trademark infringement and unfair competition. (*Id.*)

E. The District Court Enters Judgment in Omnia’s Favor.

In October 2015, the district court held a four-day bench trial on Stone Creek’s claims against Omnia, which resulted in the district court’s issuance of detailed order consisting of findings of fact and conclusions of law. (1 ER 49-61.) To assess whether Omnia’s unauthorized use of Stone Creek’s mark was likely to cause confusion, the district court flexibly applied the non-exhaustive factors set forth in *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979) (“*Sleekcraft*”), *abrogated on other grounds by Mattel Inc. v. Walking Mountain Products*, 353 F.3d 792, 806 (9th Cir. 2003). (1 ER 57-58.) The district court found that the *Sleekcraft* factors, utilized by courts for determining whether confusion between related goods is likely, weighed in Omnia’s favor, concluding:

- A. The STONE CREEK mark is strong in Arizona, but it is not recognized in the BTTT for its relationship to Stone Creek.
- B. The goods sold by Omnia and Stone Creek are the same.
- C. The marks are the same.
- D. There is no evidence of actual confusion by any consumer in the BTTT who purchased Omnia furniture believing it was manufactured or sold by Stone Creek.
- E. The parties had distinct marketing channels with no opportunity for crossover. Because of the local nature of the furniture industry, consumers in the BTTT were not targeted for marketing by Stone Creek.
- [13] F. Furniture is expensive and consumers are therefore expected to exercise greater care.
- G. Bon-Ton selected the mark because it had an American sound to it, and because the marketing material and logo already existed and were in the possession of Omnia. There was no intent to trade off of Stone Creek's goodwill.
- H. Stone Creek has no plans to expand.

(1 ER 59.) The district court nevertheless determined that, even if the *Sleekcraft* factors instead weighed in Stone Creek's favor, the "evidence supports a finding that separate markets prevented the likelihood of

confusion.” (1 ER 60.) On this basis, the district court entered judgment in Omnia’s favor on all claims. (1 ER 61.)

F. Stone Creek’s First Appeal (*Stone Creek I*).

Stone Creek appealed, which resulted in this Court affirming in part and reversing in part the district court’s judgment in Omnia’s favor. (1 ER 14-48.) At the outset of its analysis, this Court observed that “[t]he touchstone for trademark infringement is the likelihood of confusion, which asks whether a ‘reasonably prudent’ marketplace consumer is ‘likely to be confused as to the origin of the good or service bearing one of the marks.’” (1 ER 22.) Like the district court, this Court applied the *Sleekcraft* factors to assess the likelihood of confusion between Stone Creek’s mark and the mark adopted and used by Omnia. (*Id.*) In doing so, this Court “credit[ed]” the district court’s factual findings, but found that they led to a contrary conclusion as to the likelihood of confusion. (*Id.*)

[14] This Court explained that the *Sleekcraft* factors are not “created equal” and that “their relative weight varies based on the context of a particular case.” (1 ER 23.) According to the Court, the factors weighing in favor of a likelihood of confusion in this case were: (1) the similarity of Stone Creek’s and Omnia’s marks and goods; (2) the strength of Stone Creek’s “fanciful” mark; (3) the evidence of actual confusion, which included examples of Bon-Ton customers directing queries to Stone Creek regarding product

options, store locations, and warranty issues; (4) the convergence of marketing channels based on the simultaneous advertising and selling of furniture under the Stone Creek mark in the Midwest, which included \$610,384 of Stone Creek’s sales occurring in the Midwest out of its more than \$200 million in total sales since its inception; and (5) the presumption that Omnia selected the Stone Creek mark with the intent to deceive customers. (1 ER 23-30.) This Court concluded that the remaining two *Sleekcraft* factors, which included the degree of consumer care based on the type of goods and the likelihood of product expansion, either did not support one party over the other or weakly supported Omnia. (1 ER 30.) Based on its analysis of the *Sleekcraft* factors, this Court reversed the district court’s finding of no likelihood of confusion. (1 ER 31.)

Having found a likelihood of confusion and, therefore, trademark infringement, this Court considered the applicable standard for the disgorgement of profits, which was the remedy Stone Creek sought. (1 ER 38.) After examining whether a 1999 [15] amendment to the Lanham Act’s¹ remedy provisions impacted Ninth Circuit case law regarding the award of profits, this Court determined that “the district court properly ruled that Stone Creek must show intentional or willful infringement before disgorgement of Omnia’s profits could be awarded.” (1 ER 38, 44.) The Court recognized that “many of the factual findings that the

¹ The Lanham Act (also known as the Trademark Act of 1946) is the federal statute that governs trademarks, service marks, and unfair competition.

[district] court has already made—including those on Omnia’s intent in selecting and using the STONE CREEK mark—may be relevant to willfulness.” (1 ER 44.) The Court, however, expressly declined to rule that Omnia’s infringement was willful as a matter of law and ordered the district court to decide this question on remand. (1 ER 44, 47.)

This Court filed its opinion on July 11, 2017, which it subsequently amended by an order dated August 30, 2017. (1 ER 15, 17-18.) The amended opinion is reported at *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426 (9th Cir. 2017) (“*Stone Creek I*”).

G. The District Court Enters Judgment in Omnia’s Favor on Remand.

Because Stone Creek sought only the disgorgement of Omnia’s profits and a permanent injunction, the district court limited its analysis to these two remedies on remand. (1 ER 6.) To decide whether these remedies were justified, the district court relied on its factual findings from the October 2015 bench trial and briefing by the [16] parties. (*Id.*; Supplemental Excerpts of Record (“SER”), at 3-48.) The district court reasoned that it did not need to consider additional evidence “because the Ninth Circuit explicitly credited [its] factual findings and remanded solely for the purpose of determining whether those facts justify the remedies Stone Creek seeks.” (1 ER 6.)

First, the district court determined that Omnia did not willfully infringe Stone Creek’s mark. (1 ER 6.)

Observing that the “[d]isgorgement of profits is permitted ‘only in those cases where the infringement is willfully calculated to exploit the advantage of an established mark’ or ‘where the defendant is attempting to gain the value of an established name of another,’” the district court concluded that such relief was unavailable to Stone Creek because “‘Omnia did not choose the mark with the intent of trading [on] Stone Creek’s goodwill.’” (1 ER 7.) The district court elaborated:

Instead, “Omnia selected the STONE CREEK mark for Bon Ton’s private label, in part, because it sounded American and because marketing material and a logo were already prepared.” Moreover, Omnia did not intend to trade on Stone Creek’s goodwill in Bon Ton’s trading territory because Stone Creek had no goodwill in that territory, and Omnia did not research where Stone Creek sold its furniture prior to using the mark. Although Stone Creek operated a website, it neither sold furniture through that website nor delivered furniture out of state, and the website did not create awareness of the brand in the BTTT.

(*Id.*) Not only did a brand awareness survey by Dr. Charles Cowan, an expert in statistics and economics, reveal that 99.75 percent of the respondents were “‘not familiar with Stone Creek in Arizona and Stone Creek has no brand awareness in the [17] BTTT,’” the district court found that “[t]he vast majority of Google searches for Stone Creek Furniture originate in Arizona” and “[t]he number of Google searches for the

Stone Creek website from the BTTT is negligible.’” (1 ER 8.) Finally, the district court concluded that its factual findings indicate that Omnia may have been careless in adopting Stone Creek’s mark, but not willful. (1 ER 9.)

Second, the district court found that, even if Omnia had willfully infringed Stone Creek’s mark, Stone Creek was not entitled to the disgorgement of Omnia’s profits because no profits were attributable to the infringement. (1 ER 9.) After the parties stipulated that Omnia’s gross sales from its infringement totaled \$4,455,352, the district court found that Omnia satisfied its burden of proof that “the infringing products were purchased for reasons unrelated to consumer perception of an affiliation between Stone Creek and the infringing products.” (1 ER 9-10.) The district court cited the lack of consumer awareness of the Stone Creek brand in the BTTT and the absence of actual confusion between Stone Creek and Omnia when customers purchased Omnia’s Stone Creek furniture. (1 ER 10.) The district court also pointed out that Bon-Ton did not agree to sell Omnia’s furniture because of Stone Creek’s mark. (*Id.*)

Finally, the district court determined that Stone Creek was entitled to a permanent injunction. (1 ER 10.) Omnia had stopped using the Stone Creek mark in 2013 and no evidence suggested that it would ever use the Stone Creek mark again. [18] Nevertheless, the district court granted Stone Creek’s request for a permanent injunction precluding Omnia from using Stone Creek’s marks or any other confusingly similar mark.

(1 ER 2, 10-13.) The district court entered judgment accordingly. This appeal by Stone Creek followed. (1 ER 1, 2.)

SUMMARY OF ARGUMENT

The district court's findings of fact from the October 2015 bench trial, which this Court ratified in *Stone Creek I*, dispose of Stone Creek's remaining claims against Omnia. Based on these factual findings, Stone Creek could not and did not prove that Omnia willfully infringed its mark. Simply stated, Omnia did not act at Stone Creek's expense, having neither exploited the advantage of Stone Creek's mark nor attempted to gain the value of Stone Creek's name. Because Omnia did not act willfully, Stone Creek is not entitled to the disgorgement of Omnia's profits from the infringing sales as a matter of law.

Even if Omnia acted willfully, however, Stone Creek still is not entitled to an award of profits because Omnia's sales of the infringing products are not attributable to its infringement of the subject mark. Stone Creek's unfounded objections to Omnia's survey evidence do not change this result.

The judgment entered by the district court should be affirmed in its entirety.

[19] STANDARD OF REVIEW

Stone Creek asks this Court to review the judgment below under an erroneous standard. The applicable

standard of review is not de novo, as Stone Creek misguidedly asserts. (Appellant’s Opening Brief (“AOB”), at 6.) In *Stone Creek I*, this Court declined to rule on Stone Creek’s claim that Omnia’s infringement of its mark was willful as a matter of law because willfulness is not a legal question. *Stone Creek I*, 875 F.3d at 442. Rather, the determination of whether the infringement was willful depends upon equitable considerations. *Id.* at 441. An abuse of discretion standard of review therefore governs here because Stone Creek is asking this Court to review how the district court selected among equitable remedies for the infringement of its mark. *Grosz-Salomon v. Paul Revere Life Ins. Co.*, 237 F.3d 1154, 1163 (9th Cir. 2001) (“[w]hen a district court’s remedy takes the form of an equitable order, we review that order for an abuse of discretion”).

In this regard, the Court reviews the district court’s denial of an award of the defendant’s profits under 15 U.S.C. § 1117 for an abuse of discretion. *Rolex Watch, U.S.A., Inc. v. Michel Co.*, 179 F.3d 704, 712 (9th Cir. 1999); *see also Skydive Arizona, Inc. v. Quattrocchi*, 673 F.3d 1105, 1110 (9th Cir. 2012) (“Because of the equitable discretion that district courts exercise over monetary relief under the Lanham Act, we review such rulings for abuse of discretion”); *Sporty’s Farm L.L.C. [20] v. Sportsman’s Mkt., Inc.*, 202 F.3d 489, 500 (2d Cir. 2000) (reviewing “findings of ‘willfulness’ by a district court for clear error”).

Review of the district court’s application of the law of the case doctrine likewise is for an abuse of discretion. *Hall v. City of Los Angeles*, 697 F.3d 1059, 1067

(9th Cir. 2012). An abuse of discretion results “‘when a judge’s decision is based on an erroneous conclusion of law or when the record contains no evidence on which she rationally could have based that decision.’” *Lindy Pen Co. v. Bic Pen Corp.*, 982 F.2d 1400, 1405 (9th Cir. 1993), *abrogated on other grounds by SunEarth, Inc. v. Sun Earth Solar Power Co.*, 839 F.3d 1179 (9th Cir. 2016).

Finally, the Court reviews the district court’s decision to admit expert testimony for an abuse of discretion. *United States v. Gadson*, 763 F.3d 1189, 1202 (9th Cir. 2014).

ARGUMENT

I. The District Court’s Findings of Fact, Which This Court Ratified in *Stone Creek I*, Constitute the Law of the Case.

Based on the well-settled law of the case doctrine, no additional fact finding by the district court was necessary to adjudicate whether Omnia willfully infringed Stone Creek’s mark and, if so, whether Omnia’s profits are attributable to the infringement for purposes of a disgorgement of profits remedy. *Old Person v. Brown*, 312 F.3d 1036, 1039 (9th Cir. 2002) (the law of the case doctrine is “‘founded upon the sound public policy that litigation must come to an end”). Under the law of the case doctrine, [21] “a court is generally precluded from reconsidering an issue that has already been decided by the same court, or a higher court in the identical case.” *Thomas v. Bible*, 983 F.2d 152, 154 (9th Cir.

1993). The preclusive effect of this doctrine extends to “matters of fact” and “questions of law,” as the United States Supreme Court has long recognized:

It is a fundamental [*sic*] principle of jurisprudence, arising from the very nature of courts of justice and the objects for which they are established, that a question of fact or of law distinctly put in issue and directly determined by a court of competent jurisdiction cannot afterwards be disputed between the same parties.

Frank v. Mangum, 237 U.S. 309, 333-34 (1915); *see also Bradley v. Duncan*, 315 F.3d 1091, 1098 (9th Cir. 2002) (quoting *Frank*); *Lindy Pen*, 982 F.2d at 1405 n.3 (“Intentional infringement is not at issue as the district court’s initial conclusion that Bic’s infringement was not intentional is law of the case and cannot be disturbed”). Law of the case applies when the matter at issue was “‘decided explicitly or by necessary implication in [the] previous disposition.’” *Milgard Tempering, Inc. v. Selas Corp. of Am.*, 902 F.2d 703, 715 (9th Cir. 1990); *see also Askins v. United States Dep’t of Homeland Sec.*, 899 F.3d 1035, 1042 (9th Cir. 2018) (“The doctrine applies most clearly where an issue has been decided by a higher court; . . .”).

The law of the case doctrine “is not a limitation on a tribunal’s power, but rather a guide to discretion.” *United States v. Alexander*, 106 F.3d 874, 876 (9th Cir. 1997). A court has discretion to deviate from the law of the case only where: “(1) the first [22] decision was clearly erroneous; (2) an intervening change in the law

has occurred; (3) the evidence on remand is substantially different; (4) other changed circumstances exist; [or] (5) a manifest injustice would otherwise result.” *Thomas*, 983 F.2d at 155. “Failure to apply the doctrine of the law of the case absent one of the requisite conditions constitutes an abuse of discretion.” *Alexander*, 106 F.3d at 876; *see also Thomas*, 983 F.2d at 155 (district court abused its discretion by not enforcing the law of the case because none of the prerequisites for departing from the doctrine existed).

Here, the district court had to look no further than its own findings of fact from the October 2015 bench trial to determine that Omnia did not willfully infringe Stone Creek’s mark and that its profits were not attributable to the infringement. Not only did this Court ratify these findings in *Stone Creek I* by instructing the district court that it could use them without limitation to decide the issues presented on remand, this Court also expressly “credit[ed]” them in its analysis. *Stone Creek I*, 875 F.3d at 436, 442. This Court did not disagree in any way with the findings themselves, but rather only with how the district court applied them to conclude that Omnia did not infringe Stone Creek’s mark. *Id.* at 436. Because this Court evaluated the district court’s findings of fact when it decided the merits of *Stone Creek I*, the findings of fact fall squarely within the law of the case doctrine. *See Trent v. Valley Elec. Ass’n*, 195 F.3d 534, 537 (9th Cir. 1999).

[23] Under these circumstances, the district court properly invoked its findings of fact, and did not depart from them, in holding that Stone Creek failed to prove

willfulness and that Stone Creek is not entitled to the disgorgement of Omnia's profits. To do otherwise, the district court would have manifestly abused its discretion because no exception to the law of the case doctrine applies here. *Alexander*, 106 F.3d at 876; *see also Thomas*, 983 F.2d at 155. The law of the case doctrine exists to prevent precisely what Stone Creek purports to accomplish on appeal, which is to re-litigate matters that have already been fully and finally adjudicated between the parties. No willful infringement occurred here because, as the district court's findings of fact establish, Omnia did not seek to exploit Stone Creek's mark or gain the value of its name. (1 ER 49-56, 59.) The judgment below therefore should be affirmed in its entirety.

II. Stone Creek Is Not Entitled to the Disgorgement of Omnia's Profits Because Omnia Did Not Willfully Infringe Stone Creek's Mark.

A. Disgorgement of Profits Is Not Available As a Matter of Right.

Based on this Court's holding in *Stone Creek I* that Omnia infringed Stone Creek's mark, the issue of whether the disgorgement of Omnia's profits was an appropriate remedy stood "front and center on remand." *Stone Creek I*, 875 F.3d at 439. Significantly, the Lanham Act "confers a wide scope of discretion upon the district judge in the fashioning of a remedy" for trademark infringement. *Maier Brewing Co. v. Fleischmann Distilling Corp.*, 390 F.2d 117, 121 (9th Cir. 1968); *see* [24] *also Bandag, Inc. v. Al Bolser's Tire*

Stores, Inc., 750 F.2d 903, 917 (Fed. Cir. 1984) (“Section 1117 confers a great deal of discretion on a district court in fashioning a remedy for trademark infringement”). Potential remedies include an award of the defendant’s profits as well as damages, costs, and injunctive relief. 15 U.S.C. § 1116(a) (injunctive relief); 15 U.S.C. § 1117(a) (profits, damages, and costs). A monetary award of any kind, however, is not a matter of right. *See Break-Away Tours, Inc. v. British Caledonian Airways*, 704 F. Supp. 178, 182 (S.D. Cal. 1988).

Contrary to Stone Creek’s suggestion otherwise, the relief that it seeks—the disgorgement of Omnia’s profits—is a classic example of a remedy that is not available as a matter of right. (AOB 27.) Although an award of the defendant’s profits is one of the monetary remedies authorized by 15 U.S.C. § 1117, it “‘is not automatic’ upon a finding of infringement.” *Fifty-Six Hope Rd. Music, Ltd. v. A.V.E.L.A., Inc.*, 778 F.3d 1059, 1073 (9th Cir. 2015). Rather, Congress has expressly made the recovery of profits “subject to the principles of equity.” 15 U.S.C. § 1117(a); *see also Lindy Pen*, 982 F.2d at 1405 (“an accounting of profits is not automatic and must be granted in light of equitable considerations”).

When the plaintiff requests an award of profits, as Stone Creek does here, “equity dictates that the plaintiff must show that the defendant’s infringing acts were accompanied by some form of intent.” *Stone Creek I*, 875 F.3d at 441. Specifically, to demonstrate an entitlement to an award of profits, the plaintiff must prove that the [25] defendant’s infringement of trademark

rights was “willful,” which “carries a connotation of deliberate intent to deceive.” *Lindy Pen*, 982 F.2d at 1406. Even when willfulness has been shown, however, it “may support an award of profits to the plaintiff, but does not require one.” *Id.* at 1406 n.4. This Court has explained:

Equity has many reeds. A characteristic of it is that one may not get all of the reeds. One may get just enough relief to stop the evil where it is apparent no great damage was done to the complainant.

Highway Cruisers of Cal., Inc. v. Sec. Indus., Inc., 374 F.2d 875, 876 (9th Cir. 1967). Because Stone Creek failed to prove that Omnia’s infringement of its mark was willful, the district court properly denied Stone Creek’s request for an award of profits and concluded that a permanent injunction adequately protected Stone Creek’s interests. (1 ER 5-13.)

Willfulness “require[s] a connection between a defendant’s awareness of its competitors and its actions at those competitors’ expense.” *Lindy Pen*, 982 F.2d at 1406. A remedy greater than an injunction, such as the disgorgement of profits, is only available for trademark infringement when the plaintiff proves that the defendant intended to “‘exploit the advantage of an established mark’” and “‘gain the value of an established name of another.’” *Id.* at 1405, 1406; *see also* 1 ER 7 (the district court’s determination that “[t]hese circumstances must be proven by a preponderance of the evidence”). When the evidence does not establish that the defendant sought to [26] capitalize on the

plaintiff's goodwill, the infringement is not willful. *Lindy Pen*, 982 F.2d at 1405-06. That is the situation here, as the district court correctly held.

Under such circumstances, the disgorgement of profits is barred because it would amount to a penalty against the defendant and a windfall in favor of the plaintiff in contravention of the Lanham Act. *TrafficSchool.com, Inc. v. Edriver Inc.*, 653 F.3d 820, 831 (9th Cir. 2011) ("The Lanham Act allows an award of profits only to the extent the award 'shall constitute compensation and not a penalty'"); *see also* 15 U.S.C. § 1117(a) (an award of profits "shall constitute compensation and not a penalty"); *Spin Master, Ltd. v. Zobmondo Entm't, LLC*, 944 F. Supp. 2d 830, 848-49 (C.D. Cal. 2012) ("Disgorging the infringer's significant profits without proof of trading off the mark holder's goodwill would still amount to a penalty to the infringer and a windfall to the trademark holder . . . even if the infringer's conduct was otherwise intentional").

B. The District Court's Findings of Fact from the Bench Trial That Preceded *Stone Creek I* Establish Omnia's Lack of Willfulness.

This Court "affirm[ed] the district court's conclusion that willfulness remains a necessary condition for a disgorgement of profits" in *Stone Creek I*, "but remand[ed] for a determination on whether Omnia had the requisite intent." *Stone Creek I*, 875 F.3d at 444. In doing so, the Court invited the district court to decide

this issue based on the “factual findings that the [district] court has already made—including those on Omnia’s intent in selecting and using the STONE CREEK mark” because they “may [27] be relevant to willfulness.” *Id.* at 442. The district court determined that its factual findings from the October 2015 bench trial that preceded *Stone Creek I* were sufficient to decide whether an award of Omnia’s profits was an appropriate remedy, and Stone Creek did not argue otherwise. Indeed, neither party asked the district court to consider new evidence beyond that previously presented to the trial. Instead, Stone Creek erroneously contends that the district court misapplied its earlier factual findings. By their plain terms, however, these findings establish that Omnia did not willfully infringe Stone Creek’s mark. (1 ER 49-56, 59.)

Finding of fact number fifty-seven, in which the district court determined that “Omnia did not choose the mark with the intent of trading off of Stone Creek’s goodwill”—and which again, this court credited in *Stone Creek I*—is dispositive. (2 ER 54.) Because Omnia did not intend to trade off of Stone Creek’s goodwill when it chose the subject mark, it is axiomatic that Omnia neither exploited “the advantage of an established mark” nor attempted “to gain the value of an established name of another.” *Lindy Pen*, 982 F.2d at 1405, 1406. No further inquiry was necessary, as this Court previously explained:

Our decisions regarding an award of profits emphasize the importance of willfulness in the analysis. ‘Indeed, this court has cautioned

that an accounting is proper only where the defendant is attempting to gain the value of an established name of another.’ Defendant was not trading off Plaintiff’s name. Defendant’s infringement was not willful. The district court did not abuse its discretion by denying Plaintiff’s motion for an award of profits.

[28] *HydraMedia Corp. v. Hydra Media Group, Inc.*, 392 F. App’x 522, 523 (9th Cir. 2010) (citations omitted). Thus, on this basis alone, the district court properly held that Omnia’s infringement of Stone Creek’s mark was not willful.

Many of the district court’s other findings of fact, based on the evidence presented at trial, reinforce this conclusion. These factual findings include:

2. Stone Creek is a company that manufactures and sells furniture in Arizona.
11. Stone Creek follows the typical retail furniture business model, selling its furniture locally in the Phoenix area.
12. Stone Creek delivers furniture locally but does not ship furniture out of state.
13. Stone Creek has a website, but does not sell furniture directly through its website. It does not engage in internet sales.
14. Stone Creek operates five showrooms in the Phoenix, Arizona area.
18. The parties’ distinct trading territories are separated by over 1000 miles at their

closest points and nearly 2000 miles at their furthest.

23. Stone Creek's marketing channels existed only within the State of Arizona during the relevant time period.
24. Stone Creek did not target advertising or marketing at the BTTT during the relevant time period.
29. The website has not created awareness of Stone Creek in the BTTT.
32. Consumers in the BTTT are not aware of Stone Creek Furniture.
47. Bon-Ton did not want to sell Omnia's furniture under the "Omnia brand," it wanted a private label—i.e. a name other than Omnia to avoid competition with Omnia's other customers.
- [29] 48. After Omnia and Bon-Ton agreed that Omnia would become Bon Ton's supplier of leather furniture, Bon Ton indicated that it would like a label with an "American made name."
49. Omnia's president offered several suggestions, including STONE CREEK.
50. Bon Ton decided to market some of its furniture under the STONE CREEK name.
51. Bon Ton's decision to use Omnia as a supplier was not tied to nor conditioned on the use of the STONE CREEK mark.

56. Omnia selected the STONE CREEK mark for Bon-Ton's private label, in part, because it sounded American and because marketing materials and a logo were already prepared.
61. Omnia's president since 2004, Peter Zolferino, having been in the furniture business and having done business with Stone Creek, understood that Stone Creek sold in the Phoenix area, but he never researched where Stone Creek sold its furniture.
62. Omnia never performed an internet or other documentary search to determine where or how Stone Creek sold its furniture.
63. Omnia never asked where Stone Creek's customers were located prior to using the mark.
64. Omnia never performed any internet or documentary searches to determine where Stone Creek's customers were located.
65. Omnia adopted and used the STONE CREEK mark with full knowledge of Stone Creek's senior use.

(1 ER 49-54.)

Like finding of fact number fifty-seven, these numerous additional factual findings confirm that Omnia did not seek to exploit Stone Creek's mark or gain the value of its name. Instead, they demonstrate that

Omnia chose the mark solely because [30] Bon-Ton wanted a private label with a name that sounded American as well as marketing materials and a logo that already existed. Omnia plainly did not intend to trade off of Stone Creek’s goodwill, as the district court found, given that Stone Creek had no goodwill in the BTTT, Omnia did not research where Stone Creek sold furniture before using Stone Creek’s mark, and Bon-Ton entered into its agreement with Omnia without regard to whether the Stone Creek mark would be used. (1 ER 7, 49-54.) Stone Creek did not even have brand awareness in the BTTT, despite having operated a website, because it did not advertise, market, or manufacture its products in that region during the relevant period. Rather, Stone Creek followed the typical retail furniture business model by selling its furniture locally in the Phoenix, Arizona area. (1 ER 7, 49-52.) Thus, the district court’s findings of fact offer no support to Stone Creek’s notion that Omnia willfully infringed its mark.²

² Although the district court found that Stone Creek had \$610,384.44 in sales in the BTTT, which represented approximately 0.3 percent of its more than \$200 million in sales since its inception, such sales were “trivial.” (1 ER 53.) These sales do not constitute goodwill because “[t]here is no evidence as to how any of the approximate 150 customers from the BTTT came to know of Stone Creek or why any customer from the BTTT purchased from Stone Creek.” (*Id.*) Contrary to Stone Creek’s notion otherwise, this Court’s reference to these sales in evaluating the “convergence of marketing channels” factor of the *Sleekcraft* likelihood of confusion analysis does not suggest that Stone Creek had any goodwill in the BTTT. The district court’s factual

[31] C. Stone Creek’s Reliance on *Sleekcraft*’s “Intent” Factor Is Misplaced Because It Is Irrelevant to Whether Omnia’s Infringement of the Stone Creek Mark Was Willful.

Stone Creek erroneously maintains that it can bootstrap this Court’s holding in *Stone Creek I* that Omnia infringed its mark into a determination that Omnia did so willfully. (AOB 13.) Specifically, Stone Creek posits that this Court’s “finding that Omnia intended to deceive customers establishes willful infringement.” (*Id.*) In doing so, however, Stone Creek overlooks that different legal principles govern the determination of: (1) whether trademark infringement occurred and, if so, (2) whether the infringement was willful. Decisive here are the differences in the burdens of proof that apply in each of these contexts.

This Court held that Omnia infringed Stone Creek’s mark based on its application of the *Sleekcraft* factors, which have long guided the likelihood of confusion analysis in trademark infringement actions. *Stone Creek I*, 875 F.3d at 431. One of these factors is the defendant’s intent in selecting the allegedly infringing mark, which is the factor Stone Creek primarily relies upon here. *Id.* at 434-35; *Sleekcraft*, 599 F.2d at 349. When the *Sleekcraft* Court promulgated these factors, it expressly distinguished between intent for purposes of an infringement inquiry and intent for purposes of

findings, as ratified by this Court, demonstrate that Stone Creek had no goodwill in the BTTT. (1 ER 49-61.)

devising an appropriate remedy after infringement has been found:

When the alleged infringer knowingly adopts a mark similar to another's, reviewing courts **presume** that the defendant can accomplish [32] his purpose: that is, that the public will be deceived. Good faith is less probative of the likelihood of confusion, yet may be given considerable weight in fashioning a remedy.

Sleekcraft, 599 F.2d at 354 (emphasis added) (citations omitted). As a result, when assessing whether infringement occurred, courts must **presume** that the alleged infringer intended to deceive by adopting a protected mark without regard to its good faith. *Id.* Unless the alleged infringer successfully rebuts this presumption, "its deceptive intent is 'entitled to great weight' in the ultimate determination of likelihood of confusion." *Stone Creek I*, 875 F.3d at 435.

By contrast, no presumed intent to deceive applies at the remedial stage, which is the current posture of this case, even when the infringer may have known that it was adopting a protected mark. *Id.* Instead, the burden shifts to the plaintiff to **prove** its entitlement to the requested remedy, such as the disgorgement of profits sought by Stone Creek. *See Stone Creek I*, 875 F.3d at 442 ("a plaintiff can secure the defendant's profits only after establishing willfulness . . ."). The legal and factual basis on which this Court found infringement in *Stone Creek I* therefore has no bearing on whether Omnia acted with the willfulness required to render the disgorgement of profits an appropriate

remedy. See 4 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition*, § 23:113 (4th ed. 2017) (explaining that “an ‘intent’ sufficient to support, along with other evidence, a finding of a likelihood of confusion may not be sufficiently egregious to permit a recovery of profits” and that “there is a [33] considerable difference between an intent to copy and an intent to deceive”). Omnia’s good faith is also relevant at this stage of fashioning a remedy. *Sleekcraft*, 599 F.2d at 354.

Reaffirming the burden of proof, this Court held in *Stone Creek I* that “the district court properly ruled that Stone Creek must show intentional or willful infringement before disgorgement of Omnia’s profits could be awarded.” *Stone Creek I*, 875 F.3d at 442. No matter how stridently Stone Creek argues otherwise, it failed to meet this burden because the district court’s findings of fact confirm that Omnia did not act with the intent to exploit the advantage of Stone Creek’s mark or to trade off of Stone Creek’s goodwill. *Lindy Pen*, 982 F.2d at 1405, 1406. Willfulness does not exist as a matter of law where, as here, the plaintiff is unable to make such a showing. *Id.*

Stone Creek cannot escape this conclusion compelled by the established facts and applicable law by asserting that the district court should have inferred that Omnia’s infringement was willful based on its knowledge of Stone Creek’s rights in the subject mark

and purported failure to exercise due care.³ (AOB 16-22.) Not only has this Court never held that willfulness can be inferred, it necessarily rejected such a [34] notion in this case when it ordered that Stone Creek must show willfulness as a prerequisite to its recovery of Omnia's profits. *See Stone Creek I*, 875 F.3d at 442; *see also McCarthy on Trademarks and Unfair Competition*, § 23:115 ("mere knowledge of a senior use of a mark is not in and of itself persuasive evidence of an intent to confuse"). It is well-settled that a party may have known "what it was doing" without acting willfully. *Highway Cruisers*, 374 F.2d at 876.

Moreover, Stone Creek's misplaced reliance on the *Sleekcraft* intent factor is further demonstrated by its erroneous assertion that Omnia's failure to conduct a trademark search constituted a lack of due care that requires an inference of willfulness. (AOB 20-22.) This Court recently found that the failure to conduct a reasonably adequate trademark search could be relevant to an alleged infringer's intent when it assessed the likelihood of confusion under a *Sleekcraft* analysis, but not for purposes of determining whether an infringer had acted with the willfulness required to support the disgorgement of profits. *See Marketquest Group, Inc. v.*

³ Stone Creek makes the related assertion that Omnia infringed Stone Creek's mark "in the face of potential warnings." (AOB 20.) Not only should the Court disregard this assertion because Stone Creek has cited no evidence of "potential warnings," the Court's holding that Stone Creek must prove willfulness to recover profits confirms that Omnia's prior knowledge that the mark belonged to Stone Creek is inconsequential to the willfulness inquiry. *See Stone Creek I*, 875 F.3d at 442.

BIC Corp., 862 F.3d 927, 934-35 (9th Cir. 2017). Consequently, the district court properly concluded that the failure to conduct a trademark search may amount to carelessness, but it has no relevance to the determination of whether the infringement of a mark was willful. 1 ER 8-9; *see also George & Co., LLC v. Imagination Entm't Ltd.*, 575 F.3d 383, 398 (4th Cir. 2009) (“the failure to conduct a trademark search or contact counsel shows carelessness at most, but is in any event irrelevant because knowledge of [35] another’s goods is not the same as an intent ‘to mislead and to cause consumer confusion’”).

The inapposite case law relied on Stone Creek cannot salvage its inference theory. (AOB 16-17). For example, in *Fifty-Six Hope Road Music*, 778 F.3d at 1074, the Court found willfulness because, unlike here, the evidence established that the defendant acted at its competitors’ expense. In this case, by contrast, Omnia did not intend to exploit the advantage of Stone Creek’s mark or attempt to gain the value of its name. The district court expressly found that Omnia did not choose Stone Creek’s mark with the intent of trading off of Stone Creek’s goodwill. (1 ER 54.)

Stone Creek also relies upon *Brookfield Communications, Inc. v. West Coast Entertainment Corp.*, 174 F.3d 1036, 1059, 1066-67 (9th Cir. 1999), but in that case, the disgorgement of profits was not at issue. Rather, unlike here, the Court considered whether the likelihood of confusion had been established under the *Sleekcraft* factors to support the entry of a preliminary injunction.

Likewise, in *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149, 157 (9th Cir. 1963), the Court found willfulness because, unlike here, the holder of the subject mark was one of the most popular brands in the market. Because of the brand's popularity, the only possible reason for the infringement was to trade off of the holder's goodwill. Here, by contrast, the evidence established that Omnia did not choose the subject mark with the intent of trading off of Stone Creek's goodwill as [36] well as that Stone Creek did not even have goodwill in the BTTT that Omnia could have exploited.⁴ (1 ER 54, 56.)

In sum, this Court plainly would not have remanded this case to the district court to determine whether Omnia had the requisite intent when it infringed Stone Creek's mark if willfulness could have been presumed or inferred based upon the record submitted to this Court in *Stone Creek I*. If that were the case, there would have been no reason for this Court to have remanded that question and this Court could have found as a matter of law in *Stone Creek I* that Omnia was a willful infringer. But this Court did

⁴ Similarly misplaced is Stone Creek's reliance on an unpublished order entered in *Contessa Food Products, Inc. v. Lockpur Fish Processing Co.*, No. CV 98-8212 NM (SHX), 2001 U.S. Dist. LEXIS 25998, at *20-26 (C.D. Cal. Nov. 26, 2001), where the district court rejected the plaintiff's request for an inference of willfulness, determined that the plaintiff failed to prove willfulness, and denied an award of profits because the plaintiff had "adduced insufficient evidence that [the defendant] intentionally 'exploit[ed] the advantage of an established mark.'" The district court concluded that the plaintiff's "argument for a lower standard of intentionality fails." *Id.* at *23.

remand that question and the district court determined, in part applying the prior factual findings, that Stone Creek was not entitled to the disgorgement of Omnia's profits. The district court held that Stone Creek was unable to demonstrate willful infringement under the applicable legal standard. The judgment below should be affirmed.

[37] III. Stone Creek Is Not Entitled to the Disgorgement of Omnia's Profits Because the Infringing Sales Were Not Attributable to Omnia's Infringement.

Even if Omnia's infringement of Stone Creek's mark had been willful, Stone Creek is not entitled to an award of Omnia's profits because the profits are not attributable to the infringement. For a plaintiff to establish a claim to the defendant's profits from the infringement of its trademark, it must "prove defendant's sales." 15 U.S.C. § 1117(a). "Once the plaintiff demonstrates gross profits, they are presumed to be the result of the infringing activity." *Lindy Pen*, 982 F.2d at 1408. The burden then shifts to the defendant to prove "which, if any, of its total sales are not attributable to the infringing activity, and, additionally, any permissible deductions for overhead." *Id.*; 15 U.S.C. § 1117(a) ("defendant must prove all elements of cost or deduction claimed"). The accounting contemplated by section 1117 "is intended to award profits only on sales that are attributable to the infringing conduct." *Lindy Pen*, 982 F.2d at 1408.

Like Stone Creek's claim that Omnia willfully infringed its mark, the district court's factual findings from the October 2015 bench trial dispose of Stone Creek's claim that Omnia's profits are attributable to the infringement. The parties stipulated that Omnia's gross sales of the infringing products totaled \$4,455,352, which shifted the burden to Omnia to prove that such sales were not attributable to its infringement. (1 ER 9, 56.) Omnia satisfied this burden by establishing that the sales were not [38] consummated because customers perceived an association between Stone Creek and the infringing products. (1 ER 9-10.) Instead, as the district court found, Omnia's evidence established that: (1) "[c]onsumers in the BTTT are not aware of Stone Creek Furniture"; (2) Stone Creek's "website has not created awareness of Stone Creek in the BTTT"; (3) "Stone Creek had no brand awareness in the BTTT"; (4) "Omnia did not choose the mark with the intent of trading off of Stone Creek's goodwill"; and (5) "Stone Creek's trademark did not earn any goodwill, reputation, or consumer recognition in the BTTT." (1 ER 52, 54, 56.) Given these factual findings, Omnia's profits plainly could not have been the result of its use of Stone Creek's mark because essentially no one in the BTTT knew about Stone Creek.

Equally unavailing to Stone Creek is its attempt to diminish the effect of the testimony of Omnia's intellectual property expert, Doug Bania, which established that Omnia's sales of the infringing products were not attributable to its infringement of the Stone Creek mark. Not only is Mr. Bania an expert in the

valuation of intellectual property, he has been engaged in this profession for over thirteen years and has been retained as an expert over twenty-five times. (SER 51-54.) To prepare for his testimony, Mr. Bania reviewed legal authority and the depositions of all relevant parties as well as conducted research on the couch and furniture industry. (SER 55-57.) Mr. Bania testified that many factors play a role in the purchase of a sofa:

But the retailer really plays a big part of the reason why someone buys a sofa, you know; a good reputation. Maybe the somebody's parents had [39] shopped there before and bought there before; within one hour's drive. The store needs to be nearby because these retail stores will deliver furniture in a certain territory so you want to live close enough in order to get that typically free delivery service. Product quality, a wide production selection, competitive prices; sales people that aren't necessarily hovering around you thinking you are going to steal a sofa, but they are there to answer questions and they are knowledgeable.

(SER 58-59.)

Mr. Bania further testified that various other factors promote sales, including price, quality, durability, style, and design:

- A. Based on, you know, my analysis, the Cowan report, and the depositions I reviewed, and even the fact that the name was changed to Red Canyon later on down the line, showed me that consumers

are not purchasing these sofas from Bon-Ton because of the Stone Creek mark.

Q. So is it your opinion that there's no revenue at all that was generated by these sales that is attributable in any way to the plaintiff's trademark?

A. That's correct.

Q. That's your opinion?

A. Yes.

(SER 60-61.)

In addition to Mr. Bania's testimony, Omnia presented the compelling testimony of its president, Peter Zolferino, which established that sales stayed the same after Omnia changed the name on the infringing products to Red Canyon:

Q. In review of your financial records, have you noted if that name change had any negative impact on the sales of Omnia to Bon-Ton?

[40] A. No changes or negative impact.

(SER 81.) Thus, Omnia's sales of the infringing products plainly were not attributable to the infringement.

Unable to overcome this conclusion, Stone Creek digresses into an irrelevant discussion of apportionment of profits and seeks to re-litigate matters relating to confusion. (AOB 23-26.) The ability to apportion profits between infringing and non-infringing elements of a product is not at issue in this case. Moreover, merely

because Stone Creek had been contacted regarding product options, store locations, and warranty issues does not demonstrate that any sales of the infringing products were attributable to the subject mark. The evidence established, as confirmed by the district court's findings of fact, that customers purchased the infringing products for reasons totally unrelated to the perception of an association with Stone Creek. On this basis, Stone Creek is not entitled to the disgorgement of any profits, as the district court properly held. *See Maier Brewing Co.*, 390 F.2d at 124; *Mishawaka Rubber & Woolen Mfg. Co. v. S. S. Kresge Co.*, 316 U. S. 203, 206 (1942) ("The plaintiff of course is not entitled to profits demonstrably not attributable to the unlawful use of his mark").

IV. Stone Creek Is Not Entitled to the Disgorgement of Omnia's Profits Because It Waived Its Objection to the Calculation of Such Profits.

It is well-settled that "an issue is waived when the appellant does not specifically and distinctly argue the issue in his or her opening brief." *United States v. Kama*, 394 F.3d 1236, 1238 (9th Cir. 2005). Contrary to this rule, Stone Creek merely [41] asserts that Omnia "failed to satisfy" its burden to establish all costs and deductions that it claimed should be deducted from gross revenue to determine lost profits. (AOB 27.) Stone Creek provides no explanation as to how Omnia's evidence was lacking. This failure by Stone Creek to provide a specific and distinct argument in its opening

brief constitutes a clear and unmistakable waiver of this issue.

In any event, Stone Creek's premise is wrong because it overlooks the trial testimony of Omnia's financial expert, Henry Kahrs, who is a certified public accountant and licensed to perform business valuations. (SER 62-66.) With more than thirty years of experience in this field, Mr. Kahrs computed Omnia's profits from the infringing sales guided by the principles set forth in *Frank Music Corp. v. MetroGoldwyn-Mayer, Inc.*, 772 F.2d 505 (9th Cir. 1985). Based on his analysis, Mr. Kahrs determined that Omnia's net profits on the sales of the infringing products were \$230,850. (SER 67-79.)

V. The District Court Did Not Abuse Its Discretion in Admitting the Testimony of Dr. Charles Cowan, Omnia's Survey Expert, Because Stone Creek's Rule 26 and Hearsay Objections Have No Merit.

Stone Creek argues the trial court abused its discretion in admitting testimony and survey prepared by Charles Cowan, Omnia's survey expert, because of an alleged failure to comply with Rule 26 of the Federal Rules of Civil Procedure and for hearsay reasons. (AOB 28-32.) This Court should summarily reject this issue because: (1) in *Stone Creek I*, this Court ratified the district court's findings of fact, which included [42] factual findings based on Dr. Cowan's survey evidence [*Stone Creek I*, 875 F.3d at 436, 442; 1 ER 52]; and (2)

Stone Creek abandoned this issue by failing to assert it in the district court on remand. *Morris v. Ylst*, 447 F.3d 735, 738 n.2 (9th Cir. 2006). If the Court nevertheless considers this issue, it will find that this issue has no merit.

Stone Creek argues that Dr. Cowan's survey should be excluded because he failed to produce the 402 underlying surveys that formed the foundation of his opinions. Stone Creek claims this alleged concealment allowed Dr. Cowan to manipulate data and prevented Stone Creek from rebutting the manipulation. (AOB 29.) This accusation is meritless. As pointed out by Omnia in response to motions in limine and in several emails, Omnia provided Stone Creek with the 402 surveys multiple times. (SER 82-91.) On December 13, 2013, Omnia served on Stone Creek Dr. Cowan's expert report, a disc that contained documents bates marked CDC001-0213, three Excel files, and a copy of the electronic data used by Dr. Cowan in forming his opinion. All facts and data used by Dr. Cowan in forming his opinion were provided to Stone Creek. (SER 84-85.)

Additionally, Omnia explained that Dr. Cowan uses a third-party vendor to conduct the online surveys he designs, and the vendors do not provide Dr. Cowan with the names or addresses of any of the participants, nor do they give Dr. Cowan a single "survey" for each participant. (SER 84.) Rather, they provide Dr. Cowan with a file that is viewable in the industry standard SPSS program. This file contains all of the [43] underlying survey responses and data. Omnia gave this file to Stone Creek on December 13, 2013, and again on

December 20, 2013. (*Id.*) On September 4, 2015, after Stone Creek informed Omnia it was moving to exclude the survey because it did not have the underlying survey responses, Omnia again forwarded Stone Creek a copy of the SPSS file, which contained all of the underlying data Dr. Cowan obtained from his survey. (SER 84-85.) When Stone Creek's counsel could not open the file, Omnia's counsel exported the SPSS file as a Microsoft Excel file. (SER 85.) Accordingly, any claim that Stone Creek did not have the underlying survey data is inaccurate.

Next, Stone Creek argues Dr. Cowan's survey was hearsay. (AOB 31-32.) The Ninth Circuit has routinely held that surveys are admissible evidence and has never conditioned such on proof that the names and addresses of the survey participants be disclosed. *Potts v. Zettel*, 220 F. App'x 559, 561 (9th Cir. 2007); *Prudential Ins. Co. v. Gibraltar Fin. Corp.*, 694 F.2d 1150, 1156 (9th Cir. 1982). While Stone Creek is correct that surveys are considered by the Ninth Circuit to be admissible under the residual hearsay exception, Stone Creek fails to note that surveys are also admissible as present sense impressions. See *Potts*, 220 F. App'x at 561-62 ("We also agree that the surveys were not inadmissible hearsay, because they fall within the hearsay exception in Federal Rule of Evidence 803(1), for present sense impressions of the declarant") (citing *Fla. Bar v. Went For It, Inc.*, 515 U.S. 618, 626-27 (1995)).

[44] Despite the clear line of authority in the Ninth Circuit on this point, Stone Creek cites to Third

Circuit authority—*Pittsburgh Press Club v. United States*, 579 F.2d 751 (3d Cir. 1978)—as somehow supporting its position. (AOB 31.) *Pittsburgh Press* does not, however, support Stone Creek’s position. Rather, it demonstrates that surveys and hearsay polls are not necessarily inadmissible, and can fall within the present sense impression and state of mind exceptions to the hearsay rule. Additionally, “[u]nder Rule 803(24) [now Federal Rule of Civil Procedure 807], the survey is admissible if it is material; if it is more probative on the issue than any other evidence; and if it has circumstantial guarantees of trustworthiness equivalent to those of the class exceptions. . . .” *Id.* at 757-58.

Finally, while Stone Creek’s critiques of Dr. Cowan and his survey are meritless, a survey’s “[t]echnical unreliability goes to the weight accorded the survey, not its admissibility.” *Prudential Ins. Co.*, 694 F.2d at 1156; *M2 Software, Inc. v. Madacy Entm’t*, 421 F.3d 1073, 1087 (9th Cir. 2005) (“follow-on issues of methodology, survey design, reliability, the experience and reputation of the expert, critique of conclusions, and the like go to the weight of the survey rather than its admissibility.”).

A district court’s exclusion of a trademark survey due to unreliability often creates reversible error, as the Ninth Circuit has stood firm that such discrepancies should be evaluated by the fact-finder. *See Wendt v. Host Int’l, Inc.*, 125 F.3d 806, 814 [45] (9th Cir. 1997). Thus, issues relating to potentially leading survey questions or improperly limited geographic area in which the survey was conducted only go to the survey’s

overall value. “Unlike novel scientific theories, a jury should be able to determine whether asserted technical deficiencies undermine a survey’s probative value.” *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1143 n.8 (9th Cir. 1997). Here, the district court heard all of Stone Creek’s complaints, listened to testimony from Stone Creek’s rebuttal expert, and weighed Dr. Cowan’s survey accordingly. The district court did not err in considering Dr. Cowan’s testimony.

CONCLUSION

For the foregoing reasons, Omnia respectfully requests that this Court affirm, in its entirety, the final judgment entered by the district court.

DATED: LEWIS BRISBOIS BISGAARD &
December 7, 2018 SMITH LLP

By: /s/ Jeffry A. Miller
Daniel C. DeCarlo
Jeffry A. Miller
Scott M. Schoenwald
Attorneys for Defendant-Appellee
OMNIA ITALIAN DESIGN, INC.

[Certificate Of Compliance Omitted]

[Statement Of Related Cases Omitted]

[Certificate Of Service Omitted]

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA**

Stone Creek Incorporated,
Plaintiff,
v.
Omnia Italian Design
Incorporated, et al.,
Defendants.

**NO. CV-13-00688-PHX-
DLR**

**JUDGMENT IN A
CIVIL CASE**

(Filed Apr. 30, 2018)

Decision by Court. This action came for consideration before the Court. The issues have been considered and a decision has been rendered.

IT IS ORDERED AND ADJUDGED that pursuant to the Court's Order filed April 30, 2018, judgment is entered in favor of Plaintiff Stone Creek Incorporated and against Defendant Omnia Italian Design Incorporated for permanent injunction. Defendant Omnia Italian Design Incorporated, as well as its parents, subsidiaries, owners, directors, officers, assigns, successors, employers shall be permanently enjoined from using Plaintiff Stone Creek Incorporated marks, or any other mark confusingly similar. Plaintiff Stone

App. 64

Creek Incorporated is not entitled to disgorgement of profits.

Brian D. Karth
District Court Executive/
Clerk of Court

April 30, 2018

s/ D. Draper
By Deputy Clerk

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA**

Stone Creek Incorporated, Plaintiff, v. Omnia Italian Design Incorporated, et al., Defendants.	No. CV-13-00688-PHX- DLR ORDER (Filed Apr. 12, 2018)
---	--

Plaintiff Stone Creek Incorporated (“Stone Creek”), an Arizona furniture manufacturer, accused Defendant Omnia Italian Design Incorporated (“Omnia”) of infringing its trademark by selling furniture labeled with Stone Creek’s mark to The Bon-Ton Stores Incorporated (“Bon Ton”), which in turn sold them to customers in Bon Ton’s trading territory (“BTTT” or “Territory”).¹ In October 2015, the Court presided over a four-day bench trial. At its conclusion, the Court issued its findings of fact and concluded that Omnia did not infringe Stone Creek’s mark because its use of the mark was unlikely to cause confusion. (Doc. 175.) Stone Creek appealed.

On appeal, the Ninth Circuit explicitly credited this Court’s factual findings, but determined that the

¹ The BTTT consists of all areas within 200 miles of a Bon Ton furniture gallery. (Doc. 175 ¶ 17). The Territory includes portions of Iowa, Indiana, Ohio, Wisconsin, Pennsylvania, Illinois, and Michigan. (*Id.*)

Court erred in its application of the law—specifically, the *Sleekcraft* factors, which guide the likelihood of confusion inquiry. *Stone Creek, Inc. v. Omnia Italian Design, Inc.*, 875 F.3d 426, 436 (9th Cir. 2017); *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979). The Ninth Circuit determined that this Court’s factual findings compelled the conclusion that Omnia’s use of the Stone Creek mark is likely to cause confusion and, therefore, that Omnia is liable for trademark infringement. *Stone Creek*, 875 F.3d at 436, 444. Accordingly, the Ninth Circuit remanded the matter to this Court for the purpose of determining what remedies, if any, Stone Creek is entitled to given Omnia’s liability for infringement. More specifically, the Ninth Circuit directed the Court to determine “whether Omnia had the requisite intent” to justify disgorgement of profits. *Id.* at 444.

Where, as here, a defendant is found liable for trademark infringement, a court may award the prevailing plaintiff (1) the defendant’s profits, (2) the damages sustained by the plaintiff, (3) the costs of the action, and/or (4) injunctive relief. 15 U.S.C. § 1117(a); *La Quinta Worldwide LLC v. Q.R.T.M., S.A. de C.V.*, 762 F.3d 867, 879 (9th Cir. 2014). Stone Creek seeks only disgorgement of profits and a permanent injunction. The Court therefore confines its analysis to those two remedies. Moreover, because the Ninth Circuit explicitly credited the Court’s factual findings and remanded solely for the purpose of determining whether those facts justify the remedies Stone Creek seeks, the Court’s legal analysis is based on those

undisturbed facts. (Doc. 175 ¶¶ 1-85); *See Mendez-Gutierrez v. Gonzales*, 444 F.3d 1168, 1172 (9th Cir. 2006) (explaining that the district court is limited by the appellate court’s remand in situations where the scope of the remand is clear).

I. Omnia Did Not Willfully Infringe

Disgorgement of profits is permitted “only in those cases where the infringement is willfully calculated to exploit the advantage of an established mark” or “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, 1405-06 (9th Cir. 1993) (internal quotation and citations omitted). “Willful infringement carries a connotation of deliberate intent to deceive,” and “requires a connection between a defendant’s awareness of its competitors and its actions at those competitors’ expense.” *Fifty-Six Hope Rd. Music, Ltd. v. A.V.E.L.A., Inc.*, 778 F.3d 1059, 1074 (9th Cir. 2015) (internal quotations and citations omitted). These circumstances must be proven by a preponderance of the evidence.²

² Circuit courts are divided on the appropriate evidentiary standard. *Compare Versa Prods. Co. v. Bifold Co. (Mfg.) Ltd.*, 50 F.3d 189, 207-08 (3d Cir. 1995) (applying clear and convincing standard), *with Fishman Transducers, Inc. v. Paul*, 684 F.3d 187, 193 (1st Cir. 2012) (applying preponderance of the evidence standard); *Harrods Ltd. v. Sixty Internet Domain Names*, 302 F.3d 214, 226-27 (4th Cir. 2002) (same). The First Circuit in *Fishman* makes a compelling case for applying the preponderance of the evidence standard: “Fraud, a cousin of willfulness, has an historical association with the clear and convincing standard but the

Omnia did not willfully infringe on Stone Creek’s mark because “Omnia did not choose the mark with the intent of trading of Stone Creek’s goodwill.” (Doc. 175 ¶ 57.) Instead, “Omnia selected the STONE CREEK mark for Bon Ton’s private label, in part, because it sounded American and because marketing material and a logo were already prepared.” (¶ 56.) Moreover, Omnia did not intend to trade on Stone Creek’s goodwill in Bon Ton’s trading territory because Stone Creek had no goodwill in that territory, and Omnia did not research where Stone Creek sold its furniture prior to using the mark. (¶¶ 2, 11-14, 23, 24, 29, 32, 35, 39, 61.) Although Stone Creek operated a website, it neither sold furniture through that website nor delivered furniture out of state, and the website did not create awareness of the brand in the BTTT. (¶¶ 13, 29.)

Relying on *Fleishmann Distilling Corp. v. Maier Brewing Co.*, 314 F.2d 149, 157 (9th Cir. 1963), Stone Creek argues that Omnia’s deliberate adoption of an identical mark with knowledge of Stone Creek’s senior use compels the conclusion that Omnia willfully infringed. (Doc. 197 at 6-8.) *Fleishmann*, however, is distinguishable. In that case, it was undisputed that the senior user’s mark was well-known in the relevant

modern tendency in the Supreme Court is to reserve the clear and convincing burden, unless dictated by statute, for matters with constitutional implications like civil commitment.” *Fishman*, 684 F.3d at 192. Because § 1117 of the Lanham Act does not prescribe a different, higher burden of proof, the Court will apply the preponderance of the evidence standard. *Cf. Collegenet, Inc. v. XAP Corp.*, 483 F. Supp. 2d 1058, 1065 (D. Or. 2007) (adopting the clear and convincing standard without analysis).

market. *Fleishmann*, 314 F.2d at 156-57. In fact, the infringing junior user conceded that it “knew [the senior user] was one of the most popular brands on the market.” *Id.* Given the senior user’s popularity, the court concluded that the “only possible purpose” of the infringer’s use of the mark would “have been to capitalize on the name.” *Id.* The court added that the infringing user “must have known, [the senior user’s popularity] would extend to their product because the public would associate the name” with the senior user’s established quality and reputation. *Id.*

Here, however, the Court found that “[c]onsumers in the BTTT were not aware of Stone Creek furniture.” (Doc. 175 ¶ 32.) For example, a brand awareness survey conducted by Dr. Cowan, an expert in statistics and economics, revealed that “99.75% of the respondents . . . are not familiar with Stone Creek in Arizona and Stone Creek has no brand awareness in the BTTT.” (¶¶ 34-35.) Additionally, “[t]he vast majority of Google searches for Stone Creek Furniture originate in Arizona,” and “[t]he number of Google searches for the Stone Creek website from the BTTT is negligible.” (¶¶ 30-31.) Moreover, Omnia did not “research where Stone Creek sold its furniture” before adopting the mark, and offered motives for adopting it other than to capitalize on Stone Creek’s reputation; namely, that Stone Creek sounded “American” and it was convenient to use the mark because the marketing materials and logo were already prepared. (¶¶ 56, 61.) Thus, the inference drawn by the Ninth Circuit in *Fleishmann* is

not compelled by the Court’s credited factual findings in this case.³

Stone Creek next argues that Omnia’s failure to exercise due care to determine whether its use of the mark constituted infringement is conclusive evidence of willfulness. Many courts, however, have held that failure to conduct a trademark search does not necessarily compel such an inference. For example, the Fourth Circuit remarked that carelessness is quite different from an intent to confuse: “[T]he failure to conduct a trademark search or contact counsel shows carelessness at most, but is in any event irrelevant because knowledge of another’s goods is not the same as an intent to mislead and to cause consumer confusion.” *George & Co. LLC v. Imagination Entm’t Ltd.*, 575 F.3d 383, 398 (4th Cir. 2009) (internal quotation and citation omitted). The Second, Third, and Tenth Circuits share a similar understanding. *See SecuraComm Consulting Inc. v. Securacom Inc.*, 166 F.3d 182, 189 (3d Cir.

³ Stone Creek also argues that Omnia’s intentional appropriation of the mark compels the application of a presumption that Omnia intended to deceive customers. (Doc. 197 at 8.) Stone Creek’s argument, however, conflates the intent factor under the *Sleekcraft* analysis with the willfulness inquiry. Although under *Sleekcraft* the knowing use of another’s mark creates a presumption that the junior user had an intent to deceive, this presumption does not extend to the willfulness analysis for disgorgement of profits. *Hotko Kinoko Co. v. Concord Farms, Inc.*, 738 F.3d 1085, 1096 (9th Cir. 2013); 5 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 30:62 (5th ed. 2018) (noting that there is a presumption of willfulness only when the infringer provided false contact information to a domain name registrar).

1999), *superseded on other grounds by statute*, 15 U.S.C. § 1117(a), *as recognized in Banjo Buddies, Inc. v. Renosky*, 399 F.3d 168, 173-76 (3d Cir. 2005); *King of the Mountain Sports, Inc. v. Chrysler Corp.*, 185 F.3d 1084, 1091-92 (10th Cir. 1999); *Savin Corp. v. Savin Group*, 391 F.3d 439, 460 (2d Cir. 2004). Accordingly, although the Court’s factual findings might indicate that Omnia was careless in its adoption of Stone Creek’s mark, these findings do not compel the conclusion that Omnia willfully infringed.

II. Stone Creek Is Not Entitled to Disgorgement of Omnia’s Profits

Even assuming that Omnia willfully infringed on Stone Creek’s mark, Stone Creek is not entitled to disgorgement of Omnia’s profits because the profits are not attributable to Omnia’s infringement. Under the Lanham Act, if the defendant is found liable for willful trademark infringement, then the plaintiff is entitled to recover defendant’s profits. 15 U.S.C. § 1117(a). In assessing the amount of profits, the plaintiff has the burden to prove the defendant’s gross revenue from the infringement. The burden then shifts to the defendant to “prove that sales were demonstrably not attributable to the infringing mark,” or that certain expenses “should be deducted from the gross revenue to arrive at the . . . lost profits.” *Nintendo Am., Inc. v. Dragon Pac. Int’l*, 40 F.3d 1007, 1012 (9th Cir. 1994) (internal quotation and citation omitted); *Fifty-Six Hope Rd., Inc.*, 778 F.3d at 1076. If the defendant does not carry this burden, all of the profits from the infringing

products belong to the mark owner. *Mishawaka Rubber & Woolen Mfg. Co. v. S.S. Kresge Co.*, 316 U.S. 203, 206-07 (1942).

The parties stipulated that Omnia's gross sales of the infringing products were \$4,455,352. (Doc. 175 ¶ 85.) The burden therefore shifted to Omnia to demonstrate that the sales were not attributable to its infringement. 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 BTTT were unaware of the Stone Creek brand and experienced no actual confusion between Stone Creek and Omnia when purchasing Omnia's Stone Creek furniture. (¶¶ 32, 35, 46-51, 81, 82.) Moreover, Omnia demonstrated that Bon-Ton did not contract with Omnia to sell its furniture because of the Stone Creek mark. Accordingly, even assuming that Omnia willfully infringed, none of its profits are attributable to the infringing mark.

III. Stone Creek is Entitled to a Permanent Injunction

Stone Creek also asks the Court to permanently enjoin Omnia from using the Stone Creek mark. For its part, Omnia argues that "there is no need for a permanent injunction as there is no likelihood of future harm" because it "ceased using the Stone Creek mark in 2013 and no evidence suggests that [it] would ever

use the mark again.” (Doc. 196 at 30.) On appeal, the Ninth Circuit did not consider or make any conclusions regarding the propriety of a permanent injunction. Where, as here, “a court is confronted with issues that the remanding court never considered, the mandate requires respect for what the higher court decided, not for what it did *not* decide.” *Hall v. City of L.A.*, 697 F.3d 1059, 1067 (9th Cir. 2012) (internal quotation and citation omitted) (emphasis original). Stated differently, a lower court is permitted to “decide anything not foreclosed by the mandate” of an appellate court. *Id.* Because this issue was not foreclosed by the Ninth Circuit’s mandate, the Court concludes for the following reasons that Stone Creek is entitled to a permanent injunction.

Trademark law gives federal courts the “power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable, to prevent the violation of any right of the registrant of a mark.” 15 U.S.C. § 1116.

[A] plaintiff seeking a permanent injunction must satisfy a four-factor test before a court may grant such relief. A plaintiff must demonstrate: (1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.

eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391 (2006); see *Herb Reed Enters., LLC v. Florida Entm't Mgmt., Inc.*, 736 F.3d 1239, 1248-50 (9th Cir. 2013) (applying *eBay* factors to trademark law). Although “[t]he decision to grant or deny permanent injunctive relief is an act of equitable discretion by the district court,” the “traditional principles of equity” demand a fair weighing of the factors listed above, taking into account the unique circumstances of each case. *eBay*, 547 U.S. at 391, 394.

Stone Creek has carried its burden on all four prongs. First, evidence of an intangible injury, such as a loss of customers, damage to a party’s goodwill, or loss of control over one’s business reputation can constitute irreparable harm. *Rent-A-Ctr., Inc. v. Canyon Television & Appliance Rental, Inc.*, 944 F.2d 597, 603 (9th Cir. 1991); *Herb Reed*, 736 F.3d at 1250; see also *Polo Fashions, Inc. v. Dick Bruhn, Inc.*, 793 F.2d 1132, 1135-36 (9th Cir. 1986) (finding the district court erred in denying a permanent injunction simply because the plaintiff failed to offer evidence suggesting the defendant would infringe in the future). For instance, “[i]f it is likely that confused persons will mistakenly attribute to [the] plaintiff defects or negative impressions they have of [the] defendant’s goods or services, then the plaintiff’s reputation (and its signifying trademark) is at risk because it is in the hands of a stranger.” 5 McCarthy on Trademarks and Unfair Competition § 30:2. Here, “Stone Creek’s president [] fielded a telephone call into its office regarding a customer concerned about a warranty issue on a leather

sofa” that he purchased “from a Bon-Ton store in Chicago,” which is indicative of such mistaken attribution. (Doc. 175 ¶¶ 74-75.)

Second, Stone Creek’s irreparable harm indicates that damages at law are inadequate to remedy Omnia’s infringement. “The terms ‘inadequate remedy at law’ and ‘irreparable harm’ describe two sides of the same coin. If the harm being suffered by plaintiff . . . is ‘irreparable,’ then the remedy at law (monetary damages) is ‘inadequate.’” 5 McCarthy § 30:2. Indeed, Stone Creek is not entitled to disgorgement of profits and therefore is without a monetary remedy for Omnia’s infringement. Moreover, permanent injunctions are “the usual and normal remedy” for trademark infringement. *See* 5 McCarthy § 30:1.

Third, the balance of the equities favors Stone Creek. If the Court issues an injunction, Omnia merely would be required to refrain from infringing on Stone Creek’s mark—something it already has done. *See Audi AG v. D’Amato*, 469 F.3d 534, 550 (6th Cir. 2006) (noting that a defendant suffers no hardship in merely “refraining from willful trademark infringement”). In contrast, without an injunction Stone Creek would be left with little protection against potential future infringement, despite its success in this litigation. Under the circumstances, the balance of hardships weighs in Stone Creek’s favor.

Finally, an injunction serves the public interest in being free from deception and confusion. *See Internet Specialties W., Inc. v. Milon-DiGiorgio Enters., Inc.*, 559

F.3d 985, 993 n.5 (9th Cir. 2009) (“The public has an interest in avoiding confusion between two companies’ products.”). Accordingly, the Court will permanently enjoin Omnia from infringing Stone Creek’s mark.

IV. Conclusion

On remand for consideration of remedies, the Court concludes that Stone Creek is not entitled to disgorgement of profits because Omnia did not willfully infringe Stone Creek’s mark and, even if it did, Omnia’s profits were not attributable to its infringement. Stone Creek, however, is entitled to a permanent injunction.

IT IS ORDERED as follows:

1. In accordance with the Ninth Circuit’s mandate, the Court finds in favor of Stone Creek and against Omnia on Stone Creek’s trademark infringement claim.
2. Stone Creek is not entitled to disgorgement of profits.
3. Stone Creek is entitled to a permanent injunction. The parties are directed to meet and confer and, within **fourteen days** of the date of this order, submit a joint proposed preliminary injunction order and form of judgment for the Court’s review and approval.

App. 77

Dated this 12th day of April, 2018.

/s/ Douglas L. Rayes

Douglas L. Rayes
United States District Judge

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA**

Stone Creek Incorporated, Plaintiff, v. Omnia Italian Design Incorporated, et al., Defendants.	NO. CV-13-00688-PHX-DLR ORDER (Filed Nov. 9, 2015)
---	---

This matter was tried before the Court without a jury for four days commencing on October 20, 2015, and concluding on October 23, 2015. Having considered the evidence introduced at trial, the arguments of counsel, and the applicable law, the Court makes the following findings of fact and conclusions of law.

FINDINGS OF FACT

1. Plaintiff Stone Creek, Inc. ("Stone Creek"), an Arizona Corporation, brought this case against Omnia Italian Design, Inc. ("Omnia") alleging claims of federal and common law trademark infringement and unfair competition.
2. Stone Creek is a company that manufactures and sells furniture in Arizona.
3. Stone Creek has operated solely out of the Phoenix, Arizona area, except for a period from 2004 to 2008, during which it also manufactured and sold furniture in Dallas, Texas.

4. Around 1990, Stone Creek adopted and began using the STONE CREEK mark:



5. The STONE CREEK mark is a “red oval-shape circle around the words ‘Stone Creek.’”
6. In 1992, Stone Creek first obtained state trademark and trade name registrations for the trade name “Stone Creek Furnishings” and the following trademark: “oval encircling the trade name of Stone Creek.”
7. Stone Creek renewed the trade name and trademark certifications in 2006.
8. On February 7, 2012, Stone Creek became the owner of U.S. Registration No. 4,095,866 for the word mark STONE CREEK in standard characters, and U.S. Registration No. 4,096,079 for the wording STONE CREEK surrounded by a stylized, red oval.
9. Household furniture is typically sold locally to customers living within a drivable radius from the furniture outlet retail store.
10. The size, weight, and costs to ship, as well the customers’ preference to see and sit on the furniture, has created the retail furniture business model; local furniture stores.

11. Stone Creek follows the typical retail furniture store business model, selling its furniture locally in the Phoenix area.
12. Stone Creek delivers furniture locally but does not ship furniture out of state.
13. Stone Creek has a website, but does not sell furniture directly through its website. It does not engage in internet sales.
14. Stone Creek operates five showrooms in the Phoenix, Arizona area.
15. The President and owner of Stone Creek, Ron Jones, has had a goal of expanding Stone Creek, but there are no plans to expand and there have been no acts directed toward expanding after Stone Creek closed its Texas operations.
16. The Bon-Ton Stores, Inc. ("Bon-Ton") is a large retailer that operates furniture galleries in Illinois, Wisconsin, Pennsylvania, Ohio, and Michigan.
17. Omnia's products are sold to purchasers living within 200 miles of a Bon-Ton Furniture gallery, which includes portions of Iowa, Indiana, Ohio, Wisconsin, Pennsylvania, Illinois, and Michigan, the Bon Ton trading territory. (the "BTTT").
18. The parties' distinct trading territories are separated by over 1000 miles at their closest points and nearly 2000 miles at their furthest.
19. From 1993 through 1998, Stone Creek advertised its brand in the monthly Southwest Airlines Spirit magazine and America West's in-flight magazine ("airline magazines").

App. 81

20. These airlines travelled in Arizona, as well as throughout the BTTT.
21. In 1998, Stone Creek began advertising in Phoenix Magazine and Phoenix Home and Garden Magazine (“Phoenix magazines”).
22. Neither the airline magazines nor the Phoenix magazines had or have a significant presence in any of the BTTT states and none of them created awareness of Stone Creek in the BTTT.
23. Stone Creek’s marketing channels existed only within the State of Arizona during the relevant time period.
24. Stone Creek did not target advertising or marketing at the BTTT during the relevant time period.
25. Stone Creek placed its mark on its website, stonecreekfurniture.com, as early as 2000.
26. Stone Creek hired Netwirks to increase its brand exposure through search engine optimization.
27. Netwirks has been successful at establishing the STONE CREEK mark.
28. Consumers can access Stone Creek’s website by going to stonecreekfurniture.com or by searching for “stone creek” and “leather,” “furniture” or “sofa.”
29. The website has not created awareness of Stone Creek in the BTTT.
30. The vast majority of Google searches for Stone Creek Furniture originate in Arizona.
31. The number of Google searches for the Stone Creek website from the BTTT is negligible.

App. 82

32. Consumers in the BTTT are not aware of Stone Creek Furniture.
33. There are many businesses within the BTTT that operate under the name of Stone Creek. These businesses do not sell furniture.
34. Dr. Cowan, an expert in statistics and economics, conducted a brand awareness survey in the BTTT.
35. 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.
36. Stone Creek has realized more than \$200,000,000 in sales since inception, mostly in the Phoenix area. Approximately 0.3% of its total sales occurred in the BTTT, breaking down as follows:

State	Date of First Sale	Years with Sales	Total Sales \$
Illinois	1/4/1996	1996-2009, 2011-2013	\$346,820.90
Ohio	1/29/1996	1996-1998, 2002, 2003, 2005-2007, 2009	\$32,014.25
Pennsylvania	1/31/1996	1996-2003, 2005-2007, 2009, 2011	\$65,607.25
Michigan	2/7/1996	1996-2004, 2006, 2007, 2009, 2010, 2011, 2013	\$88,517.33
Wisconsin	3/26/1996	1996-1999, 2003-2006, 2008, 2010, 2011, 2013	\$77,424.71
Totals			\$610,384.44

App. 83

37. Stone Creek has the customer list for its approximate 65,000 transactions since its inception, including the approximate 150 customers from the BTTT who, since inception, purchased Stone Creek furniture.
38. The number of Stone Creek customers and the total value of those sales from the BTT since Stone Creek's inception is trivial considered in light of the number of total sales and the total value of those sales over that period of time.
39. There is no evidence presented as to how any of the approximate 150 customers from the BTTT came to know of Stone Creek or why any customer from the BTTT purchased from Stone Creek.
40. In 2003, Stone Creek met Omnia at a trade show in San Francisco.
41. Omnia is a California-based manufacturer of leather furniture.
42. Omnia marketed its products to Stone Creek by explaining Omnia's leather furniture would fit well with Stone Creek's existing sofa and seating lines.
43. In 2003, Omnia entered into an Agreement with Stone Creek to manufacture leather branded with Stone Creek's STONE CREEK mark for Stone Creek's business.
44. From 2003 through 2012, Stone Creek was Omnia's customer.
45. Prior to 2008, Omnia had solicited Bon-Ton's business for a number of years.

46. In 2008, Bon-Ton became one of Omnia's "significant" customers.
47. Bon-Ton did not want to sell Omnia's furniture under the "Omnia brand," it wanted a private label—i.e. a name other than Omnia to avoid competition with Omnia's other customers.
48. After Omnia and Bon-Ton agreed that Omnia would become Bon Ton's supplier of leather furniture, Bon Ton indicated that it would like a label with an "American made name."
49. Omnia's president offered several suggestions, including STONE CREEK.
50. Bon Ton decided to market some of its furniture under the STONE CREEK name.
51. Bon Ton's decision to use Omnia as a supplier was not tied to nor conditioned on the use of the STONE CREEK mark.
52. Omnia knew of Stone Creek's use of the mark at the time Omnia offered it for Bon-Ton's private label.
53. Omnia copied the STONE CREEK mark from materials provided to it by Stone Creek.
54. Omnia's president provided old documents that had the STONE CREEK logo on it to its brand manager and told him to recreate the identical STONE CREEK logo.
55. The mark was digitally recreated because the resolution from scanning the old documents was too low.

56. Omnia selected the STONE CREEK mark for Bon-Ton's private label, in part, because it sounded American and because marketing materials and a logo were already prepared.
57. Omnia did not choose the mark with the intent of trading off of Stone Creek's goodwill.
58. The logo was the identical STONE CREEK mark that Stone Creek provided to Omnia for use on its private label.
59. Omnia never asked Stone Creek if it could use the mark.
60. Omnia never consulted an attorney regarding whether it could place the STONE CREEK mark on furniture being sold to Bon-Ton.
61. Omnia's president since 2004, Peter Zolferino, having been in the furniture business and having done business with Stone Creek, understood that Stone Creek sold in the Phoenix area, but he never researched where Stone Creek sold its furniture.
62. Omnia never performed an internet or other documentary search to determine where or how Stone Creek sold its furniture.
63. Omnia never asked where Stone Creek's customers were located prior to using the mark.
64. Omnia never performed any internet or documentary searches to determine where Stone Creek's customers were located.
65. Omnia adopted and used the STONE CREEK mark with full knowledge of Stone Creek's senior use.

66. Bon-Ton entered into an agreement under which Omnia would manufacture leather furniture for Bon-Ton using a private label and Bon Ton would sell the furniture in the BTTT (the “Accused Sales”).
67. All of the Accused Sales occurred in the BTTT; none of them occurred in Arizona. 68. From 2008 to 2013, Omnia sold leather furniture to Bon-Ton branded with the STONE CREEK mark.
69. Omnia created point-of-sale binders branded with the STONE CREEK mark.
70. Omnia created a wood leg color board for display in Bon-Ton stores, which had the STONE CREEK mark prominently displayed.
71. Omnia created sample leathers for point-of-sale reference, which were marked with the STONE CREEK mark.
72. Omnia redesigned warranty cards with the STONE CREEK mark and ordered 5,000 new warranty cards for Bon-Ton’s STONE CREEK line.
73. In 2013, after inquiries from individuals in the BTTT, Stone Creek asked Omnia if it sold products under the STONE CREEK mark to other companies.
74. Stone Creek’s president also fielded a telephone call into its office regarding a customer concerned about a warranty issue on a leather sofa.
75. The customer indicated that he purchased the sofa, which was a STONE CREEK brand, from a Bon-Ton store in Chicago.

App. 87

76. The customer described a warranty document that had the STONE CREEK mark on it, and the mark led the customer to Stone Creek's website.
77. Stone Creek's president then found its mark being used on furniture sold on Bon-Ton's website.
78. 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.'"
79. 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 . . ."
80. After Stone Creek notified Omnia of its complaints in 2013, Omnia changed the name of the furniture that it had been selling under the STONE CREEK name to Red Canyon.
81. Stone Creek's trademark did not earn any goodwill, reputation, or consumer recognition in the BTTT.
82. There was no actual confusion by a consumer in the BTTT purchasing Omnia STONE CREEK furniture.
83. Stone Creek owns the website stonecreekfurniture.com.

- 84. In February 2013, Omnia was still using the STONE CREEK mark with the red oval around the words “Stone Creek.”
- 85. Omnia’s gross revenue from the Accused Sales was \$4,455,352.

CONCLUSIONS OF LAW

- 86. Stone Creek asserts claims for federal and common law trademark infringement and Lanham Act unfair competition.
- 87. A trademark is any word, name, symbol, device, or any combination thereof, used by a person to identify and distinguish that person’s goods from those of others and to indicate the source of the goods, even if that source is generally unknown. 15 U.S.C. § 1127.
- 88. “A trademark is a limited property right in a particular word, phrase or symbol.” *New Kids on the Block v. New Am. Pub., Inc.*, 971 F.2d 302, 306 (9th Cir. 1992). It identifies the source of goods. *Brookfield Commc’ns, Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1051 (9th Cir. 1999).
- 89. To prevail on its trademark infringement and unfair competition claims, Stone Creek must show: (1) it owns a valid mark; (2) the mark was used without its consent; and (3) such unauthorized use is likely to cause confusion among ordinary consumers as to the source, sponsorship, affiliation, or approval of the goods. *See Credit One Corp. v. Credit One Fin., Inc.*, 661 F. Supp. 2d 1134, 1137 (C.D. Cal. 2009) (collecting cases and authorities).

90. On August 28, 2014, the Court granted summary judgment for Stone Creek on the issues of ownership of the STONE CREEK mark and Omnia's lack of permission to use the mark for the Accused Sales.
91. At trial, Stone Creek had the burden to establish that Omnia's unauthorized use was likely to cause confusion. Stone Creek failed to meet its burden.
92. The holder of a trademark in a Lanham Act claim, "must show that the defendant's use of its trademark 'is likely to cause confusion, or to cause mistake, or to deceive.'" *Fortune Dynamic, Inc. v. Victoria's Secret Stores Brand Mgmt.*, 618 F.3d 1025, 1030 (9th Cir.2010) (quoting 15 U.S.C. § 1125(a)(1)-(a)(1)(A)). "The test for likelihood of confusion is whether a 'reasonably prudent consumer' in the marketplace is likely to be confused as to the origin of the good or service bearing one of the marks." *Dreamwerks Prod. Grp. v. SKG Studio*, 142 F.3d 1127, 1129 (9th Cir. 1998). "The confusion must 'be probable, not simply a possibility.'" *Murray v. Cable Nat'l Broad. Co.*, 86 F.3d 858, 861 (9th Cir.1996) (citing *Rodeo Collection, Ltd. v. W. Seventh*, 812 F.2d 1215, 1217 (9th Cir. 1987)).
93. Likelihood of confusion is the core element of trademark infringement. "The limited purpose of trademark protections set forth in the Lanham [Trademark] Act is to 'avoid confusion in the marketplace' by allowing a trademark owner to 'prevent[] others from duping consumers into buying a product they mistakenly believe is sponsored by the trademark owner.'" *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 806 (9th Cir. 2003)

(citing *Mattel, Inc. v. MCA Records, Inc.*, 296 F.3d 894, 900 (9th Cir. 2002)).

94. “Generally, to assess whether a defendant has infringed on a plaintiff’s trademark, we apply a ‘likelihood of confusion’ test that asks whether use of the plaintiff’s trademark by the defendant is ‘likely to cause confusion or to cause mistake, or to deceive as to the affiliation, connection, or association’ of the two products.” *Id.* at 806-807 (citing *Cairns v. Franklin Mint Co.*, 292 F.3d 1139, 1149 (9th Cir. 2002)). “[T]he ultimate test is whether the public is likely to be deceived or confused by the similarity of the marks. Whether we call the violation infringement, unfair competition or false designation of origin, the test is identical[:] is there a ‘likelihood of confusion?’” *New W. Corp. v. NYM Co. of California, Inc.*, 595 F.2d 1194, 1201 (9th Cir. 1979) (citations omitted).
95. The Court finds no evidence of actual confusion by any consumer when purchasing STONE CREEK furniture in the BTTT, but even had Stone Creek shown a trivial number of purchasers had been actually confused, a trivial number of instances of actual confusion does not meet the test for trademark infringement. The test is whether the defendant’s mark is “likely to confuse an *appreciable* number of people as to the source of the product.” *Falcon Stainless, Inc. v. Rino Cos.*, 572 Fed. App’x 483, 486 (9th Cir. 2014) (citing *Entrepreneur Media, Inc. v. Smith*, 279 F.3d 1135, 1151 (9th Cir. 2002)); *see also Playboy Enters., Inc. v. Netscape Commc’ns Corp.*, 354 F.3d 1020, 1026 (9th Cir. 2004) (“[A]ctual confusion among significant

numbers of consumers provides strong support for the likelihood of confusion.”).

96. When assessing the likelihood of confusion, the Court may consider the following, non-exhaustive factors: (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. *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979), abrogated on other grounds by *Mattel, Inc. v. Walking Mountain Prods.*, 353 F.3d 792, 806 (9th Cir. 2003).
97. These factors must be applied in a “flexible fashion” as they are intended merely as a proxy or substitute for consumer confusion, “not a rote checklist.” *Rearden LLC v. Rearden Commerce, Inc.*, 683 F.3d 1190, 1209 (9th Cir. 2012). “A determination may rest on only those factors that are most pertinent to the particular case before the court” and the analysis is “best understood as simply providing helpful guideposts.” *Id.* at 1209-10 (quotations and citations omitted).
98. The *Sleekcraft* factors weigh in favor of Omnia. Applying the *Sleekcraft* factors, the Court finds:
 - A. The STONE CREEK mark is strong in Arizona, but it is not recognized in the BTTT for its relationship to Stone Creek.
 - B. The goods sold by Omnia and Stone Creek are the same.
 - C. The marks are the same.

- D. There is no evidence of actual confusion by any consumer in the BTTT who purchased Omnia furniture believing it was manufactured or sold by Stone Creek.
 - E. The parties had distinct marketing channels with no opportunity for crossover. Because of the local nature of the furniture industry, consumers in the BTTT were not targeted for marketing by Stone Creek.
 - F. Furniture is expensive and consumers are therefore expected to exercise greater care.
 - G. Bon-Ton selected the mark because it had an American sound to it, and because the marketing material and logo already existed and were in the possession of Omnia. There was no intent to trade off of Stone Creek's goodwill.
 - H. Stone Creek has no plans to expand.
99. Even if the *Sleekcraft* factors weighed in Stone Creek's favor, they may take a back seat when territorial divisions prevent confusion. "Even where the *Sleekcraft* factors weigh in favor of the [plaintiff], . . . territorial divisions may prevent confusion. An unauthorized junior mark user . . . can contest likelihood of confusion by arguing that, since 'the registrant and the unauthorized user are confined to two sufficiently distinct and geographically separate markets,' there is no likelihood of confusion." *Russell Rd. Food & Beverage, LLC v. Spencer*, No. 2:12-cv-01514-LRH-GWF,

2013 WL 321666, at *2 (D. Nev. Jan. 28, 2013) (citing *Dawn Donut Co., Inc. v. Hart's Food Stores, Inc.*, 267 F.2d 358, 364 (2d Cir. 1959)); cf. *Mister Donut of Am., Inc. v. Mr. Donut, Inc.*, 418 F.2d 838, 844 (9th Cir. 1969) (“[W]here a federal registrant has expanded its business to the point that the use of the conflictingly similar marks by the registrant and the unauthorized user are *no longer confined to separate and distinct market areas* and there is established the likelihood of public confusion, the federal registrant is entitled under the authority of the Lanham Act to injunctive relief.”) (emphasis added).

100. Because furniture consumers are local consumers, and because Stone Creek’s entire market was Arizona and Bon Ton’s market was the five Midwest states of the BTTT—markets that are over 1000 miles at their closest points and nearly 2000 miles at their furthest—territorial isolation prevented the likelihood of confusion of an appreciable number of consumers in the BTTT.
101. “[T]he sine qua non of trademark infringement is consumer confusion,” *Network Automation, Inc. v. Advanced Sys. Concepts*, 638 F.3d 1137, 1149 (9th Cir. 2011). Because of the separate markets that exist here, there is no likelihood of confusion under any test, including the *Sleekcraft* factors.
102. The evidence supports a finding that separate markets prevented the likelihood of confusion:

- A. Consumers in the BTTT were unaware of Stone Creek;
- B. The vast majority of Google searches for Stone Creek Furniture originate in Arizona;
- C. The number of Google searches for the Stone Creek website from the BTTT were negligible;
- D. Stone Creek had no brand awareness in the BTTT;
- E. There was no actual confusion by a consumer in the BTTT purchasing Omnia STONE CREEK furniture.

103. Omnia is not liable to Stone Creek on any of Stone Creek's claims. Accordingly,

IT IS ORDERED finding in favor of Defendant Omnia Italian Designs, Inc., and against Plaintiff Stone Creek, Inc. on all counts and all causes of action. The Clerk shall enter judgment in accordance with this Order.

Dated this 9th day of November, 2015.

/s/ Douglas L. Rayes

Douglas L. Rayes
United States District Judge

15 USCS § 1117

Recovery for violation of rights

(a) Profits; damages and costs; attorney fees.

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 43(a) or (d) [15 USCS § 1125(a) or (d)], or a willful violation under section 43(c) [15 USCS § 1125(c)], shall have been established in any civil action arising under this Act, the plaintiff shall be entitled, subject to the provisions of sections 29 and 32 [15 USCS §§ 1111, 1114], and subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

(b) In assessing damages under subsection (a) for any violation of section 32(1)(a) of this Act [15 USCS § 1114(1)(a)] or section 220506 of title 36, United States Code, in a case involving use of a counterfeit mark or designation (as defined in section 34(d) of this Act [15 USCS § 1116(d)]), the court shall, unless the court finds extenuating circumstances, enter judgment for three times such profits or damages, whichever amount is greater, together with a reasonable attorney's fee, if the violation consists of—

(1) intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 34(d) of this Act [15 USCS § 1116(d)]), in connection with the sale, offering for sale, or distribution of goods or services; or

(2) providing goods or services necessary to the commission of a violation specified in paragraph (1), with the intent that the recipient of the goods or services would put the goods or services to use in committing the violation.

In such a case, the court may award prejudgment interest on such amount at an annual interest rate established under section 6621(a)(2) of the Internal Revenue Code of 1986 [26 USCS § 6621(a)(2)], beginning on the date of the service of the claimant's pleadings setting forth the claim for such entry of judgment and ending on the date such entry is made, or for such shorter time as the court considers appropriate.

(c) Statutory damages for use of counterfeit marks. In a case involving the use of a counterfeit

mark (as defined in section 34(d) (15 U.S.C. 1116(d)) in connection with the sale, offering for sale, or distribution of goods or services, the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a), an award of statutory damages for any such use in connection with the sale, offering for sale, or distribution of goods or services in the amount of—

(1) not less than \$1,000 or more than \$200,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just; or

(2) if the court finds that the use of the counterfeit mark was willful, not more than \$2,000,000 per counterfeit mark per type of goods or services sold, offered for sale, or distributed, as the court considers just.

(d) Statutory damages for violation of section 1125(d)(1). In a case involving a violation of section 43(d)(1) [15 USCS § 1125(d)(1)], the plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits, an award of statutory damages in the amount of not less than \$1,000 and not more than \$100,000 per domain name, as the court considers just.

(e) Rebuttable presumption of willful violation. In the case of a violation referred to in this section, it shall be a rebuttable presumption that the violation is willful for purposes of determining relief if the violator,

App. 98

or a person acting in concert with the violator, knowingly provided or knowingly caused to be provided materially false contact information to a domain name registrar, domain name registry, or other domain name registration authority in registering, maintaining, or renewing a domain name used in connection with the violation. Nothing in this subsection limits what may be considered a willful violation under this section.

15 USCS § 1125, Part 1 of 3

**False designations of origin, false descriptions,
and dilution forbidden**

(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.

(2) As used in this subsection, the term “any person” includes any State, instrumentality of a State or employee of a State or instrumentality of a State acting in his or her official capacity. Any State, and any such instrumentality, officer, or employee, shall be subject to the provisions of this

Act in the same manner and to the same extent as any nongovernmental entity.

(3) In a civil action for trade dress infringement under this Act for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that the matter sought to be protected is not functional.

(b) **Importation.** Any goods marked or labeled in contravention of the provisions of this section shall not be imported into the United States or admitted to entry at any customhouse of the United States. The owner, importer, or consignee of goods refused entry at any customhouse under this section may have any recourse by protest or appeal that is given under the customs revenue laws or may have the remedy given by this Act in cases involving goods refused entry or seized.

(c) **Dilution by blurring; dilution by tarnishment.**

(1) Injunctive relief. Subject to the principles of equity, the owner of a famous mark that is distinctive, inherently or through acquired distinctiveness, shall be entitled to an injunction against another person who, at any time after the owner's mark has become famous, commences use of a mark or trade name in commerce that is likely to cause dilution by blurring or dilution by tarnishment of the famous mark, regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.

(2) Definitions.

(A) For purposes of paragraph (1), a mark is famous if it is widely recognized by the general consuming public of the United States as a designation of source of the goods or services of the mark's owner. In determining whether a mark possesses the requisite degree of recognition, the court may consider all relevant factors, including the following:

(i) The duration, extent, and geographic reach of advertising and publicity of the mark, whether advertised or publicized by the owner or third parties.

(ii) The amount, volume, and geographic extent of sales of goods or services offered under the mark.

(iii) The extent of actual recognition of the mark.

(iv) Whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

(B) For purposes of paragraph (1), "dilution by blurring" is association arising from the similarity between a mark or trade name and a famous mark that impairs the distinctiveness of the famous mark. In determining whether a mark or trade name is likely to cause dilution by blurring, the court may consider all relevant factors, including the following:

- (i) The degree of similarity between the mark or trade name and the famous mark.
 - (ii) The degree of inherent or acquired distinctiveness of the famous mark.
 - (iii) The extent to which the owner of the famous mark is engaging in substantially exclusive use of the mark.
 - (iv) The degree of recognition of the famous mark.
 - (v) Whether the user of the mark or trade name intended to create an association with the famous mark.
 - (vi) Any actual association between the mark or trade name and the famous mark.
- (C) For purposes of paragraph (1), “dilution by tarnishment” is association arising from the similarity between a mark or trade name and a famous mark that harms the reputation of the famous mark.
- (3) Exclusions. The following shall not be actionable as dilution by blurring or dilution by tarnishment under this subsection:
- (A) Any fair use, including a nominative or descriptive fair use, or facilitation of such fair use, of a famous mark by another person other than as a designation of source for the person’s own goods or services, including use in connection with—

(i) advertising or promotion that permits consumers to compare goods or services; or

(ii) identifying and parodying, criticizing, or commenting upon the famous mark owner or the goods or services of the famous mark owner.

(B) All forms of news reporting and news commentary.

(C) Any noncommercial use of a mark.

(4) Burden of proof. In a civil action for trade dress dilution under this Act for trade dress not registered on the principal register, the person who asserts trade dress protection has the burden of proving that—

(A) the claimed trade dress, taken as a whole, is not functional and is famous; and

(B) if the claimed trade dress includes any mark or marks registered on the principal register, the unregistered matter, taken as a whole, is famous separate and apart from any fame of such registered marks.

(5) Additional remedies. In an action brought under this subsection, the owner of the famous mark shall be entitled to injunctive relief as set forth in section 34. The owner of the famous mark shall also be entitled to the remedies set forth in sections 35(a) and 36 [15 USCS § 1117(a) and 1118], subject to the discretion of the court and the principles of equity if—

(A) the mark or trade name that is likely to cause dilution by blurring or dilution by tarnishment was first used in commerce by the person against whom the injunction is sought after the date of enactment of the Trademark Dilution Revision Act of 2006 [enacted Oct. 6, 2006]; and

(B) in a claim arising under this subsection—

(i) by reason of dilution by blurring, the person against whom the injunction is sought willfully intended to trade on the recognition of the famous mark; or

(ii) by reason of dilution by tarnishment, the person against whom the injunction is sought willfully intended to harm the reputation of the famous mark.

(6) Ownership of valid registration a complete bar to action. The ownership by a person of a valid registration under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register under this Act shall be a complete bar to an action against that person, with respect to that mark, that—

(A) is brought by another person under the common law or a statute of a State; and

(B)

(i) seeks to prevent dilution by blurring or dilution by tarnishment; or

(ii) asserts any claim of actual or likely damage or harm to the distinctiveness or

reputation of a mark, label, or form of advertisement.

(7) Savings clause. Nothing in this subsection shall be construed to impair, modify, or supersede the applicability of the patent laws of the United States.

(d) Cyberpiracy prevention.

(1)

(A) A person shall be liable in a civil action by the owner of a mark, including a personal name which is protected as a mark under this section, if, without regard to the goods or services of the parties, that person—

(i) has a bad faith intent to profit from that mark, including a personal name which is protected as a mark under this section; and

(ii) registers, traffics in, or uses a domain name that—

(I) in the case of a mark that is distinctive at the time of registration of the domain name, is identical or confusingly similar to that mark;

(II) in the case of a famous mark that is famous at the time of registration of the domain name, is identical or confusingly similar to or dilutive of that mark; or

(III) is a trademark, word, or name protected by reason of section 706 of

title 18, United States Code, or section 220506 of title 36, United States Code.

(B)

(i) In determining whether a person has a bad faith intent described under subparagraph (A), a court may consider factors such as, but not limited to—

(I) the trademark or other intellectual property rights of the person, if any, in the domain name;

(II) the extent to which the domain name consists of the legal name of the person or a name that is otherwise commonly used to identify that person;

(III) the person's prior use, if any, of the domain name in connection with the bona fide offering of any goods or services;

(IV) the person's bona fide noncommercial or fair use of the mark in a site accessible under the domain name;

(V) the person's intent to divert consumers from the mark owner's online location to a site accessible under the domain name that could harm the goodwill represented by the mark, either for commercial gain or with the intent to tarnish or

disparage the mark, by creating a likelihood of confusion as to the source, sponsorship, affiliation, or endorsement of the site;

(VI) the person's offer to transfer, sell, or otherwise assign the domain name to the mark owner or any third party for financial gain without having used, or having an intent to use, the domain name in the bona fide offering of any goods or services, or the person's prior conduct indicating a pattern of such conduct;

(VII) the person's provision of material and misleading false contact information when applying for the registration of the domain name, the person's intentional failure to maintain accurate contact information, or the person's prior conduct indicating a pattern of such conduct;

(VIII) the person's registration or acquisition of multiple domain names which the person knows are identical or confusingly similar to marks of others that are distinctive at the time of registration of such domain names, or dilutive of famous marks of others that are famous at the time of registration of such domain names, without regard to the goods or services of the parties; and

(IX) the extent to which the mark incorporated in the person's domain name registration is or is not distinctive and famous within the meaning of subsection (c).

(ii) Bad faith intent described under subparagraph (A) shall not be found in any case in which the court determines that the person believed and had reasonable grounds to believe that the use of the domain name was a fair use or otherwise lawful.

(C) In any civil action involving the registration, trafficking, or use of a domain name under this paragraph, a court may order the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark.

(D) A person shall be liable for using a domain name under subparagraph (A) only if that person is the domain name registrant or that registrant's authorized licensee.

(E) As used in this paragraph, the term "traffics in" refers to transactions that include, but are not limited to, sales, purchases, loans, pledges, licenses, exchanges of currency, and any other transfer for consideration or receipt in exchange for consideration.

(2)

(A) The owner of a mark may file an in rem civil action against a domain name in the judicial district in which the domain name

registrar, domain name registry, or other domain name authority that registered or assigned the domain name is located if—

(i) the domain name violates any right of the owner of a mark registered in the Patent and Trademark Office, or protected under subsection (a) or (c); and

(ii) the court finds that the owner—

(I) is not able to obtain in personam jurisdiction over a person who would have been a defendant in a civil action under paragraph (1); or

(II) through due diligence was not able to find a person who would have been a defendant in a civil action under paragraph (1) by—

(aa) sending a notice of the alleged violation and intent to proceed under this paragraph to the registrant of the domain name at the postal and e-mail address provided by the registrant to the registrar; and

(bb) publishing notice of the action as the court may direct promptly after filing the action.

(B) The actions under subparagraph (A)(ii) shall constitute service of process.

(C) In an in rem action under this paragraph, a domain name shall be deemed to

have its situs in the judicial district in which—

(i) the domain name registrar, registry, or other domain name authority that registered or assigned the domain name is located; or

(ii) documents sufficient to establish control and authority regarding the disposition of the registration and use of the domain name are deposited with the court.

(D)

(i) The remedies in an in rem action under this paragraph shall be limited to a court order for the forfeiture or cancellation of the domain name or the transfer of the domain name to the owner of the mark. Upon receipt of written notification of a filed, stamped copy of a complaint filed by the owner of a mark in a United States district court under this paragraph, the domain name registrar, domain name registry, or other domain name authority shall—

(I) expeditiously deposit with the court documents sufficient to establish the court's control and authority regarding the disposition of the registration and use of the domain name to the court; and

(II) not transfer, suspend, or otherwise modify the domain name during

the pendency of the action, except upon order of the court.

(ii) The domain name registrar or registry or other domain name authority shall not be liable for injunctive or monetary relief under this paragraph except in the case of bad faith or reckless disregard, which includes a willful failure to comply with any such court order.

(3) The civil action established under paragraph (1) and the in rem action established under paragraph (2), and any remedy available under either such action, shall be in addition to any other civil action or remedy otherwise applicable.

(4) The in rem jurisdiction established under paragraph (2) shall be in addition to any other jurisdiction that otherwise exists, whether in rem or in personam.
