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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA

THE WINE GROUP, LLC
Plaintiff,

No. 2:10-cv-02204-MCE-KJN

v.

MEMORANDUM AND ORDER

L. AND R. WINE COMPANY, INC.
AND ALABY, LLC,
Defendants.

AND RELATED COUNTERCLAIM

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Before the Court are: (1) The Wine Group, LLC's ("TWG") Motion for Summary Judgment (ECF No. 56); (2) L. and R. Wine Company, Inc.'s ("L&R") Motion for Partial Summary Judgment on TWG's Amended Second Affirmative Defense (ECF No. 58); (3) L&R's Motion for Summary Judgment on its Counterclaim for Cancellation of TWG's Trademark Registration (ECF No. 60); (4) TWG's Contingent Motion for Summary Judgment on L&R's Cancellation and Inequitable Conduct Claims (ECF No. 69);

1 (5) L&R's Motion to Strike the Declarations of L. Jones and J.
2 Sutton and Cross-Motion for Summary Judgment on TWG's Claims
3 Based on TWG's Unclean Hands (ECF No. 72); and (6) TWG's
4 Contingent Cross Motion for Summary Judgment on L&R's Claims of
5 Unclean Hands (ECF No. 86). The motions are fully briefed.¹ For
6 the reasons that follow TWG's Motion for Summary Judgment (ECF
7 No. 56) is granted and the remainder of the motions are denied
8 either on the merits or as moot.

9
10 **PROCEDURAL BACKGROUND**

11
12 **A. TWG's Complaint and L&R's Counterclaim**

13
14 This action arises from a federal trademark infringement
15 dispute between two wineries, each of which contends that it has
16 the trademark rights to an octagonal wine box design, and each of
17 which seek to prevent the other from any further infringement.

18 TWG is a winery and a Delaware limited liability company
19 with its principal place of business in Tracy, California. (See
20 TWG's Complaint ("Compl."), ECF No. 1 ¶¶ 3, 7.) L&R is also a
21 winery and is a Pennsylvania corporation having its principal
22 place of business in Lancaster, Pennsylvania.² (Id. ¶ 4.)

23
24 ¹ Because oral argument would not be of material assistance,
25 the Court ordered this matter submitted on the briefing. E.D.
Cal. R. 230(g).

26 ² The other defendant, Alaby, LLC ("Alaby"), is a Tennessee
27 corporation with its principal place of business in Knoxville,
28 Tennessee. (Compl. at ¶¶ 4, 5.) TWG contends that L&R and Alaby
do business together, which L&R admits, and that they share
(continued...)

1 TWG alleges that it was the first company to introduce "bag
2 in box" wines, and that to differentiate itself from competitors,
3 it started to develop an octagonal wine box in 1999, which, in
4 2009, it developed for premium wines. (Id. ¶¶ 8-11.)
5 Specifically, TWG states that, in 1999, it obtained U.S.
6 trademark registrations for the octagonal box design
7 (registration no. 3,009,688). (Id. ¶ 9.) Thereafter, in 2010,
8 TWG states that it developed the concept for selling premium
9 wines in the octagonal-sided box and it obtained trademark
10 registrations both for the design (for which it had the prior
11 registration) and the "Octavin" name it had given the box design
12 (registration nos. 3,800,596 (box design) and 3,775,740
13 ("Octavin" name)). (Id. ¶¶ 11-12.)

14 In 2010, TWG states it began selling wine in the "Octavin"
15 box. (Id. ¶¶ 13-14). TWG alleges that L&R received approval to
16 sell its flavored wine named "Like No Other" or "LNO" in an
17 octagonal box from the Department of the Treasury's Alcohol and
18 Tobacco Tax and Trade Bureau in December 2009, that several
19 months later it launched a web site selling the LNO wine, and
20 that L&R has since been marketing the LNO wine aggressively by
21 various different means. (Id. ¶¶ 15-18.)

22 _____
23 ²(...continued)
24 common shareholders, officers, or directors, which L&R denies.
25 (Compl. at ¶¶ 5, 6; L&R's Answer and Counterclaim (ECF No. 8) at
26 ¶¶ 5,6.) Neither TWG nor L&R state what, exactly, Alaby does,
27 but TWG's primary allegations in regard to Alaby, which are
28 admitted by L&R, are that Alaby launched a website for one of
L&R's wines in an octagonal box and that it prepared a video
advertisement featuring one of L&R's wines in an octagonal box.
(Compl. at ¶¶ 16, 18; L&R's Answer and Counterclaim at ¶¶ 16,
18.) For efficiency's sake, unless otherwise noted, Defendants
will be collectively referred to as "L&R."

1 TWG's First Claim, for federal trademark infringement
2 alleges that: (1) its octagonal box design is not functional and
3 is more expensive than the standard box design; (2) its octagonal
4 wine box design and L&R's are virtually identical, and both wines
5 would be sold to the same consumers of wine in the same channels
6 of trade, which creates a likelihood of confusion for consumers;
7 and (3) was the first to use the octagonal box design and the
8 first to file trademark applications. (Id. ¶¶ 15-22.) TWG
9 contends that it has been injured by L&R's use of the octagonal
10 box and that L&R's use was willful, intentional and in bad faith.
11 (Id. ¶¶ 23-25.) TWG's second claim seeks restitution based on
12 L&R's alleged unjust enrichment. (Id. ¶¶ 26-27.) TWG seeks an
13 injunction enjoining L&R from any further infringement, as well
14 as restitution, costs and any further relief. (Id. at pp. 7-8.)

15 In its Answer and Counterclaim, L&R generally denies TWG's
16 claims, and, as a Counterclaim, asserts that it was a prior user
17 of the Octagonal box design, therefore TWG is actually infringing
18 on L&R's rights to the make. (L&R's Answer and Counterclaim, ECF
19 No. 8.) Specifically, L&R asserts that, in 2007, it developed a
20 concept for selling wine in an octagonal box, began selling wine
21 in an octagonal box in 2008, and thereafter sold wine in
22 octagonal boxes on a continuous basis. (Id. ¶¶ 46-48.) Like
23 TWG, L&R asserts that its octagonal box design is distinctive and
24 also virtually identical to TWG's, is not functional, is more
25 expensive than a rectangular box, and that its wine and TWG's may
26 be sold to the same consumers in the same channels of trade.
27 (Id. ¶¶ 11, 21-22, 49.)

28 ///

1 As affirmative defenses, L&R argues, inter alia, that it is a
2 prior user and has trademark/trade dress rights to the octagonal
3 box design, and that TWG's action violated L&R's First Amendment
4 rights. (Id. at pp. 5-6.)³ In addition, L&R asserted that after
5 discovery, "there is likely to be evidence that TWG's claims are
6 barred in whole or in part by the doctrines of unclean hands,
7 waiver, acquiescence, absence of provable damages, res judicata,
8 and/or collateral estoppel."⁴ (Id. ¶ 35.) Notably, L&R did not
9 thereafter move to amend to add any of these claims.

10 For its Counterclaims, L&R argues that (1) TWG's trademark
11 registrations must be cancelled because L&R was a prior user of
12 the octagonal box design and TWG's use of the design caused L&R
13 damage; (2) L&R is not infringing on the octagonal box design and
14 it is entitled to declaratory relief on that point; (3) TWG's
15 acts constitute trademark/trade dress infringement in that they
16 are wilful, likely to cause confusion in the public, and have
17 caused L&R irreparable harm; (4) TWG's acts constitute unfair
18 competition and trademark infringement under common law entitling
19 L&R to damages and injunctive relief; and (5) TWG has been
20 unjustly enriched as a result of its conduct. (Id. at 6-12.)
21 L&R seeks declaratory relief, damages, punitive damages,
22 attorneys' fees, costs, and the cancellation of TWG's trademark
23 registration. (Id. at 12-13.)

24
25 ³ All page references to filed documents will refer to the
26 Court's ECF pagination, not the pagination of the original
documents.

27 ⁴ Of note, L&R did not plead, and did not disclose in its
28 joint status report, that it intended to pursue claims of
inequitable conduct and unclean hands. Nor did it later seek to
amend its pleadings to raise these claims.

1 In its First Amended Answer to L&R's Counterclaim (ECF
2 No. 26), TWG raises several affirmative defenses, including, as
3 its Second Affirmative Defense, that L&R's use of the octagonal
4 box was unlawful because it had not complied with state and local
5 laws. (ECF No. 26 ¶ 40.) In addition, TWG's affirmative
6 defenses generally contend that any use by L&R prior to TWG's
7 filing of its trademark application was insufficient to give rise
8 to L&R's trademark claims and was limited to the geographic scope
9 of those sales as of the time that TWG filed its application.
10 (Id. at pp. 5-7.)

11
12 **B. TWG and L&R's Motions for Summary Judgment**

13
14 Following discovery, TWG filed its Motion for Summary
15 Judgment. (ECF No. 56.) TWG generally alleges that there is no
16 material issue of fact on its infringement or prior use claims,
17 as well as no genuine issue of material fact on L&R's affirmative
18 defenses, and that, as a matter of law, TWG is entitled to
19 summary judgment on each of its claims. (Id. at 2-16.) In
20 addition, TWG contends that L&R is not entitled to a damages
21 award. (Id. at 16-19.)

22 Despite the Court's Pretrial Order limiting the parties to a
23 single motion for summary judgment (ECF No. 27), L&R then filed
24 two such motions (and both parties thereafter filed the
25 additional summary judgment motions). First, L&R Moved for
26 Partial Summary Judgment on TWG's Amended Second Affirmative
27 Defense (ECF No. 58).

28 ///

1 TWG thereafter filed its Statement of Non-Opposition to L&R's
2 Motion and Notice of Withdrawal of its Second Affirmative
3 Defense. (ECF No. 67.)

4 Second, L&R filed its Motion for Summary Judgment on its
5 Counterclaim for Cancellation of TWG's trademark registration.
6 (ECF No. 60.) In this Motion, L&R argues that it is entitled to
7 the trademark rights for the octagonal box design and that
8 cancellation of L&R's trademark registration is warranted
9 because: (1) it was a prior user of the equal-sided octagon-
10 shaped box; and (2) TWG engaged in unlawful and inequitable
11 conduct before the U.S. Patent and Trade Office ("USPTO") because
12 it had knowledge of and failed to disclose to the USPTO of "the
13 prior creation, use and sale of a virtually identical design by
14 L&R" while TWG's patent application was allegedly pending. (Id.
15 at 20, see also id., at 10-22.) In its Opposition to L&R's
16 motion (TWG Opposition, ECF No. 68), TWG first asserts that L&R's
17 prior use arguments are unsupported by admissible evidence, there
18 are no genuine material fact issues, and L&R's legal theory is
19 unsupported. (Id. at 6-13.) Regarding L&R's inequitable conduct
20 claims, TWG first notes that this claim is unpleaded and L&R
21 never sought to amend to raise this claim. (Id. at 13-16.)
22 Furthermore, because this claim sounds in fraud, TWG contends
23 that L&R was required to, but has not, satisfied Federal Rule of
24 Civil Procedure 9(b)'s particularity requirements.⁵ (Id. at
25 16-17.)

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28 ⁵ Unless otherwise stated, all further references to "Rule"
or "Rules" will be to the Federal Rules of Civil Procedure.

1 TWG thereafter filed its Contingent Motion for Summary
2 Judgment on L&R's Cancellation Counterclaim. (See ECF Nos. 68,
3 69.) This Motion is contingent on the Court first finding that
4 L&R properly pleaded this ground for cancellation, and that L&R's
5 cancellation legal theory is viable. (Id.)

6 L&R then filed its Motion to Strike Declarations of Laurie
7 Jones and John Sutton and Cross-motion for Summary Judgment on
8 TWG's Claims Based on TWG's Unclean Hands. (ECF No. 72.) In
9 this Motion, L&R argues that "The Wine Group, LLC" is not the
10 owner of the trademark registrations at issue, rather some third
11 party company, "The Wine Group, Inc." actually owns the trademark
12 registration. Therefore, L&R contends that the declarations of
13 L. Jones and J. Sutton (attached to TWG's MSJ, ECF No. 56, Exs. 3
14 and 4), who are the Chief Marketing Officer (L. Jones) and
15 Executive Vice President and General Counsel (J. Sutton) contain
16 false statements about TWG's ownership of the trademark
17 registrations and should therefore be stricken. (ECF No. 72, at
18 7-12.) In addition, L&R contends that summary judgment on the
19 cancellation claim is warranted on the basis that TWG has unclean
20 hands because it made false statements regarding its ownership of
21 the 1999 trademark both to the USPTO as well as to this Court.

22 In its Opposition (ECF No. 84) to L&R's Motion to Strike
23 Declarations of L. Jones and J. Sutton and Cross-motion for
24 Summary Judgment (ECF No. 72), TWG asserts that L&R's Motion is
25 frivolous and sanctionable.

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1 Specifically, TWG: (1) notes that this is another unpleaded claim
2 by L&R; (2) asserts that L&R conducted no discovery on this
3 claim; and (3) contends that this is, in essence, a fraud claim
4 and that L&R had failed to state the alleged fraud with
5 particularity pursuant to Rule 9(b), or support its position with
6 any law.⁶ (Id. at 4-5.)

7 Substantively, TWG asserts that TWG, Inc. and TWG, LLC are
8 effectively the same company, as "the 'LLC' is the parent company
9 and the 'Inc.' is a wholly owned subsidiary whose primary purpose
10 is to hold various state licenses." (Id. at 10-11.) In
11 addition, TWG asserts there is a complete unity of control
12 between the two companies: "[t]hey have the same officers, same
13 offices, same day to day decision-makers and the same ultimate
14 owners." (Id. at 11.) In essence, TWG contends that it is
15 immaterial, as a matter of fact or law, whether the "LLC" or
16 "Inc." is listed on the trademark registrations related to the
17 octagonal box design.

18 Finally, TWG filed its Motion for Summary Judgment on L&R's
19 unclean hands defense, which is contingent on the Court first
20 finding that L&R (a) has properly pleaded this ground for
21 cancellation, and (b) its legal theory is viable. (ECF No. 86.)
22 L&R opposes TWG's Motion. (ECF No. 92.)

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27 ⁶ TWG notes that L&R's other unpleaded claims are the claim
28 of inequitable conduct in the prosecution of a design patent and
unclean hands due to alleged intentional copying of L&R's
octagonal box. (ECF No. 84 at 3 n.1).

1 The opposing party must demonstrate that the fact in contention
2 is material, i.e., a fact that might affect the outcome of the
3 suit under the governing law, and that the dispute is genuine,
4 i.e., the evidence is such that a reasonable jury could return a
5 verdict for the nonmoving party. Anderson v. Liberty Lobby,
6 Inc., 477 U.S. 242, 248, 251-52 (1986); Owens v. Local No. 169,
7 Assoc. of Western Pulp and Paper Workers, 971 F.2d 347, 355 (9th
8 Cir. 1987). Stated another way, "before the evidence is left to
9 the jury, there is a preliminary question for the judge, not
10 whether there is literally no evidence, but whether there is any
11 upon which a jury could properly proceed to find a verdict for
12 the party producing it, upon whom the onus of proof is imposed."
13 Anderson, 477 U.S. at 251 (quoting Improvement Co. v. Munson, 14
14 Wall. 442, 448, 20 L. Ed. 867 (1872)). As the Supreme Court
15 explained, "[w]hen the moving party has carried its burden under
16 Rule 56(c), its opponent must do more than simply show that there
17 is some metaphysical doubt as to the material facts.... Where the
18 record taken as a whole could not lead a rational trier of fact
19 to find for the nonmoving party, there is no 'genuine issue for
20 trial.'" Matsushita, 475 U.S. at 586-87.

21 In resolving a summary judgment motion, the evidence of the
22 opposing party is to be believed, and all reasonable inferences
23 that may be drawn from the facts placed before the court must be
24 drawn in favor of the opposing party. Anderson, 477 U.S. at 255.
25 Nevertheless, inferences are not drawn out of the air, and it is
26 the opposing party's obligation to produce a factual predicate
27 from which the inference may be drawn.

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1 Richards v. Nielsen Freight Lines, 602 F. Supp. 1224, 1244-45
2 (E.D. Cal. 1985), aff'd, 810 F.2d 898 (9th Cir. 1987).

3
4 **ANALYSIS**

5
6 Given the plethora of motions, the Court will first dispose
7 of several that are, in the Court's view, peripheral to the
8 fundamental dispute between the parties.

9
10 **A. L&R's Motion for Partial Summary Judgment on TWG's**
11 **Amended Second Affirmative Defense (ECF No. 58)**

12 L&R Moves for Partial Summary Judgment on TWG's Amended
13 Second Affirmative Defense (ECF No. 58), in which TWG argued that
14 L&R's use of the octagonal sided wine box was unlawful because it
15 had not complied with various state and local laws. TWG
16 thereafter filed its Statement of Non-Opposition to L&R's Motion
17 and Notice of Withdrawal of its Second Affirmative Defense. (ECF
18 No. 67.) Because TWG withdrew its Second Amended Defense, L&R's
19 Motion for Summary Judgment on TWG's Amended Second Affirmative
20 Defense (ECF No. 58) is denied as moot.

21
22 **B. Unpleaded Claims for Inequitable Conduct and Unclean**
23 **Hands**

24 In its Answer and Counterclaim, L&R asserted that after
25 discovery, "there is likely to be evidence that TWG's claims are
26 barred in whole or in part by the doctrines of unclean hands,
27 waiver, acquiescence, absence of provable damages, res judicata,
28 and/or collateral estoppel." (ECF No. 8 ¶ 35.)

1 However, L&R indicated in the Joint Status Report that it did not
2 contemplate amending the pleadings (ECF No. 15 at page 4) and L&R
3 did not thereafter seek to amend its Complaint to add any of
4 these claims. Despite this, L&R has repeatedly raised unpleaded
5 claims in its subsequent motions.⁷

6 On a motion for summary judgment, Plaintiffs' allegations
7 and theories of liability are confined to those found in the
8 operative complaint. Coleman v. Quaker Oats Co., 232 F.3d 1271,
9 1292 (9th Cir. 2000) ("A complaint guides the parties' discovery,
10 putting the defendant on notice of the evidence it needs to
11 adduce in order to defend against the plaintiff's allegations.");
12 Insurance Company of North America v. Moore, 783 F.2d 1326,
13 1327-28 (9th Cir. 1986) (holding, where plaintiff argued it was
14 entitled to relief on claim for breach of implied covenant of
15 good faith and fair dealing, but had failed to plead such claim,
16 "district court did not err in refusing to award relief on [the]
17 unpleaded cause of action"). Generally, "[f]ailure to plead an
18 affirmative defense [] results in a waiver of that defense."

19 _____
20 ⁷ In raising these claims, L&R simply asserts that after
21 discovery it found facts that support its contentions. (See
22 Opposition to TWG's Motion for Summary Judgment, ECF No. 70 at
23 13.) However, L&R never sought leave to amend its pleadings. In
24 addition, although Rule 15(b) provides that "[w]hen an issue not
25 raised by the pleadings is tried by the parties' express or
26 implied consent, it must be treated in all respects as if raised
27 in the pleadings," the Court finds that TWG did not consent,
28 either explicitly or implicitly, to permit L&R to raise these
unpleaded claims discussed herein, even if it did not object to
evidence introduced by L&R that is relevant to these unpleaded
claims. The introduction of evidence that directly addresses a
pleaded issue does not put the opposing party on notice that an
unpleaded issue is being raised. Patelco Credit Union v. Sahni,
262 F.3d 897, 906-907 (9th Cir. 2001). Here, TWG has opposed
both L&R's unpleaded claims, as well as L&R's evidence supporting
those claims.

1 Enlow v. Salem-Keizer Yellow Cab Co., Inc., 389 F.3d 802, 819
2 (9th Cir. 2004) (citation omitted). However, the failure to
3 plead a defense is not necessarily a waiver, as the court can
4 permit a party to raise affirmative defenses through a subsequent
5 motion. Simmons v. Navajo Cnty., Ariz., 609 F.3d 1011, 1023 (9th
6 Cir. 2010). The defense may be raised later if the delay in
7 raising the defense does not prejudice the plaintiff. Owens v.
8 Kaiser Found. Health Plan, Inc., 244 F.3d 708, 713 (9th Cir.
9 2001).

10
11 **1. Inequitable Conduct Claims in L&R's Motion for**
12 **Summary Judgment on its Cancellation Counterclaim**
13 **(ECF No. 60) and TWG's Contingent Motion for**
14 **Summary Judgment (ECF No. 69)**

15 First, L&R contends in its Motion for Summary Judgment on
16 its Counterclaim for Cancellation of TWG's Trademark Registration
17 (ECF No. 60) that TWG engaged in inequitable and unlawful conduct
18 in prosecuting its design patent application.⁸ (Id. at 18-22.)
19 Specifically, L&R argues that during the pendency of TWG's design
20 patent application for its octagon-shaped box design, TWG became
21 aware that L&R was also engaged in creating and manufacturing an
22 octagon-shaped box, but failed to disclose this information to
23 the USPTO. (Id. at 20.)

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26 ⁸ L&R's primary argument in its motion for summary judgment
27 on its cancellation counterclaim is that cancellation of TWG's
28 trademark registration is warranted because L&R was a prior user
of the octagon-box design. (ECF No. 60 at 6-10.) That argument
was pleaded in L&R's Answer and Counterclaim (ECF No. 8) and will
be addressed separately below.

1 L&R contends that this was material information and that TWG's
2 failure to disclose the information makes its use of the octagon-
3 shaped design an unlawful use, therefore, cancellation of its
4 trademark registration is warranted. (Id. at 20-23.)

5 Notably, in its Answer and Counterclaim L&R did not plead
6 inequitable conduct regarding TWG's patent application and L&R
7 did not thereafter amend, or seek leave to amend, to add this
8 claim. (See ECF No. 8.) L&R also does not explain why it did
9 not raise this claim until after discovery had closed and
10 dispositive motions were filed, or why it could not have
11 discovered this issue earlier.

12 In addition, there is no patent claim at issue: all of L&R's
13 pleaded claims are based on trademark rights. On that basis
14 alone, the Court could deny L&R's motion for summary judgment as
15 to this argument. See Coleman, 232 F.3d at 1292-93 (permitting
16 an unpleaded new theory of liability at the summary judgment
17 stage would prejudice the party against whom the new theory is
18 being brought: the new claim should have been brought by means of
19 a motion to amend at an earlier stage of the litigation).

20 However, even were the Court to reach L&R's claim that TWG
21 engaged in inequitable conduct in its patent application, this
22 claim sounds in fraud, see, e.g., Kaiser Foundation Health Plan,
23 Inc. v. Abbott Laboratories, Inc., 552 F.3d 1033, 1048 (9th Cir.
24 2009); Hydranautics v. FilmTec Corp., 204 F.3d 880, 883 n.1 (9th
25 Cir. 2000), and a fraud claim must be pleaded with particularity
26 pursuant to Rule 9(b). "A pleading is sufficient under Rule 9(b)
27 if it identifies the circumstances constituting fraud so that the
28 defendant can prepare an adequate answer from the allegations."

1 Neubronner v. Milken, 6 F.3d 666, 671-72 (9th Cir. 1993)
2 (internal quotations and citations omitted). "The complaint must
3 specify such facts as the times, dates, places, benefits
4 received, and other details of the alleged fraudulent activity."
5 Id. at 672.

6 Here, L&R alleges that TWG, in particular TWG's General
7 Counsel, John Sutton, possessed the information regarding L&R's
8 creation and use of an octagonal-sided box and failed to provide
9 that information to the USPTO. (ECF No. 60 at 20-21.) However,
10 L&R fails to provide specific facts that would support a claim
11 that any individual at TWG, including Mr. Sutton, was aware of
12 L&R's creation and use of an octagonal-sided box and then
13 deliberately failed to disclose that information to the USPTO.
14 L&R also fails to sufficiently explain why that information was
15 material to the patent application or provide any persuasive
16 authority that would support the conclusion that the alleged
17 inequitable conduct as to the patent application should result in
18 the cancellation of TWG's trademark registration. In sum, even
19 were the Court to consider L&R's claim on the merits, L&R's claim
20 would fail because L&R has not pleaded its claims with
21 particularity pursuant to Rule 9(b).

22 Therefore, for the reasons set forth above, L&R's Motion for
23 Summary Judgment on its Counterclaim for Cancellation of TWG's
24 Trademark Registration (ECF No. 60) on the basis that TWG engaged
25 in inequitable and unlawful conduct in prosecuting its design
26 patent application is denied. In addition, because the Court
27 denies L&R's Motion for Summary Judgment on its Counterclaim for
28 Cancellation of TWG's Trademark Registration (ECF No. 60).

1 TWG's contingent cross-motion (ECF No. 69) is denied as moot.⁹
2 L&R's prior use argument in its Motion for Summary Judgment on
3 its Counterclaim for Cancellation of TWG's Trademark Registration
4 (ECF No. 60) survives and will be discussed below.

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11 ⁹ The Court notes that L&R also raises what is effectively
12 another unpleaded unclean hands argument in its Opposition to
13 TWG's Motion for Summary Judgment (ECF No. 70) and its Contingent
14 Motion for Summary Judgment on L&R's Cancellation Claim (ECF
15 No. 83). Specifically, L&R argues that TWG copied L&R's
16 octagonal-sided box design. L&R contends that TWG employees were
17 at a symposium in Sacramento, California, in 2009 and that L&R
18 brought an octagonal-sided box to that show, therefore the
19 circumstantial evidence supports the conclusion that TWG
20 unlawfully copied L&R's box design and therefore TWG's
21 inequitable conduct warrants cancellation of its trademark
22 registration. (ECF No. 70 at 9-10; ECF No. 83 at 4-5.) Again,
23 this is an unpleaded claim and L&R never sought to amend its
24 pleadings to add it. Furthermore, this argument also sounds in
25 fraud and L&R's vague and conclusory allegations do not satisfy
26 the requirements of Rule 9(b). In addition, L&R does not provide
27 any specific legal or factual basis for this claim. In
28 particular, L&R provides no facts that suggest that it displayed
the octagonal-sided box in Sacramento, or that TWG knew of L&R's
box or had the opportunity to see the box at the symposium.
Instead, L&R merely implies that TWG, through some unexplained
series of events and motivations, managed to copy L&R's wine box
design. Further, there does not appear to be a reasonable
likelihood that any factual support for this claim will be
developed, given that discovery had closed and L&R never sought
to amend its pleadings or sought discovery as to this particular
set of facts. In short, this appears to be a frivolous argument,
designed to harass TWG and increase the cost of litigation.
Although L&R's frivolous arguments arise here in the context of
their opposition to TWG's motions, the issue of frivolous
representations arises again in greater depth when the Court
discusses L&R's next unpleaded claim, raised in its Motion to
Strike Declarations of L. Jones and J. Sutton and Cross-motion
for Summary Judgment on TWG's Claims Based on TWG's Unclean Hands
(ECF No. 72.)

1 **2. Motion to Strike Declarations of L. Jones and J.**
2 **Sutton and Cross-motion for Summary Judgment on**
3 **TWG's Claims Based on TWG's Unclean Hands (ECF No.**
4 **72.) and TWG's Contingent Cross Motion for Summary**
5 **Judgment (ECF No. 86)**

6 **(a) Motions**

7 In its Motion to Strike Declarations of L. Jones and J.
8 Sutton and Cross-motion for Summary Judgment on TWG's Claims
9 Based on TWG's Unclean Hands (ECF No. 72.), L&R argues that "The
10 Wine Group, LLC," which is a Delaware corporation, is not the
11 owner of the 1999 trademark registration for the octagonal-sided
12 box design (reg. no. 3,009,688), rather a California company,
13 "The Wine Group, Inc.," actually owns the trademark registration.
14 (See ECF No. 72; L&R's Statement of Undisputed Facts, ECF No.
15 72-2 at 2-5.) Therefore, L&R contends that "The Wine Group, LLC"
16 falsely represented to the Trademark Office that it had
17 previously obtained Trademark Registration no. 3,009,688 for the
18 octagonal box design, when it applied for the registration that
19 ultimately became registration no. 3,800,596, as that
20 registration actually belonged to "The Wine Group, Inc." (ECF
21 No. 72 at 7-12.) L&R argues that TWG thereafter repeated these
22 false statements to this Court, both in its complaint, as well as
23 in the declarations (attached to TWG's MSJ, ECF No. 56, Exs. 3
24 and 4) of Laurie Jones, the Chief Marketing Officer, and John
25 Sutton, the Executive Vice President and General Counsel.¹⁰ (ECF
26 No. 72, at 7-12.)

27 ¹⁰ For brevity's sake, in this section of the Court's Order
28 "The Wine Group, LLC," will hereinafter be referred to as either
 "TWG, LLC" or TWG and "The Wine Group, Inc.," will be referred to
 as "TWG, Inc."

1 L&R moves to strike those declarations and contends that it is
2 entitled to summary judgment on its cancellation claim on the
3 basis that TWG has unclean hands because of these allegedly false
4 statements about its ownership of registration number 3,009,688.
5 (Id. at 9-12.)

6 These are remarkable allegations. In essence, L&R is
7 contending, by means of this unpleaded unclean hands claim, that
8 TWG LLC has engaged in fraud against both the Trademark Office
9 and the Court by first registering the octagonal box on the basis
10 that it owned the registration, when in fact the registration was
11 owned by an unrelated third party company named TWG, Inc., then
12 by initiating this lawsuit against L&R on the basis of its
13 fabricated claim of ownership of the octagonal-sided wine box
14 design, and then compounding the fraud by using TWG's officers
15 and counsel (both in house and outside) to deceive the Court (and
16 presumably the Trademark Office as well) as to the ownership of
17 TWG.

18 One would think that before filing this motion, L&R's
19 counsel would have conducted extensive discovery and marshaled
20 the evidence and law in support of these claims and thought long
21 and hard about Federal Rule of Civil Procedure 11(b)'s
22 admonitions regarding representations to the Court before filing
23 this motion.¹¹ One would be wrong.

24
25 ¹¹ Rule 11(b), "Representations to the Court," states, in
26 full, that:

27 By presenting to the court a pleading, written motion,
28 or other paper--whether by signing, filing, submitting,
or later advocating it--an attorney or unrepresented

(continued...)

1 First, L&R has raised this unpleaded claim after the close
2 of discovery without seeking or obtaining leave to amend from the
3 Court. Again, L&R does not explain why it did not raise this
4 claim until after discovery had closed and dispositive motions
5 were filed, or why it could not have discovered this issue
6 earlier. As discussed above, in the context of L&R's other
7 unpleaded claims, this motion could be denied on this basis
8 alone. Coleman, 232 F.3d at 1292-93. Second, this is a fraud
9 claim and therefore L&R was compelled by Rule 9(b) to plead fraud
10 with particularity. See, e.g., Neubronner v. Milken, 6 F.3d at
11 671-72. L&R has not done so.

12 ///

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17 ¹¹(...continued)
18 party certifies that to the best of the person's
19 knowledge, information, and belief, formed after an
inquiry reasonable under the circumstances:

20 (1) it is not being presented for any improper purpose,
21 such as to harass, cause unnecessary delay, or
needlessly increase the cost of litigation;

22 (2) the claims, defenses, and other legal contentions
23 are warranted by existing law or by a nonfrivolous
argument for extending, modifying, or reversing
existing law or for establishing new law;

24 (3) the factual contentions have evidentiary support
25 or, if specifically so identified, will likely have
evidentiary support after a reasonable opportunity for
26 further investigation or discovery; and

27 (4) the denials of factual contentions are warranted on
28 the evidence or, if specifically so identified, are
reasonably based on belief or a lack of information.

1 Specifically, although the entire basis of L&R's contentions
2 rests on "TWG, LLC" and "TWG, Inc." being two separate companies,
3 and although L&R had ample opportunity during the course of this
4 litigation to investigate this issue, L&R relies almost entirely
5 on conclusory allegations and inferences to support its claims.
6 Specifically, L&R's motion is rife with allegations that imply
7 that TWG, LLC was completely independent from TWG, Inc., and that
8 the LLC used its similar name to deceive the Trademark Office and
9 the Court for the purpose of improperly obtaining the trademark
10 and, ultimately, of depriving L&R its rights to the octagonal-
11 sided wine box design. The only evidence that L&R relies on
12 consists of a few documents that include "TWG, LLC" and "TWG,
13 Inc." names, (see e.g., L&R's Statement of Undisputed Facts in
14 Support of Motion, ECF 72-2), but L&R does not appear to have
15 done any research or investigation (e.g., conducted discovery) to
16 determine whether these companies were related in any way.

17 In response, TWG asserts that the "LLC" is the parent
18 company and the "Inc." is a wholly owned subsidiary and
19 functionally there is no difference between the two as they "have
20 the same officers, same offices, same day to day decision-makers
21 and the same ultimate owners." (ECF 84 at 10-11; see also ECF
22 No. 87, Decl. of J. Sutton at ¶¶ 2-8). TWG states that the
23 "Inc." form exists primarily to hold certain alcohol licenses,
24 but TWG's officers and employees do not distinguish between the
25 corporate forms on a day-to-day basis. (Id.)

26 In its Reply, L&R does not contest that TWG, LLC and TWG,
27 Inc. are effectively the same company, rather L&R argues,
28 nonsensically, that:

1 The issue is not one of justification by plaintiff as
2 to whether 'Inc.' or 'LLC' means the same thing, but
3 rather one of plaintiff's conduct, and whether that
4 conduct which involved false statements of ownership of
5 the octagonal box design and a registration for that
6 octagonal box design should be held by the Court
7 pursuant to principles of equity to bar plaintiff from
8 recovering on its claims against the defendants.

9 (L&R's Reply, ECF No. 91 at 4.) In other words, L&R contends
10 that even if both the "Inc." and "LLC" are legitimate forms of
11 the same company, TWG still made false statements compelling
12 cancellation of its trademark when it used its prior registration
13 (under the "Inc." form) as the basis for its later registration
14 (using the "LLC" form).

15 For a moment, the Court will set aside its conclusion that
16 this argument is entirely baseless and presented for no other
17 purpose than harassment and delay. Even were the Court to assume
18 the truth of L&R's claim that the difference between TWG's
19 corporate forms should have been raised to the Trademark Office,
20 L&R presents no compelling argument that TWG's alleged failure to
21 disclose this difference in corporate forms would have been
22 material to its trademark registration. A material false
23 statement is one that would have resulted in the refusal of the
24 registration. Orient Express Trading Co. v. Federated Dept.
25 Stores, 842 F.2d 650, 653 (2d Cir. 1988). Here, L&R presents no
26 persuasive evidence or law that would lead the Court to conclude
27 that the Trademark Office would have concluded that TWG, LLC made
28 a material misrepresentation of fact when it did not disclose
that the original trademark was held by the "Inc." form of the
company rather than the "LLC" form.

///

1 Furthermore, L&R presents no persuasive evidence that
2 supports the conclusion that the declarations of Laurie Jones and
3 John Sutton¹² should be stricken because they fail to
4 differentiate between TWG LLC and TWG, Inc. (see ECF No. 72-1 at
5 8-9), particularly given L&R's implicit concession that "TWG,
6 LLC" and "TWG, Inc." are different forms of the same company, ECF
7 No. 91 at 4). L&R asserts that striking the declarations is
8 warranted because "[t]he declarations are intentionally crafted
9 to mislead the Court because they conveniently refer to 'TWG' so
10 as to mislead as to whether the references are to the plaintiff,
11 The Wine Group, LLC or to another entity, The Wine Group, Inc."
12 (ECF No. 72-1 at 8.) However, as is made clear in Sutton's
13 declaration, and as would have been made clear had L&R actually
14 investigated this issue, TWG's officers and employees considered
15 TWG, LLC and TWG, Inc. to be functionally the same company.
16 Therefore, L&R's assertion that TWG, LLC, and Sutton and Jones in
17 particular, were making deliberate misrepresentations to this
18 Court lacks merit.

19 In sum, the Court concludes that the unpleaded unclean hands
20 claims, raised in L&R's Motion to Strike Declarations of L. Jones
21 and J. Sutton and Cross-motion for Summary Judgment on TWG's
22 Claims Based on TWG's Unclean Hands (ECF No. 72.), baselessly
23 alleges fraud and misrepresentation by TWG against the Trademark
24 Office and this Court.

25 ///

27 ¹² In its Reply L&R adds Sutton's and Jones's new
28 declarations, ECF Nos. 87-6 and 87-3 to the prior ones, ECF
Nos. 56-3 and 56-4, to its Motion to Strike.

1 In filing this motion, L&R, through its counsel: (1) raised an
2 unpleaded claim, having failed to previously seek leave to amend
3 to add this unclean hands defense; (2) failed to plead fraud with
4 particularity as required by Rule 9(b); and, most egregiously,
5 (3) alleged that TWG LLC, and its employees, specifically, J.
6 Sutton and L. Jones, were committing a fraud against the
7 Trademark Office and this Court when there was no reasonable non-
8 frivolous evidentiary basis for these claims, minimal
9 investigation would have refuted this argument, and there was no
10 reasonable legal basis to raise this argument.

11 For the reasons set forth above, L&R's motion (ECF No. 72.)
12 is denied. Because this motion is denied, TWG's Contingent
13 Cross-Motion for Summary Judgment on L&R's Claims of Unclean
14 Hands (ECF No. 86) is denied as moot.

15
16 **(b) Sanctions**
17

18 In addition, TWG seeks sanctions against L&R on the basis
19 that this motion is frivolous. (See TWG's Opposition, ECF No. 84
20 at 1). The Court agrees that sanctions are warranted.

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1 As discussed throughout this Memorandum and Order, L&R has
2 repeatedly violated the Court's Pretrial Scheduling Order (ECF
3 No. 27) by filing multiple motions for summary judgment, as well
4 as repeatedly raising unpleaded claims in its dispositive motion
5 practice following the close of discovery (see id. at §§ II,
6 VI).¹³ Further, while zealous advocacy on behalf of clients is
7 encouraged, lawyers must adhere to the Federal Rules of Civil
8 Procedure, and the Court concludes that L&R's unclean hands and
9 inequitable conduct claims violate Rule 11(b)'s requirements.

10 Specifically, because L&R's attorneys failed to conduct
11 reasonable investigation and discovery into TWG's corporate
12 forms, there was no basis in either the evidence or the law to
13 raise these fraud allegations as an unclean hands defense in an
14 unpleaded claim in this motion. In addition, the Court has found
15 no merit to L&R's claims that TWG copied the octagonal-sided wine
16 box design or failed to comply with the patent requirements.

17 L&R's theory, that TWG engaged in various forms of fraud and
18 inequitable conduct including (1) copying the octagonal box
19 design, (2) obtaining the trademark for the design based on
20 misrepresentations about the corporate form, and then
21 (3) misrepresenting to the Court that it had rights to the
22 design, does not appear on the face of L&R's Answer and
23 Counterclaim, was not added by means of amendment either before
24 or after discovery, and lacks any persuasive evidentiary support.

25
26 ¹³ The Court has not catalogued all of the times that L&R
27 raises its unpleaded fraud, unclean hands, and inequitable
28 conduct claims, but notes that L&R also raises these issues in
its objections to TWG's factual statements. (See, e.g., ECF
No. 70-1)

1 The Court concludes that L&R's purpose in bringing this
2 motion, as well as more generally raising unpleaded allegations
3 of fraud and inequitable conduct, was "to harass, cause
4 unnecessary delay, or needlessly increase the cost of litigation"
5 for TWG in violation of Rule 11(b) (1).

6 In addition, by filing a multitude of frivolous claims and
7 motions, as discussed herein, L&R's counsel has violated
8 28 U.S.C. § 1927, which states that:

9 Any attorney or other person admitted to conduct cases
10 in any court of the United States or any Territory
11 thereof who so multiplies the proceedings in any case
12 unreasonably and vexatiously may be required by the
court to satisfy personally the excess costs, expenses,
and attorneys' fees reasonably incurred because of such
conduct.

13 A § 1927 award requires a finding that the attorney to be
14 assessed not only multiplied the proceedings but did so
15 recklessly or in bad faith. R.P. ex rel. C.P. v. Prescott
16 Unified Sch. Dist., 631 F.3d 1117, 1128 (9th Cir. 2011);
17 Goehring v. Brophy, 94 F.3d 1294, 1306 (9th Cir. 1996). Such
18 "[b]ad faith is present when an attorney knowingly or recklessly
19 raises a frivolous argument, or argues a meritorious claim for
20 the purpose of harassing an opponent." Keegan Management Co.
21 Sec. Litig., 78 F.3d 431, 436 (9th Cir. 1996). When awarding
22 sanctions under § 1927, district courts have discretion in
23 determining whether sanctions are appropriate and, if so, in what
24 amount. Trulis v. Barton, 107 F.3d 685, 694 (9th Cir. 1995);
25 F.J. Hanshaw Enterprises, Inc. v. Emerald River Development,
26 Inc., 244 F.3d 1128, 1135 (9th Cir. 2001).

27 ///

28 ///

1 For the reasons discussed in this Memorandum and Order, the Court
2 concludes that L&R's actions, specifically, filing multiple
3 motions for summary judgment, arguing unpleaded claims without
4 seeking leave to amend, and, most importantly, raising multiple
5 baseless claims that could have exposed as false given any effort
6 during discovery, were done recklessly and in bad faith by L&R.

7 Therefore, the Court concludes that sanctions are warranted
8 for L&R's violations of both Rule 11 and § 1927. Subject to the
9 directions in the conclusion of this Order, the parties are
10 ordered to file briefs discussing what - not whether - sanctions
11 are appropriate.

12
13 **C. TWG's Motion for Summary Judgment (ECF No. 56) and**
14 **L&R's Motion for Summary Judgment on its Counterclaim**
15 **for Cancellation Based on L&R's Prior Use (ECF No. 60)**

16 The Court now turns to substance of the parties' trademark
17 dispute.

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1 **1. Undisputed Facts¹⁴**

2
3 At all times relevant to this action, both TWG and L&R have
4 been corporations engaged in the production and sales of wine,
5 with TWG's headquarters located in California and L&R's located
6 in Lancaster, Pennsylvania. (Complaint, ECF No. 1 at ¶ 3, L&R.'S
7 Statement of Undisputed Facts on its Motion for Summary Judgment
8 (Cancellation Claim) ("L&R SUF"), ECF 60-2, ¶ 1.)

9
10 **(a) L&R's Development of an Octagonal-Sided Wine**
11 **Box**

12 From 2007-2010, L&R was provided with a number of free
13 prototype octagon-shaped boxes by a manufacturer.¹⁵ (TWG SUF
14 ¶ 30-33, 38; L&R SUF ¶ 5.) L&R assembled, packed and labeled by
15 hand the blank equal-sided octagon-shaped boxes LR received from
16 the manufacturer between December 11, 2007 through October 12,
17 2009. (L&R SUF ¶ 39.)

18
19 ¹⁴ The Court has reviewed the parties' statements of
20 undisputed facts, disputed facts, and related filings, as well as
21 their objections. In this background section, it is generally
22 noted when the parties disagree on factual issues. When disputes
23 are not noted, the facts as stated are the Court's determination
24 of what is to be considered either undisputed, not subject to
25 legitimate dispute (e.g., TWG's ownership of trademark
26 registration nos. 3,009,688 and 3,800,596), or otherwise
27 immaterial to deciding these Motions, even if the factual
28 allegation is disputed by one party or the other. The Court also
notes that various documents have been filed under seal by
request of the parties, so while the Court has reviewed all the
documents, this Memorandum and Order may not refer in detail to
particular items that were filed under seal. The Court will cite
to the parties' statements of facts, but is relying on the
underlying evidence cited by the parties related to each fact.

29 ¹⁵ L&R apparently never purchased any octagonal-sided wine
boxes for the Tamanend brand because they were too expensive.
(TWG SUF ¶¶ 35-37).

1 However, L&R did not prepare a business plan, create marketing
2 materials, or otherwise publicly promote the Tamanend wine
3 outside of its Lancaster location. (TWG SUF ¶¶ 41-43.) L&R did
4 prepare a business plan for its LNO product, which went on sale
5 in 2010. (Id. ¶ 44.)

6 If any wine was sold by L&R in the octagonal-shaped boxes,
7 and it is not clear that there was, those sales began in 2008 and
8 were limited to sales made from a single tasting room in its
9 Lancaster location of its "Tamanend" wine.¹⁶ (TWG SUF ¶¶ 40,
10 104; L&R SUF ¶¶ 6, 7, 11, 18, 24.)¹⁷ L&R does not have any sales
11 data that explicitly details sales of wine in the octagonal box
12 during this period. (Id. ¶¶ 41, 44-46.) In 2010, L&R began
13 selling its "Like no Other" or "LNO" wine product, which was
14 packaged in octagonal-sided boxes. (Id. ¶¶ 44.)

15 ///

16 _____
17 ¹⁶ As will be discussed in the analysis section, L&R has not
18 met its burden of persuasively demonstrating that any wine was
19 sold from the Lancaster tasting room. L&R does not have any
20 records that specifically break down sales of the Tamanend wine
21 in the octagonal-sided boxes, the records it does have aggregates
22 sales of Tamanend wine in both rectangular and octagonal boxes,
23 and there are no other records that explicitly illustrate any
24 sales of Tamanend wine in the octagonal boxes, so it is not clear
25 what, if any sales, can be directly attributed to sales of the
26 Tamanend wine from an equal-sided octagonal box. (See, TWG SUF,
ECF No. 56-2 ¶¶ 44-48; TWG's Response to L&R's Statement of
Undisputed Facts on its Motion for Summary Judgment (Cancellation
Claim), ECF No. 68-1 ¶ 18.) In addition, the only witnesses who
claim to have seen Tamanend wine sold from the tasting room are
L&R's President, Linda Jones McKee and its Vice President,
Richard Carey. (TWG's Response to L&R's Statement of Undisputed
Facts on its Motion for Summary Judgment (Cancellation Claim),
ECF No. 68-1, ¶ 4; see also TWG SUF ¶¶ 49-50.)

27 ¹⁷ L&R claims that it displayed the box at festivals and
28 used the box as a marketing tool, but it does not dispute that
any sales were limited to the Lancaster tasting room. (L&R SUF
at 40.)

1 L&R first sold the LNO wine product in its octagonal-sided box
2 throughout the state of Pennsylvania in July 2011, although it
3 may have been selling LNO from its Lancaster location starting in
4 April 2010 and Alaby also sold the LNO wine beginning in April
5 2010. (Id. at ¶¶ 104-05.)

6
7 **(b) TWG's Development of an Octagonal-Sided Wine**
8 **Box**

9 In 1999, TWG filed an application for an octagonal box
10 design and was thereafter awarded the trademark registration
11 no. 3,009,688 (See TWG's Statement of Undisputed Facts in
12 support of its Motion for Summary Judgment ("TWG SUF"), ECF
13 No. 56-2 ¶ 1; ECF No. 56-4, Ex. 1 to the Decl. of J. Sutton). In
14 2008, TWG began developing a business plan for selling premium
15 wine in octagonal boxes. (TWG SUF ¶¶ 9-12.)

16 On March 3, 2009, TWG filed applications for trademark
17 registration of its equal-sided octagonal wine box design. (TWG
18 SUF ¶¶ 2-4.) In 2010, TWG obtained trademark registrations for
19 the "Octavin" name it had given the box design (registration
20 no. 3,775,740) (Complaint, ECF No. 1, ¶¶ 12-13 (box
21 illustration).) TWG began selling wine in the Octavin
22 equal-sided octagonal box in February 2010. (Id. ¶ 16.)

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1 TWG sells wine in the Octavin octagonal-sided boxes in all fifty
2 states and, in particular, began selling this wine in
3 Pennsylvania in April 2010.¹⁸ (Id. ¶¶ 18, 20.)

4 The equal-sided octagonal wine boxes used by both TWG and
5 L&R are very similar in shape, inherently distinctive, not
6 functional, and are more expensive than rectangular wine boxes.
7 (L&R SUF, ECF 70-1 ¶¶ 22-27.) The wines for which TWG and
8 Defendants use the equal-sided boxes are sold in the same
9 channels of trade, namely at retail to consumers, although L&R's
10 wines are also sold from their Lancaster, Pennsylvania, location.
11 (Id. ¶ 28.) It is undisputed that L&R believes that consumers
12 who see the wines in the equal-sided octagonal box will believe
13 they originate from the same source. (Id. ¶ 29.)

14
15 **2. Parties' Contentions**
16

17 In its Motion for Summary Judgment (ECF No. 56), TWG first
18 contends that there is no genuine issue of fact as to its
19 infringement claim because (a) L&R admitted the key factors to
20 establish trademark infringement (to support its counterclaim and
21 prior use defenses), and (b) TWG has established that it had
22 national and exclusive rights to the octagonal-shaped box prior
23 to L&R's use of the mark. (Id. at 9-10.)

24 ///

25
26 _____
27 ¹⁸ Specifically, TWG is the prior user in each of the nine
28 States where LNO has been sold, and (with the possible exception
of L&R's tasting room in Lancaster), throughout Pennsylvania (TWG
SUF ¶¶ 20, 85, 106), and TWG has used the octagonal box in all of
the other 41 States (TWG SUF ¶ 18).

1 Second, TWG contends that L&R cannot succeed on its prior use
2 claim that L&R was using its octagonal-shaped box in 2009, with
3 the possible limited exception that L&R may have been selling
4 some small volume of wine in octagonal-sided boxes from a single
5 tasting room at its Lancaster, Pennsylvania, location before TWG
6 filed its trademark application. (Id. at 12-20.) Furthermore,
7 TWG contends that L&R has failed to adequately plead its First
8 Amendment affirmative defense and that L&R is not entitled to
9 damages on its counterclaims. (Id. at 21-26.)

10 In its Opposition (ECF No. 70), L&R contends that TWG cannot
11 prevail on its motion because the facts establish that there is a
12 genuine issue of fact as to whether L&R was a prior user and,
13 under relevant Ninth Circuit precedent, even a single sale is
14 sufficient to establish that it has the senior rights to the
15 octagonal box design under trademark law.¹⁹ (Id. at 6-9.)
16 Regarding its First Amendment affirmative defense, L&R contends
17 that there is a genuine issue of material fact as to whether L&R
18 may use the octagonal-sided box under their First Amendment right
19 to free expression. (Id. at 14-15.) Additionally, in its Motion
20 for Summary Judgment on its Counterclaim for Cancellation (ECF
21 No. 60), L&R contends that it is entitled to summary judgment on
22 its claim that TWG's trademark must be cancelled because L&R was
23 the prior user of the octagonal-shaped box. (Id. at 12-18.)

24
25
26 ¹⁹ L&R also raises its arguments that TWG copied L&R's box
27 design and that TWG made fraudulent claims to the Trademark
28 Office and this Court regarding TWG, LLC versus TWG, Inc.
(Opposition, RCF No. 70 at 9-12, 13-14, 15-16.) Having already
considered and rejected these arguments, the Court will not
address them again.

1 **3. Lanham Act Trademark Infringement Standard**

2

3 The Lanham Act creates a comprehensive framework for

4 regulating the use of trademarks and protecting them against

5 infringement, dilution, and unfair competition. 15 U.S.C. § 1051

6 et seq. The Act allows for civil liability against “[a]ny person

7 who, on or in connection with any goods or services, . . . uses

8 in commerce any word, term, name, symbol, or device, or any

9 combination thereof . . ., which (A) is likely to cause confusion

10 . . . as to the origin, sponsorship, or approval” of the goods or

11 services. 15 U.S.C. § 1125(a)(1). Under the Lanham Act, to

12 prevail on its trademark infringement claim, a plaintiff “must

13 prove: (1) that it has a protectable ownership interest in the

14 mark; and (2) that the defendant’s use of the mark is likely to

15 cause consumer confusion.” Network Automation, Inc. v. Advanced

16 Sys. Concepts, Inc., 638 F.3d 1137, 1144 (9th Cir. 2011) (quoting

17 Dep’t of Parks & Recreation v. Bazaar Del Mundo Inc., 448 F.3d

18 1118, 1124 (9th Cir. 2006)).

19 Regarding the first prong, the protectable ownership

20 interest, the court noted in Network Automation that “[w]hen the

21 goods produced by the alleged infringer compete for sales with

22 those of the trademark owner, infringement usually will be found

23 if the marks are sufficiently similar that confusion can be

24 expected.” Network Automation, 638 F.3d at 1145 (quoting AMF

25 Inc. v. Sleekcraft Boats, 599 F.2d 348 (9th Cir. 1979). “It is

26 axiomatic in trademark law that the standard test of ownership is

27 priority of use.

28 ///

1 To acquire ownership of a trademark, it is not enough to have
2 invented the mark first or even to have registered it first; the
3 party claiming ownership must have been the first to actually use
4 the mark in the sale of goods or services." Sengoku Works Ltd.
5 v. RMC Int'l, Ltd., 96 F.3d 1217, 1219 (9th Cir. 1996) (citing 2
6 J. Thomas McCarthy, McCarthy on Trademarks & Unfair Competition
7 § 16.03 (3d ed. 1996)). Therefore, a party pursuing a trademark
8 claim must meet a threshold "use in commerce" requirement.

9 Turning to the second factor, consumer confusion, courts
10 consider eight non-exhaustive factors relevant to determining
11 whether consumers may be confused by related goods:

12 [1] strength of the mark; [2] proximity of the goods;
13 [3] similarity of the marks; [4] evidence of actual
14 confusion; [5] marketing channels used; [6] type of
15 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.'

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

17 18 **4. Analysis**

19
20 The Court notes that "[b]ecause of the intensely factual
21 nature of trademark disputes, summary judgment is generally
22 disfavored in the trademark arena.'" Entrepreneur Media, Inc. v.
23 Smith, 279 F.3d 1135, 1140 (9th Cir. 2002) (quoting Interstellar
24 Starship Servs., Ltd. v. Epix, Inc., 184 F.3d 1107, 1109 (9th
25 Cir. 1999)). Here, however, the Court concludes that summary
26 judgment is appropriate because TWG and L&R are both contending
27 the other infringed on their trademark, and to do so, both have
28 admitted key factors required to find trademark infringement.

1 Specifically, TWG owns the trademark registration to an
2 octagonal wine box design and both TWG and L&R assert that their
3 octagonal wine boxes are very similar in shape, inherently
4 distinctive, not functional, and are more expensive than
5 rectangular wine boxes. (L&R SUF, ECF 70-1 at ¶¶ 22-27.) In
6 addition, the parties agree that the wines they sell in the
7 disputed equal-sided wine boxes are sold in the same channels of
8 trade, namely, at retail to consumers, as well as at L&R's
9 Lancaster location. (Id. ¶ 28.) In sum, the parties concede
10 that the consumer confusion factor is satisfied: consumers would
11 likely be confused by the similarity of TWG's and L&R's
12 octagonal-sided wine boxes.

13 Therefore, what is at issue here is the first factor: who
14 has the protectable ownership interest in the mark - the
15 octagonal-sided wine box design - and what is the geographic
16 scope of those rights? Specifically, the primary issue is
17 whether L&R has met its burden of establishing that it had common
18 law rights as a prior user of the octagonal-sided boxes. In
19 addition, if L&R's use does predate TWG's, the question becomes
20 what is the geographic scope of L&R's rights to the mark?

21
22 **(a) No Genuine Issue of Material Fact on L&R's**
23 **Prior Use Claim for Cancellation or TWG's**
24 **Infringement Claim**

25 As the owner of a Federal registration, TWG is presumed to
26 be the owner with national and exclusive rights as of the filing
27 date of its trademark application: March 3, 2009.

28 ///

1 See 15 U.S.C. §§ 1057(b) ("A certificate of registration of a
2 mark . . . shall be prima facie evidence of the validity of the
3 registered mark, of the owner's ownership of the mark,
4 and of the owner's exclusive right to use the registered mark in
5 commerce"); 1115(a) (any trademark registration "shall be
6 prima facie evidence of the validity of the registered mark and
7 of the registration of the mark, of the registrant's ownership of
8 the mark, and of the registrant's exclusive right to use the
9 registered mark in commerce"). See also, Zobmondo
10 Entertainment, LLC v. Falls Media, LLC, 602 F.3d 1108, 1114 (9th
11 Cir. 2010) ("Although the plaintiff in a trademark action bears
12 the ultimate burden of proof that his or her mark is valid,
13 federal registration provides 'prima facie evidence' of the
14 mark's validity and entitles the plaintiff to a 'strong
15 presumption' that the mark is a protectable mark." (citing
16 15 U.S.C. §§ 1057(b), 1115(a)).

17 However, L&R contends that the presumption does not apply
18 here because it was a prior user of the octagonal-sided box
19 design. Prior use, including both sales and non-sales
20 activities, may be sufficient to vest trademark rights in a prior
21 user, based on the court's evaluation of the totality of the
22 circumstances. See Rearden LLC v. Rearden Commerce, Inc.,
23 683 F.3d 1190, 1206 (9th Cir. 2012). L&R contends that it began
24 using an octagonal-sided box design prior to TWG's application,
25 that this use was continuous, and therefore it is the senior user
26 of the mark and cancellation of TWG's trademark is therefore
27 warranted. As the moving party on the prior use claim, L&R bears
28 the burden of demonstrating its prior use.

1 Under the Lanham Act, a registration may be cancelled by the
2 reviewing court where the registered mark resembles the "mark or
3 trade name previously used in the United States by another and
4 not abandoned." 11 U.S.C. §§ 1052(d), 1064, 1119. "To acquire
5 ownership of a trademark it is not enough to have invented the
6 mark first or even to have registered it first; the party
7 claiming ownership must have been the first to actually use the
8 mark in the sale of goods or services." Sengoku Works, 96 F.3d
9 at 1219.

10 "While the first use need not be extensive, the use must be
11 bona fide and commercial in character." Department of Parks and
12 Recreation for State of Cal. v. Bazaar Del Mundo Inc., 448 F.3d
13 1118, 1125-26 (9th Cir. 2006). The Lanham Act requires that
14 prior use be actual "use in commerce." See 15 U.S.C. § 1127.²⁰
15 There are two elements to the "use in commerce" requirement,
16 "(1) an element of actual use, and (2) an element of display."
17 Chance v. Pac-Tel Teletrac Inc., 242 F.3d 1151, 1159 (9th Cir.
18 2001)

19
20 ²⁰ 15 U.S.C. § 1127 provides, in relevant part, that:
21 The term "use in commerce" means the bona fide use of a
22 mark in the ordinary course of trade, and not made
23 merely to reserve a right in a mark. For purposes of
24 this chapter, a mark shall be deemed to be in use in
25 commerce—

26 (1) on goods when—

27 (A) it is placed in any manner on the goods or their
28 containers or the displays associated therewith or on
the tags or labels affixed thereto, or if the nature of
the goods makes such placement impracticable, then on
documents associated with the goods or their sale, and

(B) the goods are sold or transported in commerce

. . . .

1 In addition, the "use in commerce" must be continuous and
2 "the litigant attempting to establish priority of commercial use
3 must demonstrate both adoption of the marks and '[u]se in a way
4 sufficiently public to identify or distinguish the marked goods
5 in an appropriate segment of the public mind as those of the
6 adopter of the mark.'" Id. (quoting Brookfield Commc'ns, Inc. v.
7 West Coast Entm't Corp., 174 F.3d 1036, 1052 (9th Cir. 1999)
8 (quotation marks and citation omitted)).

9 In considering the elements of the "use in commerce" test,
10 the Court applies a "totality of the circumstances" approach,
11 which turns on "evidence showing, first, adoption, and, second,
12 use in a way sufficiently public to identify or distinguish the
13 marked goods in an appropriate segment of the public mind."
14 Rearden LLC, 683 F.3d at 1205 (quoting New West Corp. v. NYM Co.
15 of Cal., 595 F.2d 1194, 1200 (9th Cir. 1979) (internal quotation
16 and citation omitted)). Notably,

17 evidence of actual sales, or lack thereof, is not
18 dispositive in determining whether a party has
19 established "use in commerce" within the meaning of the
20 Lanham Act. Instead, we have acknowledged the
21 potential relevance of non-sales activity in
demonstrating not only whether a mark has been
adequately displayed in public, but also whether a
service identified by the mark has been "rendered in
commerce," 15 U.S.C. § 1127.

22 Id. at 1205. In particular, "non-sales activities, may be
23 relevant in determining whether the 'used or displayed in the
24 sale or advertising of services,' 15 U.S.C. § 1127, element is
25 satisfied. And, depending on the circumstances, the non-sales
26 activity may also be relevant to assessing whether a party has
27 satisfied the 'services are rendered in commerce,' [] element."
28 Id. (citation omitted).

1 Furthermore, to establish enforceable common law trademark
2 rights in a geographical area, a plaintiff must prove that, in
3 that geographic area, (1) it is the senior user of the mark, and
4 (2) it has established legally sufficient market penetration.
5 See, e.g., Credit One Corp. v. Credit One Financial, Inc.,
6 661 F. Supp. 2d 1134, 1138 (C.D. Cal. 2009) ("A party asserting
7 common law rights must not only establish that it is the senior
8 user, it must also show that it has 'legally sufficient market
9 penetration' in a certain geographic market to establish those
10 trademark rights." (quoting Glow Indus. Inc. v. Lopez,
11 252 F. Supp. 2d 962, 983 (C.D. Cal. 2002)). The filing of a
12 trademark application freezes the geographic scope of the prior
13 user's claim. Quiksilver, Inc. v. Kymsta Corp., 466 F.3d 749,
14 762 (9th Cir. 2006). Upon the filing of the application, a prior
15 user's claim to the right to use the design subject to the
16 trademark is limited "to those areas where [it] then enjoyed
17 recognition based on its reputation, advertising, and sales."
18 Id. (citation omitted).

19 Stripped of its baseless contentions that TWG fraudulently
20 registered its trademark for the octagonal box design or copied
21 L&R's box design after the 2009 Sacramento symposium, L&R is left
22 with its contention that it began, in 2008, selling its Tamanend
23 wine in the prototype octagonal-sided boxes on a continuous basis
24 from a tasting room at its Lancaster location.²¹

26 ²¹ There is no material dispute that TWG began selling its
27 wine in its "Octavin" equal-sided octagonal boxes beginning in
28 February 2010, that began selling wine in these boxes in
Pennsylvania in April, 2010, and that it sells its wine

(continued...)

1 (L&R SUF ¶¶ 40, 104.) If demonstrated, such use would predate
2 TWG's trademark application by a year and would create a genuine
3 issue of material fact as to L&R's prior use claim.

4 L&R contends that it began genuine commercial use of the
5 octagonal box for its TAMANEND wine in January 2008 and that it
6 has used the octagonal wine box continuously ever since. (L&R
7 SUF ¶¶ 40, 104.) The evidence is undisputed that L&R was
8 provided with free prototype octagonal boxes by a manufacturer
9 beginning in December 2007 (TWG SUF ¶¶ 30-31) and that L&R was
10 considering using the octagonal box design. However, the
11 totality of the circumstances does not support the conclusion
12 that L&R's use of the octagonal wine boxes prior to TWG's filing
13 of its trademark application for the wine box design on March 3,
14 2009 (TWG SUF ¶¶ 2-4), was actual "use in commerce" within the
15 meaning of the Lanham Act.

16 First, the Court notes that L&R's factual statements appear
17 to deliberately blur the lines between actions that L&R took prior
18 to 2009 and its actions after 2009. By omitting relevant dates,
19 combining factual statements related to its alleged pre-2009 sales
20 with ones related to its post-2009 sales, and otherwise obscuring
21 what facts specifically relate to its pre-2009 use of octagonal-
22 sided wine boxes, L&R undercuts its prior use argument by raising
23 questions as to the veracity of its factual statements.

24
25
26 ²¹(...continued)
27 nationally. (TWG SUF ¶ 16, 18, 20.) There is also no dispute
28 that L&R did not begin selling wine in its octagonal boxes
anywhere other than out of a single tasting room at its Lancaster
location until at least April 2010, when it launched its "LNO"
wine product. (L&R SUF ¶¶ 104-105.)

1 (See, e.g., L&R SUF, ECF No. 70, ¶¶ 1, 3-8, 12, 15-18, 30.)

2 Second, L&R has not provided persuasive evidence to support
3 its prior use claims. L&R does not provide any sales data or
4 invoices that details sales of wine from the octagonal-sided
5 boxes. (TWG SUF ¶¶ 44-45.) L&R also does not provide
6 documentation as to its sales plans or market research. (Id.
7 ¶¶ 43, 46, 48.) Beyond the evidence that L&R received free
8 prototypes of octagonal boxes from a manufacturer, the only
9 "evidence" of continuous sales and use of the octagonal boxes
10 prior to TWG's application for the trademark is the testimony of
11 L&R's Vice President, Richard Carey, and the company's President,
12 Linda Jones McKee, whose declarations serve as the basis for the
13 vast majority of L&R's factual contentions. (See L&R SUF, ECF
14 70.)

15 In addition, the vast majority of the various documents,
16 testimony and declarations submitted by L&R in support of its
17 cancellation claim are inadmissible because they are attached to
18 the declaration of L&R's counsel of record, Frank J. Bonini, Jr.
19 ("Bonini"), who does not state that he has personal knowledge of
20 anything to which he attests and the attached exhibits are not
21 properly authenticated. (See ECF No. 70-2.) "An affidavit or
22 declaration used to support or oppose a motion must be made on
23 personal knowledge, set out facts that would be admissible in
24 evidence, and show that the affiant or declarant is competent to
25 testify on the matters stated." Rule 56(c)(4); see also U.S. v.
26 \$133,420.00 in U.S. Currency, 672 F.3d 629, 639-40 (9th Cir.
27 2012).

28 ///

1 Here, Bonini purports to authenticate most of the Exhibits
2 attached to his Declaration in the following manner: "Attached
3 hereto as Exhibit X is a true and correct copy of X produced by X
4 in this litigation." This, or similar language, is used for the
5 following exhibits: 2, 3, 8, 9, 10, 11, 12, 13, 14, 15, 16, 19,
6 20, 21, 23, 24, 25, 27, 28, 32, 36, 37, 38 and 39. (ECF
7 No. 70-12.) However, L&R does not provide any reason for the
8 Court to conclude that Bonini has the requisite personal
9 knowledge to authenticate these documents. Further, as the
10 advocate for these exhibits, L&R bears the responsibility of
11 demonstrating that there is a sufficient evidentiary basis for
12 the Court to admit them once TWG raised its objections. See,
13 e.g., In re Oracle Corp. Securities Litigation, 627 F.3d 376,
14 385-86 (9th Cir. 2010). Here, L&R offers no response to TWG's
15 argument that Bonini cannot personally authenticate these
16 exhibits. (See L&R's Opposition to TWG's Statement of
17 Evidentiary Objections, ECF 80.) While L&R does contest TWG's
18 specific objections regarding particular items of evidence
19 included in its statement of facts in L&R's Opposition, the Court
20 generally finds L&R's arguments unpersuasive and, in particular,
21 rejects L&R's tangential argument that TWG's counsel's invocation
22 of attorney client privilege during a deposition was "an improper
23 attempt by TWG to conceal evidence." (ECF 80 at 20-21.) Again,
24 L&R's counsel has raised a particularly vituperative allegation
25 that lacks any reasonable evidentiary foundation.

26 ///

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28 ///

1 Given the voluminous mass of pleadings and evidence, and
2 given the fundamental issues with L&R's evidence (beginning with
3 the inability of Bonini to personally authenticate the evidence
4 attached to his declaration) and arguments (e.g., L&R's meritless
5 contentions regarding TWG's trademark application (i.e.,
6 "Inc." v. "LLC") and that TWG copied its box design, the Court is
7 not inclined to sift through the record to find support for L&R's
8 evidentiary contentions. See, e.g., In re Oracle Corp., 627 F.3d
9 at 385("It behooves litigants, particularly in a case with a
10 record of this magnitude, to resist the temptation to treat
11 judges as if they were pigs sniffing for truffles" (citation
12 omitted)); Independent Towers of Washington v. Washington,
13 350 F.3d 925, 929 (9th Cir. 2003) ("When reading [Plaintiff's]
14 brief, one wonders if [Plaintiff], in its own version of the
15 "spaghetti approach," has heaved the entire contents of a pot
16 against the wall in hopes that something would stick. We
17 decline, however, to sort through the noodles in search of
18 [Plaintiff's] claim.").

19 Therefore, without delving into the minutiae of the parties'
20 evidentiary objections and responses, the Court concludes that
21 L&R's admissible evidence, viewed in the best light for L&R,
22 establishes that it was in possession of and exploring the use of
23 prototype equal-sided octagonal wine boxes prior to TWG's filing
24 of its trademark application in 2009. Although there does not
25 appear to be any admissible or reliable evidence to support its
26 claim, L&R may have also sold some unknown amount of Tamenend
27 wine from an octagonal-sided box from a single tasting room in
28 its Lancaster location prior to TWG's application.

1 Assuming all of that is true, the question then becomes whether,
2 under the totality of the circumstances, this can establish L&R
3 as the senior user of the trademark. See Rearden, 683 F.3d at
4 1205-06.

5 First, "non-sales activities still must be sufficiently
6 public in nature to identify or distinguish the goods or services
7 in an appropriate segment of the public mind as belonging to the
8 owner." Id. at 1206 (citations omitted). Furthermore,
9 "trademark rights are not conveyed through mere intent to use a
10 mark commercially." Brookfield Communications, Inc. v. West
11 Coast Entertainment Corp., 174 F.3d 1036, 1052 (9th Cir. 1999).
12 Here, L&R's possession of octagonal-sided boxes and initial
13 consideration of selling wine in these boxes, even its sale of
14 some unknown amount of Tamenend wine to an unknown number of
15 individuals, from a single tasting room in Pennsylvania, is
16 insufficient to establish that it created an association in the
17 public's mind between L&R and the mark. Id. Prior to TWG's
18 filing of its trademark application, L&R did not create a
19 marketing plan to sell the Tamenend wine product, did not pursue
20 any sales of wine outside of its alleged sales from a single
21 tasting room, and the evidence generally establishes that it took
22 no other action that would be consistent with establishing a link
23 between its mark and the public's mind (e.g., advertising).

24 In its Answer and Counterclaim, L&R contends that, in courts
25 in the Ninth Circuit, a "single sale" may constitute bona fide
26 first use of a mark when considered in the totality of that
27 user's subsequent use.

28 ///

1 See L&R's Answer and Counterclaim, ECF No. 60-1 at 12-18; L&R's
2 Reply Memorandum in Support of its Motion for Summary Judgment on
3 L&R's Cancellation Counterclaim, ECF 88 at 7-8 (citing Protec.
4 Diamond Tools, Incorporated v. Protec. Diamond Tools, Inc., 2009
5 U.S. Dist. LEXIS 53382 (N.D. Cal 2009).) L&R argues that its
6 subsequent commercialization and sales of its LNO wine, starting
7 in 2010, are all part of a continuum of use of the octagonal
8 boxes that began in 2008 and demonstrate that it had a genuine
9 commercial intent to use the octagonal-sided box. (Id.)

10 However, L&R's prior use claim and defense must fail because
11 the claimed sales of Tamanend wine in the box prior to March 3,
12 2009 are (a) based entirely on the uncorroborated and self-
13 serving testimony of L&R's executives and there are no facts on
14 which the Court can determine whether that claimed use resulted
15 in common law rights, and (b) even if L&R's alleged sales of wine
16 in octagonal boxes prior to March 3, 2009, occurred, they were
17 not a genuine commercial use of the box as they were limited to
18 some unknown number of sales of the Tamanend wine made from the
19 Lancaster tasting room and unaccompanied by any demonstrated
20 intent to commercialize those sales prior to TWG's application
21 for the trademark.²²

22 ///

23 ///

24 ///

26 ²² The Court notes that TWG's expert, Michael C. Bellas
27 found that L&R did not follow common wine industry practices for
28 developing and commercializing the equal-sided octagonal box as
alternative packaging for its Tamanend wine. (See TWG SUF at
¶¶ 73-84.) L&R offers no persuasive rebuttal to this evidence.

1 The Court concludes that L&R's subsequent development and sales
2 of the LNO wine product in octagonal boxes did not flow directly
3 from its prior exploration of the wine octagonal boxes, therefore
4 did not constitute a continuous use that would support L&R's
5 prior use argument. Chance, 242 F.3d at 1159.

6 When TWG filed its trademark application on March 3, 2009,
7 L&R's trademark area was frozen, see Quicksilver, 466 F.3d at 762
8 ("When [plaintiff] filed its trademark applications,
9 [defendant's] trade area [for the mark] was frozen.") Further,
10 TWG's evidence established that it was L&R's subsequent decision
11 to commercialize its sales of the LNO wine product in an
12 octagonal box cannot be used to establish its rights as a senior
13 user of the mark.

14 Therefore, L&R has failed to counter TWG's contention that
15 it is the legitimate owner of the trademark registration as of
16 March 3, 2009, and therefore is presumed to have national and
17 exclusive rights to the mark as of that date. 15 U.S.C.
18 §§ 1057(b), 1115(a); see e.g., CreAgri Inc. v. USANA Health
19 Sciences, Inc., 474 F.3d 626, 629 (9th Cir. 2007). While it is
20 true that L&R could be entitled to use the mark in geographic
21 areas where it was using the mark, if it could establish common
22 law rights to the mark as of the date of TWG's application, the
23 Court concludes that the totality of the evidence does not
24 support the conclusion that L&R was engaged in commercial use of
25 the octagonal box at its Lancaster tasting room, or anywhere
26 else, as of March 3, 2009, when the geographic scope of L&R's use
27 was frozen. Quicksilver, 466 F.3d at 762.

28 ///

1 In sum, the Court concludes that L&R's contention that it is
2 entitled to summary judgment on its cancellation claim because it
3 was a prior continuous user of the mark fails because the
4 totality of the evidence does not support the conclusion that L&R
5 engaged in prior continuous commercial use. L&R's Motion for
6 Summary Judgment on its Cancellation Claim (ECF No. 68) is
7 therefore denied.

8 L&R is also not entitled to damages. The Lanham Act
9 entitles a successful plaintiff to recover proven damages.
10 15 U.S.C. § 1117. Damages can be measured in two ways: loss to
11 the plaintiff or gain to the defendant (its "profits" on the
12 infringing sales). A plaintiff cannot recover the defendant's
13 profits unless it can prove the infringement is willful and
14 deliberate. Kassbaum v. Steppenwolf Productions, Inc., 236 F.3d
15 487, 492 (9th Cir. 2000). Because L&R cannot prevail on its
16 counterclaim for cancellation, it is not entitled to damages.²³
17 In contrast, TWG has established its exclusive rights to the mark
18 as of its March 3, 2009 application date, that there is no
19 dispute as to infringement (as both parties concede infringement
20 in support of their claims), and that its rights are national in
21 scope. L&R's continued use of the octagonal wine box design
22 therefore infringes on TWG's mark and TWG is entitled to remedies
23 for L&R's infringement.

24 ///

25
26 ²³ The Court notes that L&R also failed to disclose a
27 damages computation in its Initial Disclosures as required by
28 Federal Rule of Civil Procedure 26 (a)(1)(A)(iii) or in a
supplemental disclosure. (TWG SUF ¶¶ 93, 95.) However, those
failures are rendered moot by the fact that L&R cannot succeed on
its counterclaim.

1 **(b) L&R's First Amendment Affirmative Defense**

2

3 L&R contends that "TWG impermissibly seeks to impose

4 liability on conduct protected from liability by the First

5 Amendment to the United States Constitution." (Answer and

6 Counterclaim, ECF No. 8 ¶ 36.) L&R does not provide any facts in

7 support of this defense. Further, with no citation to any

8 authority, L&R states that it "simply seek[s] to use [its]

9 original artistic creations pursuant to the First Amendment's

10 guarantee of freedom of expression." (L&R's Opposition to TWG's

11 Motion for Summary Judgment, ECF No. 70 at 14-15.) The First

12 Amendment does not bar the enforcement of valid trademark rights.

13 E. & J. Gallo Winery v. Gallo Cattle Company, 967 F.2d 1280, 1297

14 (9th Cir. 1992). The Court concludes that L&R has not pleaded

15 sufficient facts or law to support this defense.

16

17 **CONCLUSION**

18

19 As a matter of law and for the reasons set forth above,

20 1. TWG's Motion for Summary Judgment (ECF No. 56) is

21 GRANTED;

22 2. L&R's Motion for Summary Judgment on its Counterclaim

23 for Cancellation (ECF No. 60) is DENIED;

24 3. L&R's Motion for Summary Judgment on its Second

25 Affirmative Defense (ECF No. 58) is DENIED AS MOOT;

26 4. TWG's Contingent Motions for Summary Judgment on L&R's

27 Cancellation and Inequitable Conduct Claims (ECF No. 69) and on

28 L&R's Claims of Unclean Hands (ECF No. 86) are DENIED AS MOOT;

1 5. L&R's Motion to Strike the Declarations of L. Jones and
2 J. Sutton and Cross-Motion for Summary Judgment on TWG's Claims
3 Based on TWG's Unclean Hands (ECF No. 72) is DENIED; and

4 6. As discussed in Section B of the Analysis, the Court
5 concludes that sanctions are warranted for L&R's violations of
6 Rule 11 and 28 U.S.C. § 1927.

7 Because TWG has prevailed on its Motion for Summary Judgment
8 (ECF No. 56), the Court hereby ORDERS that:

9 1. L&R is enjoined from any further infringement of TWG's
10 trademarks in the United States;

11 2. TWG is entitled to an award in the amount by which
12 Defendants have been unjustly enriched;

13 3. TWG is entitled to its costs of suit, including TWG's
14 reasonable attorneys' fees; and

15 4. Within thirty (30) calendar days of the electronic
16 filing of this Memorandum and Order, TWG is directed to file a
17 single memorandum of no more than fifteen (15) pages (INCLUDING
18 ANY AND ALL EXHIBITS) discussing: (a) the award and costs that it
19 contends it is entitled to; and (b) what sanctions it contends
20 are appropriate for L&R's violations of Rule 11 and 28 U.S.C. §
21 1927. Within fifteen (15) calendar days after TWG has
22 electronically filed its memorandum, L&R shall file a single
23 memorandum of no more than fifteen (15) pages (INCLUDING ANY AND
24 ALL EXHIBITS) discussing: (a) the award and costs that TWG is
25 entitled to; and (b) what sanctions are appropriate for its
26 violations of Rule 11 and 28 U.S.C. § 1927.

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1 No further memoranda responsive to these issues shall be
2 submitted without leave of the Court.

3 IT IS SO ORDERED.

4 Dated: September 7, 2012



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7 MORRISON C. ENGLAND, JR.
8 UNITED STATES DISTRICT JUDGE
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