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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

Proceeding	91156061
Party	Defendant Go Daddy Software, Inc. Go Daddy Software, Inc. 14455 N. Hayden Road Suite 219 Scottsdale, AZ 85260
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Submission	Defendant's Notice of Reliance
Filer's Name	Donna H. Catalfio
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Signature	/dhc/
Date	04/04/2006
Attachments	Notice_of_Reliance_1.pdf ( 30 pages ) Notice_of_Reliance_2.pdf ( 38 pages ) Notice_of_Reliance_3.pdf ( 37 pages )

**IN THE UNITED STATES PATENT AND TRADEMARK OFFICE  
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD**

*In the matter of:*  
STEALTHRAY (Serial No. 78/137,180)

Central Manufacturing Co.

Opposer,

v.

Go Daddy Software, Inc.

Applicant.

Opposition No. 91156061

Box TTAB No Fee  
Commissioner for Trademarks  
2900 Crystal Drive  
Arlington, Virginia 22202-3514

**APPLICANT'S FIRST NOTICE OF RELIANCE**

Applicant, by its attorney, hereby submits this Notice of Reliance pursuant to Rule 2.122(e) of the Trademark Rules of Practice. Specifically, Applicant relies on the below-listed printed publications, which are available to the general public in libraries or in general circulation, and official records. Copies of these records are attached hereto.

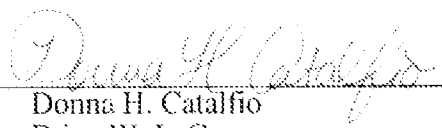
EXHIBIT NUMBER	RECORD	DATE	SOURCE
R-1	Reported decision in the matter of <i>Central Mfg. Co. v. Pure Fishing, Inc.</i>	Nov. 16, 2005	2005 U.S. Dist. LEXIS 28280
R-2	Reported decision in the matter of <i>Central Mfg. Co. v. George Brett</i>	Sept. 30, 2005	2005 U.S. Dist. LEXIS 23379
R-3	Reported decision in the matter of <i>S Industries, Inc. v. Diamond Multimedia Systems, Inc.</i>	Jan. 20, 1998	991 F. Supp. 1012
R-4	Reported decision in the matter of <i>S Industries, Inc. v. JL Audio, Inc.</i>	Dec. 9, 1998	29 F. Supp. 2d 878
R-5	Reported decision in the matter of <i>S Industries, Inc. v. Stone Age Equipment, Inc.</i>	June 23, 1998	12 F. Supp. 2d 796
R-6	Reported decision in the matter of <i>S</i>	Mar. 12, 1999	1999 U.S. Dist.

	<i>Industries, Inc. v. Ecolab, Inc.</i>		LEXIS 3484
R-7	<i>Central Mfg. Inc. v. Astec Industries, Inc.</i>	Sept. 30, 2003	2003 TTAB LEXIS 512
R-8	Reported decision in the matter of <i>S Industries, Inc. v. Lamb-Weston, Inc.</i>	Sept. 29, 1997	45 U.S.P.Q.2d 1293
R-9	Reported decision in the matter of <i>S Industries, Inc. v. S &amp; W Sign Co.</i>	Dec. 16, 1999	1999 TTAB LEXIS 700
R-10	Reported decision in the matter of <i>Central Mfg. Inc. v. Third Millenium Technology, Inc.</i>	Dec. 7, 2001	61 U.S.P.Q.2d 1210

These reported decisions are relevant to show (i) Opposer Central Mfg. Co. is not an independent legal entity; (ii) the principal and sole shareholder of Opposer, Leo Stoller, through Opposer and other related entities which he controls has engaged in a pattern of instituting spurious and harassing actions in both federal court and the Patent and Trademark Office wherein he asserts trademark rights in the "Stealth" mark to a wide range of goods of services; and (iii) federal courts and the Trademark Trial and Appeal Board have consistently found in these proceedings that Opposer, Stoller and the related entities have no valid trademark rights in the "Stealth" mark for the products and services asserted.

DATED this 4<sup>th</sup> day of April, 2006.

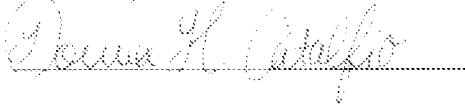
GO DADDY SOFTWARE, INC.

By:   
Donna H. Catalfo  
Brian W. LaCorte  
Counsel For Applicant  
GALLAGHER & KENNEDY, P.A.  
2575 East Camelback Road, Suite 1100  
Phoenix, Arizona 85016  
(602) 530-8208

## CERTIFICATE OF SERVICE

I hereby certify that a copy of the Applicant's First Notice of Reliance is being sent this 4<sup>th</sup> day of April, 2006, via Express Mail to:

Leo Stoller  
President  
Central Mfg. Co.  
7115 W. North Avenue #272  
Oak Park, IL 60302

A handwritten signature in cursive script, appearing to read "Dawn H. Catalano", is written over a horizontal dotted line.



**Exhibit**

**R-1**

Central Mfg. Co. vs. Pure Fishing, Inc., et al

05 C 725

UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF  
ILLINOIS

2005 U.S. Dist. LEXIS 28280

November 16, 2005, Decided

November 16, 2005, Filed

**SUBSEQUENT HISTORY:** Reconsideration denied by *Cent. Mfg. Co. v. Pure Fishing, Inc.*, 2005 U.S. Dist. LEXIS 32137 (N.D. Ill., Dec. 8, 2005)

**PRIOR HISTORY:** *Cent. Mfg. Co. v. Pure Fishing, Inc.*, 2005 U.S. Dist. LEXIS 24679 (N.D. Ill., Oct. 14, 2005)

**COUNSEL:** [\*1] For Central Mfg. Co., a Delaware Corporation, Lindy-Little Joe, Inc., a Minnesota corporation, and, Plaintiffs: Peter Wood, Evergreen Park, IL; Robert R. Benjamin, Beverly Anne Berneman, Querrey & Harrow, Ltd., Chicago, IL; John Michael Brom, Querrey & Harrow, Ltd., Chicago, IL.

For Leo Stoller, an individual, Plaintiff: Pro se, Chicago, IL; Peter Wood, Evergreen Park, IL; Robert R. Benjamin, Beverly Anne Berneman, Querrey & Harrow, Ltd., Chicago, IL; John Michael Brom, Querrey & Harrow, Ltd., Chicago, IL.

For Central Mfg., Inc., Plaintiff: Beverly Anne Berneman, Beverly Anne Berneman, Querrey & Harrow, Ltd., Chicago, IL.

For Pure Fishing, Inc., (an Iowa corporation) doing business as Berkley, Fishing Spirit, Inc., (a Wisconsin corporation), and, Fishusa, Inc., doing business as Fishusa.Com., Defendants: Lance G Johnson, Roylance, Abrams, Berdo & Goodman, LLP, Washington, DC; Timothy C. Meece, Banner & Witcoff, Ltd., Chicago, IL.

For S Industries, Inc., Sentra Industries, Inc., Stealth Industries, Inc., Third Party Defendant: Beverly Anne Berneman, Robert R. Benjamin, Querrey & Harrow, Ltd., Chicago, IL.

For Central Mfg. Co., a Delaware Corporation, Lindy-Little [\*2] Joe, Inc., a Minnesota corporation, and, Counter Defendants: Robert R. Benjamin, Beverly Anne Berneman, Querrey & Harrow, Ltd., Chicago, IL; John Michael Brom, Querrey & Harrow, Ltd., Chicago, IL.

**JUDGES:** George W. Lindberg, Magistrate Judge.

**OPINIONBY:** George W. Lindberg

**OPINION:**

**STATEMENT**

This case is a striking example of gross misconduct by counter-defendant and plaintiff's principle, Leo Stoller, and his counsel, Peter Woods. Their conduct constitutes a flagrant contempt for this Court and mandates the harsh sanctions of dismissal of this case with prejudice as to plaintiff and entry of default judgment as to each counter-defendant.

**I. Factual Background**

Leo Stoller, a counter-defendant and purported sole shareholder of plaintiff Central Mfg. Co. and each of the counter-defendants, is a frequent litigant within this district. n1 Mr. Stoller, a non-lawyer, has earned a reputation for initiating spurious and vexatious federal litigation. *See e.g. Central Mfg. Co. et al. v. Brett*, 2005 U.S. Dist. LEXIS 23379, 2005 WL 2445898 (N.D. Ill. Sept. 30, 2005) (Coar, J.) ("Stoller appears to be ruining an industry that produces often spurious, vexatious, and harassing federal litigation."); [\*3] *S. Indus. Inc. v. Stone Age Equip., Inc.*, 12 F. Supp. 2d 796 (N.D. Ill. 1998) (Castillo, J.) (Stoller initiates "litigation lacking in merit and approaching harassment."); *S. Indus. Inc. v. Hobbeo, Inc.*, 940 F. Supp. 210, 211 (N.D. Ill. 1996) (Shadur, J.) (Stoller "appears to have entered into a new industry -- that of instituting federal litigation."). Additionally, Mr.

Stoller or his entities have been ordered to pay their opponent's attorneys' fees in at least seven reported cases. See e.g., *Central Mfg. Co. et al. v. Brett*, 2005 U.S. Dist. LEXIS 23379, 2005 WL 2445898 (N.D. Ill. Sept. 30, 2005) (Coar, J.); *S Indus., Inc. v. Ecotab Inc.*, 1999 WL 162785 (N.D. Ill. Mar.16, 1999)(Gottschall, J.); *S Indus., Inc. v. Stone Age Equip., Inc.*, 12 F. Supp. 2d 796, 798-99, 819-20 (N.D. Ill.1998) (Castillo, J.); *S Indus., Inc. v. Centra 2000, Inc.*, 1998 WL 157067 (N.D. Ill. Mar.31, 1998) (Lindberg, J.), *aff'd* by 249 F.3d 623, 627-29 (7th Cir. 2001); *S Indus., Inc. v. Diamond Multimedia Sys., Inc.*, 991 F.Supp. 1012 (N.D. Ill.1998) (Andersen, J.); *S Indus., Inc. v. Diamond Multimedia Sys., Inc.*, 17 F.Supp.2d 775 (N.D. Ill.1998) [\*4] (Andersen, J.); *S Indus., Inc. v. Diamond Multimedia Sys., Inc.*, 1998 U.S. Dist. LEXIS 14470, 1998 WL 641347 (N.D. Ill. Sept. 10, 1998) (Andersen, J.); *S Indus., Inc. v. Kimberly-Clark Corp.*, 1996 WL 388427 (N.D. Ill. July 9, 1996) (Shadur, J.); *S Indus., Inc. v. Hobbico, Inc.*, 940 F.Supp. 210, 212 (N.D.Ill.1996) (Shadur, J.).

¶1 Since 1988, Leo Stoller, individually or through one of his many wholly-owned corporate entities, has been involved in at least 49 cases in the Northern District of Illinois.

In keeping with Mr. Stoller's reputation, his actions in the instant litigation have been vexatious and sanctionable. As background, a brief explanation of Mr. Stoller's "business" is necessary. For more than a decade, Mr. Stoller has been creating and operating various wholly-owned corporate entities including, *inter alia*, S. Industries, Inc., Central Manufacturing Co., Central Manufacturing Inc., Sentra Industries, Inc., Stealth Industries, Inc., and Rentamark.com. Mr. Stoller admits [\*5] that he is the chief operating officer, president, and where applicable, sole shareholder for each of these corporate entities. Individually and through these wholly-owned entities, Mr. Stoller applies for and has obtained trademark registrations for hundreds of words and phrases including the term "Stealth," which is at issue in the instant case. As part of his "business," Mr. Stoller issues cease and desist letters to companies that market products bearing some version of the names and terms he has purportedly trademarked. In those letters, Mr. Stoller threatens to file an infringement action unless the targeted companies pay him a licensing fees for the use of the allegedly trademarked terms.

In the mid and late 1990s, Mr. Stoller initiated a number of infringement lawsuits on behalf of S. Industries, Inc., stating that he and/or S. Industries Inc. owned the exclusive rights to various trademarks, including ones for the term "Stealth." As discussed above, many of

those suits were unsuccessful and resulted in the imposition of sanctions against S. Industries, Inc. and Mr. Stoller. Seemingly to avoid possible forfeiture of one or more of the trademark registrations to judgments creditors [\*6] of S. Industries, Inc., Mr. Stoller purportedly transferred S. Industries Inc.'s rights in those marks to Central Mfg. Co.

Thereafter, Mr. Stoller began a new round of infringement lawsuits on behalf of Central Mfg. Co., the new alleged owner of exclusive title for various "Stealth" marks. See e.g., *Central Mfg. Co. et al. v. Brett*, 2005 U.S. Dist. LEXIS 23379, [WL] 2445898 (N.D. Ill. Sept. 30, 2005) (Coar, J.). Mr. Stoller and Central Mfg. Co. initiated the instant trademark infringement action on February 4, 2005. Throughout the initial complaint, Central Mfg. Co. maintained that it was a Delaware Corporation. Mr. Stoller and Central Mfg. Co. also stated that they held the rights to the federal trademark registrations for the term "Stealth," which served as the sole basis for their complaint. Plaintiffs also included, as exhibits to the complaint, copies of trademark registration forms indicating that Central Mfg. Co. held sole title to the disputed "Stealth" trademarks.

Subsequently, Central Mfg. Co. and Mr. Stoller retained additional counsel who filed their appearances on May 19, 2005 and filed an amended complaint on May 24, 2005. Therein, Mr. Stoller removed himself as a named plaintiff [\*7] and Central Mfg. Co. continued to maintain that it was a Delaware corporation and held sole title to the disputed "Stealth" trademarks. During that same week, Mr. Stoller and his additional attorneys filed a motion with Judge Hart stating that Central Mfg. Co. was a d/b/a of Central Mfg. Inc. See *Columbia Pictures Industries, Inc. v. Stoller et al.*, 05 C 2052. In response to the amended complaint, defendants filed a number of counterclaims, naming Mr. Stoller and various of his wholly-owned corporate entities as counter-defendants. Defendants also filed a motion to dismiss, challenging the legitimacy and corporate status of Central Mfg. Co. In response to defendant's motion to dismiss, Central Mfg. Co. admitted that, contrary to the statements in its initial and amended complaints, it was not a Delaware corporation. In fact, Central Mfg. Co. was not an independent corporate entity. Instead, for the first time in this litigation, Central Mfg. Co. stated that it was a d/b/a/ for Central Mfg. Inc., a Delaware corporation, that was not named in the instant lawsuit. On September 27, 2005, this Court dismissed plaintiff's amended complaint without prejudice.

Prior to a ruling on the [\*8] motion to dismiss, plaintiff's additional counsel moved to withdraw as counsel for Central Mfg. Co., Mr. Stoller and a number of the corporate counter-defendants, stating that they were no longer being paid and that their continued representation

of those parties would violate Illinois Rules of Professional Conduct 3.1, 3.2 and 3.3(a)(1) and (a)(12). n2 Mr. Woods did not move to withdraw his appearance on behalf of Central Mfg. Co. The Court scheduled an October 12, 2005 hearing on the motion to withdraw. A few hours before the hearing, plaintiff's additional counsel filed a motion for leave to file a second amended complaint. In light of the allegations in plaintiff's additional counsel's motion to withdraw and because Mr. Woods had an appearance on file for Central Mfg. Co., the Court granted the motion to withdraw on October 12, 2005, and gave the corporate counter-defendants until November 2, 2005 to obtain new counsel. The Court reserved ruling on plaintiff's motion for leave to file a second amended complaint and ordered Mr. Woods to either certify that the allegations in the proposed second amended complaint complied with *Federal Rule of Civil Procedure ("Rule") 11* [\*9] , or withdraw the proposed second amended complaint by October 21, 2005.

n2 Rule 3.1 provides, in pertinent part, that "[a] lawyer shall not bring or defend a proceeding, or assert or controvert an issue therein, unless there is a basis for doing so that is not frivolous, which includes a good-faith argument for an extension, modification or reversal of existing law." Rule 3.2 provides that "[a] lawyer shall make reasonable efforts to expedite litigation consistent with the interests of the client." Rule 3.3(a)(1) provides that a lawyer shall not "make a statement of material fact or law to a tribunal which the lawyer knows or reasonably should know is false." Rule 3.3(a)(12) provides that a lawyer shall not "fail to use reasonable efforts to restrain and prevent a client from doing those things that the lawyer ought not to do."

Thereafter, the Court began to uncover some of the egregious conduct of Mr. Stoller, individually and on behalf of his corporate entities, and Mr. Woods. The Court held a hearing on [\*10] November 9, 2005. At the hearing, Mr. Woods admitted to the following conduct:

(1) providing Mr. Stoller with oral authorization to sign his name to pleadings filed with the Court;

(2) authorizing Mr. Stoller to sign his name to a motion to compel that lacked any evidentiary support and accused this Court of "being an integral part of [a scheme] to defraud the Federal Court and to defraud Leo Stoller out of his valuable

trademarks," and accused defense counsel of "concocting [a] scheme in order to defraud the counter-defendants out of \$ 100,000 and 30 Federal Trademarks," "tortiously interfering with Leo Stoller's business banking relationship," and designing "a scheme to purchases a fee award merely for the purpose of asserting a non-meritorious counterclaim;"

(3) authorizing Mr. Stoller to sign his name to the February 4, 2005 attorney appearance form on behalf of Central Mfg. Co. that failed to include his ARDC number;

(4) authorizing Mr. Stoller to sign his name to the February 4, 2005 complaint that repeatedly stated that Central Mfg. Co. is a Delaware corporation, when reasonable inquires as required by *Rule 11* would have disclosed that Central Mfg. [\*11] Co. was not an independent legal entity;

(5) authorizing Mr. Stoller to sign his name to an October 28, 2005 attorney appearance form that failed to include his ARDC number and purported to be on behalf of Central Mfg. Co., after all parties to the case had previously agreed that Central Mfg. Co. was not an independent legal entity;

(6) authorizing Mr. Stoller to sign his name to an October 28, 2005 attorney appearance form on behalf of various corporate counter-defendants without verifying whether those counter-defendants were independent legal entities; and

(7) authorizing Mr. Stoller to sign his name to a *Rule 11* Certification, dated October 21, 2005, certifying that the proposed second amended complaint complied with *Rule 11*.

At the hearing, Mr. Woods also stated that the allegations and information in the above referenced filings came directly from Mr. Stoller. Mr. Stoller provided Mr. Woods with the information included in the above referenced motion to compel and erroneously represented that each of the counter-defendants listed on Mr. Woods' October 28, 2005 appearance form were independent legal

entities. Additionally, although not specifically confirmed [\*12] on the record, it appears that Mr. Stoller may have drafted a number of the pleadings to which he affixed Mr. Woods' name. Furthermore, Mr. Stoller also filed baseless *pro se* motions in his capacity as a counter-defendant. Most notably, Mr. Stoller filed meritless motions to disqualify this Court and defense counsel. Despite repeated admonishments by this Court that he was not an attorney and could not represent his corporate entities, Mr. Stoller also filed a pleading on behalf of his corporate counter-defendants.

## II. Legal Analysis

### A. Conduct of the Corporate Counter-defendants

It is well settled that corporate entities cannot appear before the court *pro se*. See *Scandia Down Corp. v. Euroquilt, Inc.*, 772 F.2d 1423, 1427 (7th Cir.1985). On October 27, 2005, the Court ordered that any corporate counter-defendant that did not have an attorney appearance on file by November 2, 2005 would be defaulted. The next day, Mr. Woods authorized Mr. Stoller to sign his name to and file an attorney appearance on behalf of all of the corporate counter-defendant. That appearance form clearly violates *Rule 11(a)*. *Rule 11(a)* requires that "every pleading, [\*13] written motion, and other paper shall be signed by at least one attorney." *Fed.R.Civ.P. 11* (emphasis added). In order to comply with *Rule 11*, Mr. Woods must personally sign each paper filed with the Court and cannot authorize Mr. Stoller to sign his name to pleadings submitted on behalf of the corporate counter-defendant. See *Dillard v. Washington*, 1996 U.S. Dist. LEXIS 13751, 1996 WL 616664 (N.D. Ill. Oct. 21, 1996) (dismissing a complaint pursuant to *Rule 11* because the plaintiff failed to personally sign it).

The appearance form also fails to comply with *Rule 11(b)*. Mr. Woods admitted that he did not verify that each of the counter-defendants listed on the appearance form were independent legal entities. In fact, a number of those entities, most notable Central Mfg. Co., are not legal entities. Further, authorizing the filing on an attorney appearance form on behalf of non-existent corporate entities clearly prejudiced defendants by needlessly increasing the cost of discovery and hampering defendants' ability to identify the true parties in interest in Counterclaim IV. Therefore, because the attorney appearance form filed on behalf of the corporate counter-defendants violates [\*14] *Rule 11(a)* and *(b)*, it is stricken. Additionally, the corporate counter-defendants will not be allowed leave to file an additional attorney appearance form. Based on the admissions of Mr. Woods, he is not qualified to represent the corporate counter-defendants in this litigation, and the counter-defendants cannot represent themselves. Accordingly, default judgment is entered as to each of the corporate counter-defendants for

failure to obtain competent representation, despite ample opportunity to do so.

### B. The Conduct of Mr. Woods and Mr. Stoller, Individually and on Behalf of Central Mfg. Co.

Next, the Court addresses the conduct of Mr. Woods and Mr. Stoller, individually and on behalf of Central Mfg. Co. The Court has the inherent authority to dismiss plaintiff's complaint with prejudice and enter a default judgment against Mr. Stoller to rectify abuses to the judicial process. *Dotson v. Bravo*, 321 F.3d 663, 667 (7th Cir. 2003). This power is governed by the necessary control a court must have over its docket and includes the imposition of the sanction of dismissal with prejudice. *Id.* As the Seventh Circuit has recognized, "[t]here are species of misconduct [\*15] that place too high a burden . . . for a court to allow a case to continue." *Barnhill v. United States*, 11 F.3d 1360, 1368 (7th Cir. 1993). Dismissal with prejudice is a harsh sanction, however "the most severe sanction in the spectrum of sanctions provided by statute or rule must be available . . . not merely to penalize those whose conduct may be deemed to warrant such a sanction, but to deter those who might be tempted to such conduct in the absence of such a deterrent." *Natl Hockey League v. Metro Hockey Club, Inc.*, 427 U.S. 639, 643, 96 S. Ct. 2778, 49 L. Ed. 2d 747 (1976). Additionally, the Court need not explore the appropriateness of a lesser sanction if the circumstances justify dismissal of the action with prejudice. *Dotson*, 321 F.3d at 667.

In deciding what measure of sanction to impose, this court must consider the "egregiousness of the conduct in question in relation to all aspects of the judicial process." *Barnhill*, 11 F.3d at 1368. Further, "misconduct may exhibit such flagrant contempt for the court and its processes that to allow the offending party to continue to invoke the judicial mechanism for its own benefit would raise concerns [\*16] about the integrity and credibility of the civil justice system that transcend the interests of the parties immediately before the court." *Dotson*, 321 F.3d at 668.

Since the inception of this case, Mr. Woods and Mr. Stoller, individually and on behalf of Central Mfg. Co., have repeatedly violated the Federal Rules of Evidence. For example, Mr. Woods stated that he did not personally sign the original attorney appearance or complaint filed on behalf of Central Mfg. Co. Rather, in violation of *Rule 11*, Mr. Woods authorized Mr. Stoller to sign his name to those documents, without provided any indication to the Court or opposing counsel that Mr. Woods had not personally signed them. Mr. Woods also did not personally sign the *Rule 11* certification ordered by the Court, within the deadline for doing so.

Next, Mr. Woods and Central Mfg. Co., through Mr. Stoller, violated *Rule 11(b)* by maintaining that Central Mfg. Co. was a Delaware corporation. Contrary to the statements in Central Mfg. Co.'s initial and amended complaints, it is not an independent legal entity and is not incorporated under the laws of Delaware. Central Mfg. Co. filed an amended complaint with this Court [\*17] on May 26, 2005 stating that it was a Delaware corporation, while almost simultaneously filing a motion before Judge Hart stating that Central Mfg. Co. was a d/b/a for Central Mfg. Inc. See *Columbia Pictures Industries, Inc. v. Stoller et al.*, 95 C 2052. Plaintiff, through Mr. Stoller, filed this case under a false name. Since the inception of this case, and unquestionably prior to filing the amended complaint, Mr. Stoller knew that he had not incorporated Central Mfg. Co. However, Mr. Stoller likely attempted to conceal this fact from the Court because the trademark registrations that are the basis for the infringement claims, state that Central Mfg. Co., not Central Mfg. Inc., owns sole title to the disputed marks. The conduct of Central Mfg. Co., through Mr. Stoller, is akin to the conduct in *Dotson*, 321 F.3d 663. In *Dotson*, the Seventh Circuit upheld the dismissal of a plaintiff's case with prejudice as a sanction for filing suit under a false name. *Id.* at 668. Accordingly, Central Mfg. Co. and Mr. Stoller deserve the same sanction for filing suit on half of a false corporation.

Mr. Stoller and Mr. Woods have also displayed an appalling [\*18] lack of regard for this court and a lack of respect for the judicial process. As stated above, Mr. Stoller likely engaged in the unauthorized practice of law by indiscriminately placing his signature and that of Mr. Woods on meritless and untrue pleadings. Specifically, Mr. Stoller accused this Court and opposing counsel of participated in a scheme to defraud the federal courts and others and of engaging in unprofessional and unethical conduct. To the contrary, Mr. Stoller and Mr. Woods are

the only ones who have engaged in unprofessional and unethical conduct in this case. Additionally, despite more than ample time, Mr. Woods and Mr. Stoller failed to remedy inconsistencies between the proposed second amended complaint and Exhibit 2 attached thereto. Specifically, Mr. Woods and Mr. Stoller, failed to reconcile the statements in the proposed second amended complaint that Central Mfg. Inc. owns title to the disputed marks, and the trademark registrations in Exhibit 2, which clearly state that title lies solely with Central Mfg. Co.

Mr. Stoller appears to believe that this Court exists to serve his selfish interests and to promote his questionable business, rather than to serve the [\*19] interests of justice. Mr. Stoller is wrong and must be sanctioned in the only manner that will deprive him of the very process he has sought to manipulate and pervert. In light of the above mentioned egregious conduct and flagrant contempt of court, to allow Mr. Stoller and his wholly owned entities to continue to "invoke the judicial mechanism for [their] own benefit would raise concerns about the integrity and credibility of the civil justice system that transcend the interests of the parties immediately before the court." *Dotson*, 321 F.3d at 668. Accordingly, under the Court's inherent power, plaintiff's case is dismissed with prejudice and a default judgment is entered against Mr. Stoller in his capacity as a counter-defendant.

### III. Conclusion

For the foregoing reasons and pursuant to the Court's inherent power, plaintiff's case is dismissed with prejudice and a default judgment is entered against each of the counter-defendants. All other pending motions are moot. Any sanction motions pursuant to *Rule 11* for conduct addressed in this order must be filed by November 30, 2005. It is so ordered.

**Exhibit**

**R-2**

**CENTRAL MFG. CO., STEALTH INDUSTRIES, INC., and LEO STOLLER,**  
**Plaintiffs, v. GEORGE BRETT & BRETT BROTHERS SPORTS**  
**INTERNATIONAL, INC., Defendants.**

No. 04 C 3049

**UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF**  
**ILLINOIS, EASTERN DIVISION**

2005 U.S. Dist. LEXIS 23379

September 30, 2005, Decided

September 30, 2005, Filed

**COUNSEL:** [\*1] For Stealth Industries, Inc., Plaintiff,  
Robert N. Weiner, Jarett and Weiner, Northfield, IL.

For George Brett, Brett Brothers Sports International,  
Inc., Defendants: James Franklin Best, John J. Beribak,  
Scott D. McKenna, Tod H. Rotman, Best, Vanderlaan &  
Harrington, Chicago, IL; James Michael Keyes, Preston  
Gates & Ellis, LLP, Spokane, WA; Marc C Levy, Pre-  
ston Gates & Ellis LLP, Seattle, WA.

**JUDGES:** David H. Coar, United States District Judge.

**OPINIONBY:** David H. Coar

**OPINION:**

**MEMORANDUM OPINION AND ORDER**

**HONORABLE DAVID H. COAR**

Before this Court are the parties' cross-motions for summary judgment on Plaintiffs' claims of trademark violation, request for preliminary and permanent injunctions against Defendant, 15 U.S.C. § 1116, Lanham Act violations, 15 U.S.C. § 1125(a), and Illinois Deceptive Trade Practices Act, 815 ILCS 510/1 et seq. For the reasons set forth below, Plaintiffs' motion for summary judgment is denied; and Defendant's motion for summary judgment is granted. This Court hereby cancels Plaintiffs' 249 Registration.

**I. BACKGROUND**

Plaintiff Leo Stoller and his stable [\*2] of corporate entities are no strangers to the legal system and are particularly familiar with the courts in this district. Indeed, as several judges (including this one) have previously noted, Stoller appears to be running an industry that pro-

duces often spurious, vexatious, and harassing federal litigation. See, e.g., *S Indus., Inc. v. Stone Age Equip., Inc.*, 12 F. Supp. 2d 796, 49 U.S.P.Q. 2d 1071 (N.D. Ill. 1998) (Castillo, J.) (Stoller spawned "litigation lacking in merit and approaching harassment"); *S Indus., Inc. v. Hobbico*, 940 F. Supp. 210, 211 (N.D. Ill. 1996) (Shadur, J.) (Stoller "appears to have entered into a new industry—that of instituting federal litigation"). Unlike a public corporation, which would be accountable to its shareholders, Stoller's corporate entities appear impervious to Stoller's repeated losses in federal courts in this district and beyond. A search of the court filing system discloses that Plaintiff and one or more of his corporate entities have been involved in at least 49 cases in this district alone. n1 Of these, at least 47 purport to involve trademark infringement. At least 13 of these cases have been reported in online legal databases [\*3] such as LEXIS and Westlaw. No court has ever found infringement of any trademark allegedly held by Stoller or his related companies in any reported opinion. In fact, courts in this district have ordered Stoller or his corporate entities to pay defendants' attorneys' fees and costs in at least six reported cases. *S Indus., Inc. v. Ecolab Inc.*, 1999 U.S. Dist. LEXIS 3484, 1999 WL 162783 (N.D. Ill. Mar. 16, 1999) (Gotschall, J.); *S Indus., Inc. v. Stone Age Equip., Inc.*, 12 F. Supp. 2d 796, 798-99, 819-20 (N.D. Ill. 1998) (Castillo, J.); *S Indus., Inc. v. Centra 2000, Inc.*, 1998 U.S. Dist. LEXIS 4682, 1998 WL 157067 (N.D. Ill. Mar. 31, 1998) (Lindberg, J.), *aff'd by* 249 F.3d 625, 627-29 (7th Cir. 2001); *S Indus., Inc. v. Diamond Multimedia Sys., Inc.*, 991 F. Supp. 1012 (N.D. Ill. 1998) (Andersen, J.); *S Indus., Inc. v. Diamond Multimedia Sys., Inc.*, 17 F. Supp. 2d 775 (N.D. Ill. 1998) (Andersen, J.); *S Indus., Inc. v. Diamond Multimedia Sys., Inc.*, 1998 U.S. Dist. LEXIS 14470 (N.D. Ill. Sept. 10, 1998) (Andersen, J.); *S Indus., Inc. v. Kimberly-Clark Corp.*, 1996 U.S. Dist. LEXIS 9567, at \*3, \*4 (N.D. Ill. [\*4] July 1, 1996)



(Shadur, J.); *S Indus., Inc. v. Hobbico, Inc.*, 940 F. Supp. 210, 212 (N.D. Ill. 1996) (Shadur, J.). The present case bears all the hallmarks of a typical Leo Stoller trademark infringement suit.

n1 See Appendix I at the end of this opinion.

Stoller's trademark infringement lawsuits typically arise in the following way. An entity markets a product that bears some version of the name "Stealth" or has a description pertaining to "stealth"-like qualities. Plaintiffs send what Stoller deems a cease-and-desist letter to the alleged infringer, along with an offer to "license" the "Stealth" mark. If the alleged infringer refuses to agree to Plaintiffs' license demands or to cease using "Stealth," then Plaintiffs bring a trademark infringement suit.

The sheer number of cases Plaintiffs have filed in this district raise serious questions about Plaintiffs' and Plaintiffs' counsel's good faith. In fact, several courts in this district have noted explicitly that Plaintiffs deal in meritless [\*5] claims and bad faith litigation. See, e.g., *Stone Age Equip.*, 12 F. Supp. at 798.

#### Defendants

Plaintiffs' present dispute is with Brett Bros. Sports International, Inc. and George Brett (collectively "Brett Bros."). Brett Bros. is a Washington corporation with its principal place of business in Spokane, Washington. George Brett, a 1999 Baseball Hall of Fame inductee, has been president of the corporation since June 2001. Since 1997, Brett Bros. n2 has been manufacturing and selling baseballs, baseball bats, baseball gloves, and other baseball related accessories throughout North America and overseas. Specifically, Brett Bros. manufactures and sells eight different models of wooden baseball bats that are used from Little League Baseball to Major League Baseball and at all levels in between. One of the Brett Bros. most popular bat models is the Stealth baseball bat. Both the Little League Baseball Association and the National Collegiate Athletic Association have recognized the Brett Bros.' Stealth bat as approved equipment. Brett Bros. currently sells its bats, including the Stealth model bat, through retail outlets and directly to consumers over the internet. [\*6] Brett Bros. registered the domain name <http://www.brettbats.com> on May 14, 1999, and hosts a website at that domain to advertise and sell its baseball related products, including the Stealth bat. (Def.'s L.R. 56.1(a), Ex. D).

n2 Brett Bros. was started in April 1997 as Tridiamond Sports, Inc., by Joe Sample and several other individuals. Tridiamond began manu-

facturing and selling three models of wooden baseball bats, the Mirador, the Stealth, and the Bomber. Tridiamond formed a relationship with former Major League baseball player and Baseball Hall of Fame inductee George Brett, and his brothers Ken, John, and Robert Brett, all of whom have played baseball professionally. The Brett brothers purchased a 50% interest in Tridiamond, after which the company changed its name to Brett Brothers Bat Company. Subsequently, in recognition of the fact that company had expanded to a full line of baseball-related products and had customers around the world, the company changed its name again, to Brett Brothers Sports International, Inc. George Brett is currently the president of Brett Bros., and Joe Sample and Robert Brett are the vice-presidents.

[\*7]

Brett Bros.' first documented sale of its Stealth bat occurred on July 13, 1999, when it sold twelve Stealth bats to Tim Nolan of Pro-Cut in Rockford, Illinois. (Def.'s L.R. 56.1(a), Ex. D; Ex. 11). Since 1999, Brett Bros. asserts that it has sold over 25,000 Stealth bats to vendors, distributors, the NCAA, educational institutions, and private individuals through its website, and phone, fax, tradeshow, and third-party sales. (Def.'s L.R. 56.1(a), Ex. D).

#### Plaintiffs

Plaintiff Central Manufacturing, Inc. (which also does business as Central Manufacturing Co.) is a Delaware corporation with its principal place of business in Chicago, Illinois. Plaintiff Stealth Industries, Inc. is also a Delaware corporation with its principal place of business in Chicago. Plaintiff Leo D. Stoller is the president and sole shareholder of both Central Manufacturing and Stealth Industries, in addition to several other corporate entities including S Industries, Inc., and Seutra Manufacturing. Central is also the owner of Rentamark.com, a service mark used as a licensing agency through which Plaintiffs enter licensing agreements with third-party entities or corporations for use of their marks [\*8] on a wide array of products. Plaintiffs assert that Central Manufacturing Company has become the registrant and/or assignee of "33 federally registered Stealth or Stealth formative marks." (Pls.' Summ. J. Br., at 2.) In their summary judgment brief, Plaintiffs contend that "Plaintiffs' use of the mark STEALTH as a trade name, house' mark, and service mark began in 1981 and has continued until the present." (Pls.' Summ. J. Br., at 6.) In addition, they provide 51 alleged licensing or settlement agreements between one of Leo Stoller's companies and a third-party for use of the word "Stealth" on products

ranging from hand tools to make prosthetic limbs to construction consulting services to track lighting.

### Present Dispute

In their Amended Complaint, Plaintiffs assert that they are "engaged in the business of marketing, promoting, licensing and selling in interstate commerce a broad range of goods. . . ." (Am. Compl., P. 7). In addition, Plaintiffs allege that they have been using the word "Stealth" as a trade name and trademark to identify their products and businesses continuously since at least 1982. (Am. Compl. P. 8). On October 5, 2004, pursuant to *Rule 34 of the Federal Rules of Civil Procedure* [\*9], Brett Bros. issued document production requests to Plaintiffs, requiring them to produce "any and all documents showing the volume of sales for goods (including, but not limited to baseball bats, baseballs, or any other sports equipment) bearing Plaintiffs' alleged mark 'Stealth'." Plaintiffs failed to respond. On January 4, 2005, this Court entered an order requiring Plaintiffs to comply with all outstanding discovery requests by January 25, 2005. Plaintiffs again failed to comply and did not produce any documents by the deadline. Plaintiff Leo Stoller appeared for his deposition on February 8, 2005, and stated that he possessed invoices for baseball bats, but failed to produce any of those documents then or subsequently. Instead, he produced a softball and a piece of paper he alleged was an advertising flyer for a "Stealth baseball." (Stoller Dep., at 34-35). Stoller testified at his deposition that he has sold baseball bats to Montgomery Wards, Venture, Lucky Jemco, Zayre's, Ames, Service Merchandise, Best Products, Sports Mart, Brown's Sporting Goods, Walmart and Sears stores. Further, he stated that he has invoices for baseball bats from these alleged customers, but did not produce [\*10] them at his deposition or at any other time. In addition, he alleged he has purchase orders from other customers for "Stealth" baseball bats; he has not produced those purchase orders either at any point in this litigation.

On February 11, 2005, Stoller provided Brett Bros.' counsel with documents he characterized as "sales records," purporting to show that Plaintiffs actually sold baseball bats bearing the mark Stealth. The documents included a "Stealth Brand Baseball Sales" document, consisting of a listing of yearly "sales" figures with no itemization or breakdown; a "Sales Quote Sheet" addressed to Best Products and dated January 15, 1988; a "Sales Quote Sheet" addressed to Venture Stores and dated February 11, 1991; a "Sales Quote Sheet" addressed to F.W. Woolworth and dated January 10, 1994; and a "Sales Quote Sheet" addressed to Montgomery Wards and dated December 3, 1997. These alleged records do not reflect any actual sales of any products, nor any orders for any products. In his deposition, Stoller

testified that he "[didn't] know the exact quantity of sales to each [customer]" and that he didn't "know the dollar figure" of any sales. He could not remember when he allegedly [\*11] sold bats, but testified that he sold approximately \$ 10,000 worth of bats, a figure "that comes from [his] memory." (Stoller Dep., at 197-99, 211-13).

On February 23, 2005, at a document inspection, Stoller produced a printout of a spreadsheet which he claimed showed sales some of Plaintiffs' Stealth-branded products between 1988 and 2003. Stoller contends that the spreadsheet does not reflect the sales of its alleged licensees' "Stealth" products during that time period. The sales spreadsheet shows that baseball bats were not included in the list of sporting goods bearing the mark "Stealth" and purportedly sold by Plaintiffs during the period from 1988 to 2003.

### Plaintiffs' Trademark Registrations

On August 29, 1984, Stoller, then doing business as Sentra Sporting Goods U.S.A. Co., filed Registration No. 1,332,378 ("the 378 Registration") with the United States Patent and Trademark Office (the "US PTO") for "Sporting goods, specifically, tennis rackets, golf clubs, tennis balls, basketballs, baseballs, soccer balls, golf balls, cross bows, tennis racket strings and shuttle cocks." The 378 Registration does not include baseball bats. On February 9, 2001, Plaintiff [\*12] Central Manufacturing filed Registration No. 2,892,249 ("the 249 Registration") with the US PTO for "Baseball, softball, T-ball bats." The 249 Registration lists a first use date of the Stealth mark for baseball bats as January 3, 2001.

### Alleged License Agreement With Easton

In their Amended Complaint, Plaintiffs contend that they licensed the 378 Registration to Jas. D. Easton, a wholesaler of sporting equipment, including baseball-related equipment. Plaintiffs produced what they allege is a "Stealth Trademark License Agreement" ("the Easton Agreement"), entered into by RENTAMARK.COM, as the licensor, and Jas. D. Easton, as the licensee, on June 3, 2003. Stoller contends that RENTAMARK.COM is a service mark, Registration No. 2,371,075, owned by Central Mfg. Co. n3 Neither RENTAMARK.COM nor Jas. D. Easton is a Plaintiff in this action. Furthermore, none of the named Plaintiffs in the instant case were included as parties to the Easton Agreement. Stoller, however, maintains that Central Mfg. Co., as the alleged owner of the service mark Rentamark.com, was a party to the Easton Agreement, but has failed to produce evidence that supports his characterization of the relationship [\*13] between Central Mfg. and Rentamark.com.

n3 Plaintiffs included a declaration by Leo Stoller in their responsive L.R. 56.1(b) materials, to which a copy of the Rentamark.com registration was allegedly attached. No such attachment was included with the materials filed before this Court.

Plaintiffs state that they learned of Defendants' allegedly infringing use of the Stealth mark on baseball bats in early 2004 and brought the instant suit. Presently before this Court are both Plaintiffs' and Defendants' motions for summary judgment.

## II. STANDARD OF REVIEW

Summary judgment is proper "if the pleadings, depositions, answers to interrogatories and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." *FED.R.CIV.P. 56(c)*; *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 91 L. Ed. 2d 202, 106 S. Ct. 2505 (1986); *Lucas v. Chicago Transit Auth.*, 367 F.3d 714, 720 (7th Cir. 2004). [\*14] A genuine issue of material fact exists for trial when, in viewing the record and all reasonable inference drawn from it in a light most favorable to the non-movant, a reasonable jury could return a verdict for the non-movant. *Anderson*, 477 U.S. at 248. The movant bears the burden of establishing that there is no genuine issue of material fact remaining in dispute. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323, 91 L. Ed. 2d 265, 106 S. Ct. 2548 (1986); *Hedberg v. Indiana Bell Tel. Co.*, 47 F.3d 928, 931 (7th Cir. 1995). If the movant meets this burden, the non-movant then must set forth specific facts that demonstrate the existence of a genuine issue for trial. *FED.R.CIV.P. 56(c)*; *Celotex*, 477 U.S. at 324. *Rule 56(c)* mandates the entry of summary judgment against a party "who fails to make a showing sufficient to establish the existence of an element essential to that party's case, and in which that party will bear the burden of proof at trial." *Celotex*, 477 U.S. at 322. A mere scintilla of evidence in support of the non-movant's position is not sufficient to defeat a summary judgment motion. Rather, [\*15] the non-movant must provide evidence that would enable a reasonable jury to find in favor of the non-movant. *Anderson*, 477 U.S. at 250.

On cross-motions for summary judgment, the traditional standards for summary judgment apply and each movant must individually satisfy the *Rule 56* requirements. *Bhun v. Fisher and Fisher, Attys at Law*, 961 F. Supp. 1218, 1222 (N.D. Ill. 1997). Thus the Court will consider the merits of each cross-motion separately and draw all reasonable inferences and resolve all factual uncertainties in favor of the non-movant.

Before analyzing any of the arguments, this Court must remind the parties that statements of fact are exactly what the name suggests: statements of *fact*, not argument. Throughout their *Local Rule 56.1* filings of "fact," both parties engage in extensive and highly improper legal argument. Although strongly tempted to strike all the pleadings and order the parties to submit filings that accord with the rules and the local rules of this District, this Court, in its discretion, will simply disregard all the inappropriate legal arguments raised in the statements of fact. *See Malei v. Sanford*, 191 F.R.D. 381 (N.D. Ill. 2000) [\*16] (setting forth clearly and concisely the pleading requirements under *Rule 56* and *Local Rule 56.1*).

## III. ANALYSIS

### A. Defendants' Motion for Summary Judgment

Defendants move for summary judgment because they allege that Plaintiffs n4 cannot produce evidence to support their claim that they have senior user trademark rights in the word "Stealth" on baseballs or baseball bats. Even if Plaintiffs do have a trademark on "Stealth" for baseball goods, Defendants contend that Plaintiffs abandoned the mark with no intent to resume use or, if this Court does not find the mark abandoned, that there is no likelihood of confusion between Plaintiffs' usage and Defendants' products. Finally, Defendants seek cancellation of Plaintiffs' 249 Registration on the ground that Brett Bros. undisputedly had prior use of the mark "Stealth" for baseball bats.

n4 This Court notes that Plaintiffs provide only a conclusory statement of standing for each named Plaintiff. With respect to plaintiff Stealth Industries, Inc., standing is not clearly established. For the purposes of these summary judgment motions only, this Court will assume that the three plaintiffs have standing. This Court makes no finding as to standing at this time, however.

[\*17]

### 1. Federal Trademark Claims

In a trademark infringement action, "the plaintiff must demonstrate: (1) the validity of its trademark; and (2) the infringement of that mark." *Platinum Home Mortgage Corp. v. Platinum Fin'l Group, Inc.*, 149 F.3d 722, 726 (7th Cir. 1998).

#### a. Validity of Plaintiffs Trademark

A trademark registration "is admissible into evidence to establish registrant's rights on a prima facie ba-

sis but . . . an opposing party may prove any legal or equitable defense . . . which might have been asserted if the mark had not been registered." *Union Carbide Corp. v. Ever-Ready, Inc.*, 531 F.2d 366, 378 (7th Cir. 1976). Defendant Brett Bros. claims that Plaintiffs do not own the mark "Stealth" for baseball goods because Plaintiffs cannot show actual use of the mark in connection with an established, presently existing, and ongoing business. *Zazu Designs v. L'Oreal, S.A.*, 979 F.2d 499, 503 (7th Cir. 1992) ("By insisting that firms use marks to obtain rights in them, the law prevents entrepreneurs from reserving brand names in order to make their rivals' marketing more costly.") Defendants point to Plaintiffs' unsupported [\*18] assertions or unauthenticated evidence of small amounts of sales, the lack of invoices or receipts that would evidence business transactions to demonstrate that Plaintiffs do not own "Stealth" for baseball bats or baseballs. *See S Indus., Inc. v. JL Audio, Inc.*, 29 F. Supp. 2d 878, 887 (N.D. Ill. 1998). Plaintiffs, by contrast, offer a copy of an Easton Sports catalog, which it contends demonstrates that its alleged licensee was active in the baseball market. In addition, Plaintiffs provide "Sales Quote Sheets" dating from 1988, 1991, 1994, and 1997. Finally, Plaintiffs provide a baseball and an alleged advertising flyer. The law, however, is clear that "mere advertising and documentary use of a notation apart from the goods do not constitute technical trademark use." *Powermatic, Inc. v. Globe Roofing Prods. Co.*, 341 F.2d 127, 130, 52 C.C.P.A. 950, 1965 Dec. Comm'r Pat. 163 (C.C.P.A. 1965); see also *Avakoff v. S. Pac. Co.*, 765 F.2d 1097, 1098 (Fed. Cir. 1985). Other than testimonial evidence, Plaintiffs have failed entirely to provide admissible evidence that they offered "Stealth" baseball items in the market at any time. Plaintiffs produced a table of "Stealth Brand Baseball [\*19] Sales" between 1996 and 2003, but could provide absolutely no information to justify the lump sum "sales" figures listed. There is no way for this Court to know that this alleged sales sheet bears any relation to reality and is not simply something Plaintiffs generated on a home computer for the purposes of this litigation. This spreadsheet is conclusory and, in any event, makes no attempt to itemize sales by product description or type. Without documentation to show to whom the alleged sales were made or whether the goods involved were in fact "Stealth" brand, it is not valid evidence. The alleged "Sales Quote Sheets" Plaintiffs claim they provided to various corporations between 1988 and 1997 are likewise inadmissible. They purport to be a list of various Stealth products with corresponding prices. There is absolutely no evidence that these products ever existed except as lines on a piece of promotional paper or that any of these corporations ordered even one item from Plaintiffs. Moreover, these "Sales Quote Sheets" fail to rise above "mere advertising of a product" and are insufficient to establish continuous

use. *Avakoff*, 765 F.2d at 1098. In short, Plaintiffs [\*20] have failed completely to support their claim that they actually used the "Stealth" mark in connection with an established, presently existing, and ongoing business prior to Brett Bros. use of the word "Stealth" on baseball bats in 1999. This Court therefore finds that Plaintiffs do not own the mark "Stealth" for baseballs or baseball bats.

## 2. Trademark Abandonment

Defendants allege that even if Plaintiffs once owned "Stealth" for use with baseball related goods, they abandoned the mark after two decades of non-use with no intent to resume use of the mark for any legitimate commercial purpose. Under the Lanham Act, a mark will be deemed abandoned when its use is discontinued with an intent not to resume use. 15 U.S.C. § 1127. When not explicitly stated, the intent not to resume use can be inferred from the circumstances of the case. Specifically, three consecutive years of nonuse serves as prima facie evidence of abandonment. 15 U.S.C. § 1127. The statutory language clarifies that "use" of a mark means the bona fide use of such mark made in the ordinary course of trade, and not made merely to reserve a right in a mark." *Id.* [\*21] Under the Lanham Act, Plaintiffs would have to be able to show that they did not discontinue use of the mark for three or more consecutive years. Plaintiffs fail utterly in this regard. In fact, Plaintiffs did not produce any invoices, purchase orders, cancelled checks, bank statements, or any other indicia of a commercial transaction involving the sale of even one "Stealth" baseball-related product. n5

n5 Plaintiffs contend that Defendants' failure to oppose Plaintiffs' prior similar registrations of the word "Stealth" for other purposes—a practice of dubious validity in itself—means that Plaintiff should prevail even if Defendants establish abandonment. Plaintiffs attempt to base this argument on *Morehouse Manufacturing Corp. v. J. Strickland & Co.*, 407 F.2d 881, 56 C.C.P.A. 946 (C.C.P.A. 1969). The prior registration or *Morehouse* defense is inapplicable here, as Defendants note, because it is an equitable defense "to the effect that if the opposer can not be further injured because there already exists an injurious registration, [then] the opposer can not object to an additional registration that does not add to the injury." *O-M Bread, Inc. v. U.S. Olympic Comm.*, 65 F.3d 933, 938 (Fed. Cir. 1995). Here, Plaintiffs do not seek to register a mark nor Defendants to oppose a registration. Instead, Defendants seek to demonstrate that Plaintiffs have abandoned.

[\*22]

At his deposition, Plaintiff Leo D. Stoller testified that he had sold baseball bats to at least three retailers n6 and had purchase orders reflecting those sales. He could not remember the quantity of bats sold, the dollar amount of the sales, or when the sales occurred, but stated that he sold about \$ 10,000 worth of bats between 1989 and 2003. He did not produce the alleged purchase orders at any time in this litigation. n7 After his deposition, Stoller produced four "Sales Quote Sheets" which purport to show "quotes" for various "Stealth" products to Best, Venture, Woolworth, and Montgomery Ward for approximately \$ 900 each. But as previously noted, "quotes" do not suffice as evidence of sales or "bona fide use of [a] mark made in the ordinary course of trade." 15 U.S.C. § 1127. Moreover, these quote sheets contradict Stoller's deposition testimony. The quoted amounts only amount to \$ 3,321.60 worth of bat sales, instead of the \$ 10,000 claimed in Stoller's deposition. Plaintiffs' quote sheets also reflect \$ 376.49 in baseball sales between 1988 and 2003, but the "baseball sales sheets" claim \$ 101,489 worth of "Stealth" baseball sales in the same time [\*23] period. Finally, the "baseball sales sheet" makes absolutely no mention of baseball *bat* sales. In fact, given the near total dearth of documentary evidence supporting Plaintiffs' contentions of mark usage, it is far more reasonable to find that Plaintiffs' actions amount to, at best, an attempt "merely to reserve a right in the mark" for baseless, harassing litigation such as this. This Court finds that Plaintiffs abandoned the "Stealth" mark with respect to baseballs before Defendants began to use it on baseball bats in 1999.

n6 The retailers Stoller identified were Montgomery Wards, Venture, and Best Products, all of which have subsequently ceased operations.

n7 The failure to produce documents comes as little surprise. In his deposition testimony, Stoller recounted that when he has no set practice for handling purchase orders or invoices, sometimes he generates them, sometimes he does not. Stoller also testified that he had no record maintenance policy. He stated that he maintained records in banker boxes in his office but did not know how many years' worth of records he had. Stoller Dep. at 174-79.

[\*24]

### 3. Likelihood of Confusion

Defendants assert that even if Plaintiffs own a "Stealth" mark for use with baseball bats, there is no likelihood of confusion between Defendants' products and Plaintiffs' products. Thus, Defendants contend that judgment should be entered in their favor.

## B. Plaintiffs' Motion for Summary Judgment

### 1. Trademark Infringement

Plaintiffs assert that because they registered the 378 Registration n8 on April 23, 1985, and re-registered it on March 18, 1993, they have priority of use of the mark "Stealth" for sporting goods, including baseballs and baseball bats. Specifically, Plaintiffs contend they are the senior user of the mark for all baseball related products. Further, Plaintiffs claim that "nine of the 33 STEALTH trademarks [Stoller] owns cover sporting goods products that closely relate to Defendants' use of STEALTH with baseball bats." (Pls.' Summ. J. br., at 7). Plaintiffs filed an application for a trademark on baseball bats on February 9, 2001, providing a date of first use of January 3, 2001. The US PTO granted that application as the 249 Registration, which Plaintiffs registered on October 12, 2004, well after Plaintiffs filed [\*25] the instant case. The Lanham Act permits the registration of trademarks and the enforcement of registered marks. 15 U.S.C. § 1051 *et seq.* To show infringement, Plaintiffs must show that they (1) registered a trademark; (2) which Defendants used in commerce without Plaintiffs' consent; and (3) which created a likelihood of confusion as a result. *See S Indus., Inc. v. GMI Holdings, Inc.*, 1998 U.S. Dist. LEXIS 1780, 1998 WL 67627, \*3 (N.D. Ill. Jan. 30, 1998).

n8 The 378 Registration encompasses "sporting goods, specifically, tennis rackets, golf clubs, tennis balls, basketballs, baseballs, soccer balls, golf balls, cross bows, tennis racket strings and shuttlecocks."

It is undisputed that Plaintiffs acquired a registration for the use of the word "Stealth" with respect to baseballs in 1985 through the 378 Registration. It is equally clear that Plaintiffs did not acquire a registration for the use of the word "Stealth" with respect to baseball *bats* until October 2004. In addition, Plaintiffs [\*26] have registered the word "Stealth" for use with a virtual cornucopia of unrelated items, including microwave absorbing automobile paint, lawn sprinklers, window locks, automotive tires, comic books, leather wallets and handbags, hunters' scent camouflage, and orthodontic devices. (Pls.' Summ. J. Br., at 1; Ex. C11.)

This Court cannot find that Defendants' use of the word "Stealth" with respect to baseball bats violates section 1114 of the Lanham Act. 15 U.S.C. § 1114. Defendants began selling bats through their website in 1999. Plaintiffs did not register the "Stealth" mark for use on baseball bats until October 2004, after more than four years had elapsed. Thus, Defendants' use of "Stealth" on

its baseball bats in 1999 could not infringe Plaintiffs' mark under § 1114.

Plaintiffs contend that baseball bats are so "closely related" to baseballs that Defendants' use of the word "Stealth" on bats infringes Plaintiffs' mark for baseballs. "Modern trademark law prohibits use of a senior user's mark not only on products that are in direct competition with those of the senior use but also on products that are considered closely related to the senior user's." [\*27] *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 958 (7th Cir. 1992), cert. denied, 507 U.S. 1042, 123 L. Ed. 2d 497, 113 S. Ct. 1879 (1993). A "closely related" product is one which could "reasonably be thought by the buying public" to come from the same source or an affiliated source with the owner of the trademark. *Id.* Plaintiffs assert that baseballs and baseball bats are closely related under this definition. The problem with Plaintiffs' argument is that it assumes that they are the senior user for baseballs. This Court finds otherwise.

In addition, Plaintiffs have provided no evidence that the public believes that the Defendants' products are manufactured by or otherwise affiliated with the Plaintiffs. The only evidence Plaintiffs offer is unsupported testimony by Leo D. Stoller, president of Central Manufacturing Co., that he has received queries from unidentified members of the public who thought Defendants' baseball products were affiliated with Plaintiffs. As with previous Stoller lawsuits, Plaintiffs provide no documentary evidence to support these assertions or even to demonstrate that such queries took place. *See S Indus., Inc. v. GMI Holdings, Inc.*, 1998 U.S. Dist. LEXIS 1780, No. [\*28] 96 C 2232, 1998 WL 67627, at \*4 (N.D. Ill. Jan. 30, 1998). Plaintiffs fail to produce any sworn testimony from consumers confused about the origin of Defendants' baseball products. Defendants, by contrast, produced sworn statements from several people with longstanding involvement in the sport of baseball as coaches, former players, trainers, and baseball goods representatives, all of whom state that they had never heard of Plaintiffs or Plaintiffs' alleged products. (Nolan Decl., Hostettler Decl., Brett Decl., Rice Decl.)

Ownership of a trademark is not based solely on registration. Goods also must be used in commerce, meaning that the mark must be affixed to goods, containers, or documents associated with the good, and when the goods are sold or transported in commerce. 15 U.S.C. § 1127. None of Plaintiffs' "evidence" establishes that any goods were actually sold or transported in commerce. In fact, it is unclear whether Plaintiffs make any products. It is not clear whether the baseball featured in Plaintiffs' flyer is even for sale by Plaintiffs or whether any baseballs were ever sold.

## 2. False Designation of Origin and Unfair Competition [\*29]

Plaintiffs also allege that Defendants violated Section 1125(a) of the Lanham Act by using the "Stealth" mark in false designation of their origin. 15 U.S.C. § 1125(a). Section 1125(a) sweeps more broadly than § 1114, which applies only to registered marks. Under Section 1125(a), Plaintiffs who believe that another person's use of the same mark will cause a likelihood of confusion about the origin of the good may bring a civil action against that person. 15 U.S.C. § 1125(a)(1). To prevail, Plaintiffs must show that they have (1) prior ownership rights in the mark; and (2) that Defendants' use of the mark creates a likelihood of confusion, deception or mistake. *Dunn v. Gull*, 990 F.2d 348, 351 (7th Cir. 1993).

### a. Ownership Rights

A party acquires a protectable right in a trademark only through the use of that mark in connection with its product. *Zazu Designs v. L'Oreal S.A.*, 979 F.2d 499, 503 (7th Cir. 1992). The law insists "that firms use marks to obtain rights in them," thereby preventing "entrepreneurs" or scam artists "from reserving brand names in order to make their rivals' marketing more [\*30] costly." *Zazu Designs*, 979 F.2d at 503 (citing *Blue Bell, Inc. v. Farah Mfg. Co.*, 508 F.2d 1260, 1264-65 (5th Cir. 1975)). Plaintiffs supply a copy of the 2004/2005 Easton Sports catalog to show that they-or their licensee-used the mark in commerce. The only date on the catalog, however, is 2004-2005, which is after Defendants admit they began selling Stealth baseball bats. In addition, the Easton catalog is not admissible for multiple reasons, not the least of which are that there is no evidence showing that it was ever sent out to potential customers or that it ever resulted in the sales of even a single bat. Marketing and promotional materials alone are insufficient to constitute trademark use. *Powermatic, Inc.*, 341 F.2d at 130. Plaintiffs also provide an advertising flyer for a STEALTH baseball. This flyer likewise fails to support Plaintiffs' contentions. The flyer provides information on how to contact Plaintiffs for licensing opportunities but does not list sales information like price. The flyer is dated 2003, well after Defendants began selling their products. Like the Easton catalog, the flyer completely lacks any indication [\*31] about how many baseballs were sold or, indeed, if any were sold at all. Although registration, coupled with slight sales, establishes an exclusive right in the mark against junior users, *S Indus., Inc. v. Space Age Technologies*, 1999 U.S. Dist. LEXIS 10659, 1999 WL 495484, at \*5 (N.D. Ill. June 30, 1999) (citing *Zazu Designs*, 979 F.2d at 503), Plaintiffs have provided absolutely no credible evidence of baseball product sales to establish their exclusive right in the Stealth mark for baseballs, much less for baseball bats. Thus, Plaintiffs cannot rely on their trademark registra-

tions to establish ownership of the mark with respect to baseball related products.

At the common law, "use" means sales to members of the public of a product with the mark in question affixed or attached. *Zazu Designs*, 979 F.2d at 503. Plaintiffs provide a flyer that purports to advertise a Stealth baseball. The flyer indicates how an interested customer could contact Plaintiffs to obtain additional information. There is nothing on the flyer to indicate how to obtain the product or where to see the entire product line (if any); rather the flyer tells consumers how they can learn about [\*32] Stealth licensing opportunities if they use the contact information. Plaintiffs claim they began selling baseball related products "since at least as early as 1981." (Pls.' Summ. J. Br., at 1.) Yet Plaintiffs provide no documentary evidence of their use of the mark in commerce at any time. Instead, they provide a list of 33 alleged Stealth federal trademark registrations and an assertion that "Plaintiffs' use of the mark STEALTH as a trade name, house' mark, and service mark began in 1981 and has continued until the present." (Pls.' Summ. J. Br., at 6.) In addition, they provide 51 alleged licensing or settlement agreements between one of Leo Stoller's companies and a third-party for use of the word "Stealth" on products ranging from hand tools to make prosthetic limbs to construction consulting services to track lighting. Only one of these licensing agreements deals with baseball related products; it purports to be a licensing agreement between Rentamark.com and Jas. D. Easton, Inc. for use of "Stealth" on hockey sticks, hockey shafts, hockey blades, baseball bats, and softball bats, dated May 28, 2003. In support of their motion for summary judgment, Plaintiffs fail utterly to provide [\*33] any evidence of sales of baseball bats or of any other product. Minimal marketing targeted at a small audience is insufficient to "link the [] mark with [the] product in the minds of consumers" or to put other producers on notice of the mark. *Id.* Plaintiffs' flyer does not provide any information about what makes their baseball unique or why a consumer should associate it with Central Manufacturing Co. In fact, Central Manufacturing is not even mentioned on the flyer.

### 3. Likelihood of Confusion

To prevail on a claim of trademark infringement, Plaintiffs must demonstrate a likelihood, not merely a possibility of confusion. *August Storck K.G. v. Nabisco, Inc.*, 59 F.3d 616, 619 (7th Cir. 1995). The Seventh Circuit uses a seven-factor test for analyzing likelihood of confusion: (1) similarity between the marks; (2) similarity of the products; (3) the area and manner of concurrent use; (4) the degree of care likely to be exercised by consumers; (5) the strength of the plaintiff's mark; (6) actual confusion, if any; and (7) the defendant's intent to "pass-off" its product as originating from or being affiliated

with plaintiff. *Rust Env't & Infrastructure, Inc. v. Teunisssen*, 131 F.3d 1210, 1216 (7th Cir. 1997). [\*34] No single factor is dispositive.

Plaintiffs urge this Court to grant summary judgment in their favor because the 378 Registration, which does not include baseball bats, is a "strong" mark and is sufficiently related to baseball bats to cause a likelihood of confusion. Defendants contend that Plaintiffs have produced no evidence of continuous and bona fide use of the "Stealth" mark prior to Defendants' use or any facts that support the likelihood of confusion argument. But the law does not go so far. "[A firm's] right to use [a mark] only extends as far as the goods noted in the registration." *S Indus., Inc. v. GMI, Inc.*, 1998 U.S. Dist. LEXIS 1780, 1998 WL 67627, at \*3 (N.D. Ill. Jan. 30, 1998) (citing *Quill Nat'l Spring Water, Ltd. v. Quill Corp.*, 1994 U.S. Dist. LEXIS 14418, 1994 WL 559237, at \*2 (N.D. Ill. Oct. 7, 1994)). Plaintiffs allege three different types of confusion: source confusion; sponsorship confusion; and reverse confusion. n9

n9 As in previous cases involving Stoller, the reverse confusion and sponsorship confusion claims appear as conclusory statements in Plaintiffs' pleadings and lack any support. They merit no discussion apart from the likelihood of confusion analysis relating to source confusion. See *S Indus., Inc.*, 12 F. Supp. 2d at 813 & n.28.

[\*35]

"Because a trademark is an identifier rather than a property right, the use of a competitor's mark that does not cause confusion as to source is permissible." *Knauck Mfg Co. v. Rally Accessories, Inc.*, 955 F. Supp. 991, 999 (N.D. Ill. Mar. 3, 1997) (citing *Libman Co. v. Vining Indus., Inc.*, 69 F.3d 1360, 1362 (7th Cir. 1995)). Although likelihood of confusion is normally a question of fact, it is appropriate to dispose of it at the summary judgment stage if no reasonable fact finder could find in favor of Plaintiffs. *Door Sys., Inc. v. Pro-Line Door Sys., Inc.*, 83 F.3d 169, 173 (7th Cir. 1996); see also *S Indus., Inc. v. Stone Age Equip., Inc.*, 12 F. Supp. 2d 796, 813 (N.D. Ill. 1998).

#### a. Similarity of Marks

Similarity of marks is determined by looking at similarity in sound, appearance, meaning, and connotation between the name in question and the trademark. *Knauck Mfg. Co.*, 955 F. Supp. at 1000. Here, both parties undisputedly use the mark "Stealth." Thus, sound similarity is met. With respect to appearance, Plaintiffs provided a specimen of a "Stealth" bat sold by their alleged licensee. [\*36] Easton Sports; Defendants pro-

vided printouts from their website with photographs of their "Stealth" bats. Based on this evidence, the marks appear different in several ways. The Easton product features "Easton" in large capital block letters on one side of the bat and "Stealth" in large capital block letters on the other side. The words appear in white, with black and gray outlines creating a shadow or three-dimensional effect. The design conveys equally the words "Easton" and "Stealth." By contrast, the Brett Bros. bat has "Brett" printed in large font on both sides of the bat; the "B" of "Brett" has three horizontal lines along its left side, just as the "B" in the company name on the website does. The word "Stealth" appears in significantly smaller letters and a different font. The emphasis is on the word "Brett," conveying that this is a Brett Bros. bat. In addition, George Brett's signature appears directly beneath the name "Stealth," furthering differentiating the mark from the Easton product. The marks also have different connotations. Brett Bros. sells not simply its baseball bats but also its association with George Brett, a Baseball Hall of Fame member. Easton, by contrast, [\*37] simply uses the mark on a number of products like any one of several other model names, including baseball, t-ball, and softball bats, shoes, pads, mitts, and gloves. Brett Bros. uses it only on bats. These factors militate against finding likelihood of confusion. *See S Indus., Inc.*, 12 F. Supp. 2d at 814.

#### **b. Similarity of Products and Area and Manner of Concurrent Use**

Goods are related if consumers would use them in conjunction with each other. *Knaack*, 955 F. Supp. at 1000. The test for similarity of products asks "whether the products are the kind the public attributes to a single source." *Id.* (citation omitted). Courts examine competitiveness and relatedness in making this determination.

Unlike most of Plaintiffs' previous lawsuits, the products at issue in this case are competitive and related. As Plaintiffs note in their pleadings, baseballs and baseball bats are intimately related in the public mind. But closer examination reveals some key differences in the products. The Easton bat is a metal alloy, as are many of the Easton products. Defendants' bat, however, is wood. Moreover, Defendants emphasize the fact that they make wood [\*38] bats as a key factor in their success and a crucial element of their business strategy. Although the difference between a metal alloy bat and a wood bat might not be widely known to the general population, baseball players know the characteristics of each type. Furthermore, only wooden bats are used in Major League Baseball. On balance, the similarity of products analysis favors Plaintiffs only slightly, if at all.

The Court must also consider the area and manner of concurrent use. If the products are sold in the same place

and next to one another, or in the same department, then there may be a likelihood of confusion. *Packman v. Chicago Tribune Co.*, 267 F.3d 628, 646 (7th Cir. 2001). Defendants market their products directly to the consumer through their website; they also have a network of retailers in 48 states across the country who sell their products. Plaintiffs provided an excerpt from an Easton catalog, which contains no order form for direct purchase, but rather provides a list of "Easton Representatives" and their geographic sales areas. Plaintiffs produced no evidence of other sales avenues. The Defendants' website gives price information for their products; [\*39] specifically, the Stealth bat retails for \$ 49 directly from Brett Bros. There is no information about the price of Plaintiffs' products before this Court. There is almost no likelihood that a customer purchasing a bat through the Brett Bros. website would think that he or she was purchasing a bat from Easton or from Plaintiffs. *Knaack Mfg Co.*, 955 F. Supp. at 1001 ("Knaack has failed to prove that even one of its distributors carried any Rally car covers. . . . The clear inference from this proof is that there is no overlap in distribution, which also minimizes any possibility of confusion."). Plaintiffs provide no evidence that any retailer sells both parties' goods. Further, neither party has encountered the other in promoting and marketing their products at trade shows or through specialty publications. The evidence suggests that the parties use different venues for their marketing and publicity: Defendants attend specialty baseball trade shows and have retail relationships with sporting good and baseball supply retailers, whereas Plaintiffs simply refer in conclusory fashion to "trade shows." In sum, the evidence before this Court shows no overlapping distribution [\*40] channels or evidence of direct competition between Plaintiffs and Defendants.

#### **c. Degree of Care Exercised by Consumers**

"Where consumers are sophisticated, deliberative buyers, confusion is less likely." *Rust Env't*, 131 F.3d at 1217. There are multiple baseball bats available to consumers. Defendants are well-known in the baseball equipment field. George Brett, as a member of the Baseball Hall of Fame, was a highly-accomplished baseball player. Other baseball players are likely to accord his product significant deference. Defendants' "Stealth" bat has a suggested retail price of \$ 49, which is sufficiently costly that consumers will exercise care in making a purchase. *See Nike, Inc. v. Just Did It Enters.*, 6 F.3d 1223, 1230 (7th Cir. 1993). Plaintiffs fail to provide valid pricing information about their bats or about the price of the allegedly-licensed Easton bats.

#### **d. Strength of Plaintiffs' Mark**

Plaintiffs contend that they have a "strong" mark and that this should support a finding of likelihood of confu-



sion. Trademark "strength" measures the likelihood that a consumer will view a mark as identifying the source of that [\*41] good. *Knuack Mfg.*, 955 F. Supp. at 1001. "Only strong marks are entitled to protection against infringement by non-competing goods." *Telemed Corp. v. Tel-Med Inc.*, 588 F.2d 213, 219 (7th Cir. 1978). A strong mark has fame, uniqueness, and volume of usage that give it an edge in the marketplace. *Id.* Plaintiffs bear the burden of demonstrating the strength of their mark. *Knuack*, 955 F. Supp. at 1001. Plaintiffs contend that their mark is strong because it is arbitrary (as opposed to generic), available to be licensed on "virtually any product," and protected by Plaintiffs' "strong policing policy." (Pls.' Summ. J. Br., at 11.) Plaintiffs have used this argument in prior cases and courts have declined repeatedly to find that Plaintiffs' mark is strong. See, e.g., *S Indus., Inc. v. J.L. Audio, Inc.*, 29 F. Supp. 2d 878 (N.D. Ill. 1998); *S Indus., Inc. v. GMH Holdings, Inc.*, 1998 U.S. Dist. LEXIS 1780, No. 96 C 2232, 1998 WL 67627 (N.D. Ill. Jan. 30, 1998). In the absence of credible evidence showing the strength of Plaintiffs' mark, this Court also finds that the mark is weak.

#### e. Actual Confusion

Although proof of [\*42] actual confusion is not required to demonstrate likelihood of confusion, "courts often view evidence of actual confusion as the best evidence of actual confusion." *J.L. Audio, Inc.*, 29 F. Supp. 2d at 893 (citing *Union Carbide Corp. v. Ever-Ready Inc.*, 531 F.2d 366, 383 (7th Cir. 1976). But see *Nike*, 6 F.3d at 1231 (stating that "it is certainly proper for the trial judge to infer from the absence of actual confusion that there was also no likelihood of confusion"). "Isolated instances" of actual confusion "have been held insufficient to sustain a finding of likelihood of confusion." *Union Carbide*, 531 F.2d at 383. Plaintiffs do not provide evidence of any instances of actual confusion. This Court concludes that the alleged concurrent use of the mark by the parties since at least 1999 without any incidents of actual confusion strongly weighs against finding any likelihood of confusion. *Stone Age Equip., Inc.*, 12 F. Supp. 2d at 818.

#### f. Intent to "Palm-Off"

The intent to "palm off" is defined as "trying to get sales from a competitor by making consumers think that they are dealing with that [\*43] competitor, when actually they are buying from the passer off." *Stone Age Equip., Inc.*, 12 F. Supp. 2d at 819 (citation omitted); see also *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 959 (7th Cir. 1992). There is no evidence that Defendants intended to "palm off" their baseball bats as those of Plaintiffs or their licensees. To suggest otherwise is patently frivolous.

The application of the seven factor test for the likelihood of confusion weighs overwhelmingly in Defendants' favor. This is, therefore, a case in which "the evidence is so one-side that there can be no doubt about how the question should be answered." *Door Sys.*, 83 F.3d at 171. Because all of Plaintiffs' Lanham Act claims require a likelihood of confusion, this Court denies summary judgment to Plaintiffs. Summary judgment is granted to Defendants on all Lanham Act claims instead.

#### C. Illinois Law Deceptive Trade Practices Claim

Claims brought under the Illinois Uniform Deceptive Trade Practices Act, 815 ILCS 510/1 et seq., are resolved in the same manner as Lanham Act claims. *D 56, Inc. v. Berry's Inc.*, 955 F. Supp. 908, 920 (N.D. Ill. 1997). [\*44] To prevail, Plaintiffs would have to be able to show that they had a protectable mark and that Defendants' use thereof was likely to cause confusion. *Thompson v. Spring-Green Lawn Care Corp.*, 126 Ill. App. 3d 99, 466 N.E.2d 1004, 1010, 81 Ill. Dec. 202 (Ill. App. Ct. 1984). For the reasons stated above, this Court denies summary judgment to Plaintiffs on Count III and grants summary judgment to Defendants.

#### D. Defendants Entitled to Attorneys' Fees and Costs

Under both the Lanham Act and the Illinois Consumer Fraud and Deceptive Business Practice Act, the court may award attorneys' fees to "prevailing parties." See 15 U.S.C. § 1117(a); 815 ILCS 505/10a(c); see also *Tri-G, Inc. v. Burke, Bosselman and Weaver*, 353 Ill. App. 3d 197, 817 N.E.2d 1230, 1256-57, 288 Ill. Dec. 580 (Ill. 2004). Under the Lanham Act, the case must be "exceptional," while Illinois courts and the Seventh Circuit have construed the Illinois Consumer Act to allow fees when "special circumstances" exist. See *Door Sys., Inc. v. Pro-Line Door Sys.*, 126 F.3d 1028, 1030-32 (7th Cir. 1997). Under *Door Systems*, a prevailing defendant must show that plaintiff's suit was "oppressive." [\*45] " meaning that it had elements of abuse of process. *Id.* at 1031-32. As an example, the *Door Systems* court stated that "a suit can be oppressive because of lack of merit and cost of defending even though the plaintiff honestly though mistakenly believes that he has a good case and is not trying merely to extract a settlement based on the suit's nuisance value." *Id.* at 1032 (citations omitted). The standard is "malicious, fraudulent, deliberate or willful conduct." *Id.* at 1031 (internal quotations and citations omitted). Here, Plaintiffs' conduct clearly rises to the level of "oppressive." Plaintiffs offered irrelevant, questionable, and seemingly fantastical documents; inconsistent, uncorroborated, or arguably false testimony from Leo Stoller; and a cascade of so-called license or settlement agreements for unrelated products and unrelated marks. In fact, Plaintiffs failed to produce evidence

that Plaintiffs or any of their related companies made a single Stealth baseball bat at any time. Further, the enormous range in license fees listed in the alleged license agreements (from \$ 10 to \$ 25,000) strongly suggests what several courts [\*46] in this district have suspected: that Plaintiffs engage in a pattern and practice of harassing legitimate actors for the purpose of extracting a settlement amount. The judicial system is not to be used as a aid in such deliberate, malicious, and fraudulent conduct.

In addition, Plaintiffs brought the instant suit before they acquired a federal trademark registration for baseball bats. In what can be at best described as artless and more likely as deliberately obfuscatory tactics, Plaintiffs repeatedly attempted to misdirect the court to federal marks or registrations not at issue in this case and so-called license agreements totally unrelated to Defendants' products. Quantity of filings in cases before this Court rarely equate to quality; it is far more common that the reverse is true. Leo Stoller and his companies present paradigmatic examples of litigants in the business of bringing oppressive litigation designed to extract settlement. As such, this Court awards Defendants' attorneys' fees and defense costs under both the Lanham Act and the Illinois Consumer Fraud and Deceptive Business Practices Act.

#### **E. Cancellation of Plaintiffs' 249 Trademark Registration**

Courts have [\*47] the authority to order the cancellation of a trademark registration when warranted pursuant to *Section 37* of the Lanham Act, *15 U.S.C. § 1119* ("In any action involving a registered mark the court may . . . order the cancellation (*sic*) of registrations. . . ."). The net effect of *Section 37* is to give federal courts concurrent power with the U.S. PTO to conduct cancellation proceedings. 5 MCCARTHY ON TRADEMARKS & UNFAIR COMPETITION § 30:109 (4th ed. 2005) (collecting cases). The court may cancel a trademark in an action where the mark's validity is placed in issue. *See Dymo Indus., Inc. v. Tapeprinter, Inc.*, 326 F.2d 141 (9th Cir. 1964). Although parties are encouraged to act quickly to protect their valid rights, courts have permitted defendants in trademark infringement suits to seek cancellation despite their failure first to petition the U.S. PTO to cancel. *See, e.g., Informix Software, Inc. v. Oracle Corp.*, 927 F. Supp. 1283 (N.D. Cal. 1996).

Defendants argue that the 249 registration is ripe for cancellation because it is less than five years old, *15 U.S.C. § 1064(1)*, and because it "consists" [\*48] of or

comprises a mark which so resembles . . . a mark or trade name previously used in the United States by another and not abandoned, as to be likely, when used on or in connection with the goods of the applicant, to cause confusion, or to cause mistake, or to deceive." *15 U.S.C. § 1052(d)*. Here, it is undisputed that Brett Bros. has been using "Stealth" on its baseball bats for approximately six years, which predates any claimed use by Stoller or his predecessor-in-interest by two years. In addition, the 249 Registration claims "baseball, softball, and t-ball bats," which are identical to the goods Brett Bros. manufactures and sells under the mark. Plaintiffs, predictably, disagree vehemently with Defendants. In support of their registration, Plaintiffs raise the *Morchouse* equitable defense and argue, in disjointed fashion, that Defendants acquiesced to the 249 Registration by not opposing it before the U.S. PTO. But this misstates the law. *See Informix*, 927 F. Supp. 1283. Defendants' failure to oppose Plaintiffs' application for registration of "Stealth" mark for baseball bats does not preclude Defendants' from petitioning for cancellation [\*49] of the 249 Registration. *See Keebler Co. v. Royira Biscuit Corp.*, 624 F.2d 366 (1st Cir. 1980). This Court finds that Defendants have demonstrated sufficient likelihood of confusion to justify cancelling the 249 Registration.

#### **Conclusion**

For the foregoing reasons, this Court DENIES Plaintiffs' motion for summary judgment in its entirety and GRANTS Defendants' motion for summary judgment. Defendants are ordered to submit a petition for attorneys' fees and a bill of costs by October 31, 2005. Defendants' request that this Court cancel Plaintiffs' Trademark Registration No. 2,892,249 is GRANTED. The Clerk shall certify this order to the Commissioner for entry upon the records of the United States Patent and Trademark Office. All other pending motions are moot and hereby terminated. This case is closed.

Enter:

David H. Coar

United States District Judge

Dated: September 30, 2005

#### **Appendix I**

**Northern District of Illinois Cases Involving Leo Stoller and the "Stealth" Mark**

Case Number	Case Name et al.	Subject Matter
88-C-7215	Skierkewiecz, et al. v. Gonzalez, et al.	Infringement Non-Trademark
92-C-5622	Stoller v. Carbaugh et al.	Infringement Trademark
95-C-1634	Stealth Indus. Inc. v. Victor Stauzel Co., et al.	Infringement Trademark
95-C-2650	Stealth Indus. Inc. v. Grace Childrens Prods, et al.	Infringement Trademark
95-C-2651	Stealth Indus. Inc. v. Zebco Inc., et al.	Infringement Trademark
95-C-4509	Stealth Indus. Inc. v. All Amer. Prod. Inc., et al.	Infringement Trademark
95-C-5788	Stealth Indus. Inc. v. Oceanic USA	Infringement Trademark
96-C-1035	S Indus. Inc. v. Amer Soccer Co., Inc.	Infringement Trademark
96-C-1138	S Indus. Inc. v. Netti Export Corp., et al.	Infringement Trademark
96-C-1218	S Indus. Inc. v. Bard Wyers Sports, et al.	Infringement Trademark
96-C-1264	S Indus. Inc. v. HHA Sports, et al.	Infringement Trademark
96-C-1325	S Indus. Inc. v. ERO Indus. Inc., et al.	Infringement Trademark
96-C-1776	S Indus. Inc. v. Fit Bearings, et al.	Infringement Trademark
96-C-2037	S Indus. Inc. v. World of Weapons, et al.	Infringement Trademark
96-C-2038	S Indus. Inc. v. Pelican Pro Inc., et al.	Infringement Trademark
96-C-2166	S Indus. Inc. v. Wonderwand, et al.	Infringement Trademark
96-C-2231	S Indus. Inc. v. Lane, et al.	Infringement Trademark
96-C-2232	S Indus. Inc. v. GMI Prof. Access Syst., et al.	Infringement Trademark
96-C-3389	S Indus. Inc. v. Diamond Multimedia, et al.	Infringement Trademark
96-C-3524	S Indus. Inc. v. Centra 2000 Inc., et al.	Infringement Trademark
96-C-3525	S Indus. Inc. v. NAAN Irrigation Syst, et al.	Infringement Trademark
96-C-3592	S Indus. Inc. v. Nat'l Baseball Hall of Fame	Infringement Trademark
96-C-3593	S Indus. Inc. v. Funline Mdse Co., Inc., et al.	Infringement Trademark
96-C-3916	S Indus. Inc. v. Kimberly-Clark Corp., et al.	Infringement Trademark
96-C-4140	S Indus. Inc. v. Ecolab Inc.	Infringement Trademark
96-C-4141	S Indus. Inc. v. Tru-Fit Mkg. Corp.	Infringement Trademark

Case Number	Case Name	Subject Matter
96-C-4149	S Indus. Inc. v. Mitsubishi Int'l Inc., et al.	Infringement Trademark
96-C-4434	S Indus. Inc. v. Brodix Inc., et al.	Infringement Trademark
96-C-4659	S Indus. Inc. v. JL Audio Inc., et al.	Infringement Trademark
96-C-4951	S Indus. Inc. v. Stone Age Equip. Inc., et al.	Infringement Trademark
96-C-6047	S Indus. Inc. v. Tournament Grade, et al.	Infringement Trademark
96-C-6507	S Indus. Inc. v. Photostealth Fabric	Infringement Trademark
96-C-6509	S Indus. Inc. v. Hobbico Inc., et al.	Infringement Trademark
96-C-6538	S Indus. Inc. v. E-Force Sports, et al.	Infringement Trademark
97-C-1817	S Indus. Inc. v. Hobbico Inc., et al.	Infringement Trademark
97-C-2787	S Indus. Inc. v. Space-Age Tech, et al.	Infringement Trademark
97-C-3702	S Indus. Inc. v. Sunshine Golf	Infringement Trademark
97-C-3703	S Indus. Inc. v. Tour Advanced Int'l	Infringement Trademark
97-C-3704	S Indus. Inc. v. NGA Disc Golf	Infringement Trademark
97-C-3705	S Indus. Inc. v. S E Golf	Infringement Trademark
97-C-3706	S Indus. Inc. v. Proclub Golfing Co.	Infringement Trademark
97-C-3707	S Indus. Inc. v. M & M Golf Inc.	Infringement Trademark
99-C-1401	Hartford Ins. Co. v. Diamond Computer, et al.	Infringement Non-Trademark
00-C-6586	Stealth Indus. Inc. v. Stealth Sec. Syst., Inc., et al.	Infringement Trademark
00-C-7867	Centra Software Inc. v. Stoller, et al.	Infringement Trademark
04-C-3049	Stealth Indus. Inc. v. George Brett & Brett	Infringement Trademark
05-C-725	Bros. Sports Int'l, Inc. Central Mfg. Co., et al. v. Pure Fishing, Inc., et al.	Infringement Trademark
05-C-2052	Columbia Pictures Indus., Inc. v. Stoller et al.	Infringement Trademark

**Exhibit**

**R-3**

**S INDUSTRIES, INC., a Delaware Corporation, Plaintiff, v. DIAMOND MULTIMEDIA SYSTEMS, INC., d/b/a/ DIAMOND COMPUTER SYSTEMS, INC., MICRON ELECTRONIC, INC., ZEOS, COMPUTER CITY, INC., COMP USA, ELEK-TEK, CIRCUIT CITY, BEST BUY, and EGGHEAD SOFTWARE, Defendants.**

**No. 96 C 3389**

**UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF ILLINOIS, EASTERN DIVISION**

*991 F. Supp. 1012; 1998 U.S. Dist. LEXIS 596; 45 U.S.P.Q.2D (BNA) 1705*

**January 20, 1998, Decided**

**January 21, 1998, Docketed**

**DISPOSITION:** [\*\*1] Defendants' motion for summary judgment on plaintiff's second amended complaint granted. Plaintiff's cross-motion for summary judgment on Counts I-III and V-VI of its second amended complaint denied. All other pending motions moot.

**COUNSEL:** For S INDUSTRIES, INC., plaintiff: John C. Valas, Attorney at Law, Chicago, IL.

For DIAMOND MULTIMEDIA SYSTEMS, INC., defendant: Jean Marie R. Fechette, Pattishall, McAuliffe, Newbury, Hillard & Geraldson, Chicago, IL.

For DIAMOND MULTIMEDIA SYSTEMS, INC., COMPUTER CITY, INC., EGGHEAD SOFTWARE, defendants: David Craig Hilliard, Pattishall, McAuliffe, Newbury, Hillard & Geraldson, Chicago, IL.

For ELEK-TEK, defendant: Randall Allan Hack, Jennifer A. O'Malley, Lord, Bissell & Brook, Chicago, IL.

**JUDGES:** Wayne R. Andersen, United States District Judge.

**OPINIONBY:** Wayne R. Andersen

**OPINION:**

[\*1014] **MEMORANDUM OPINION AND ORDER**

Plaintiff, S Industries, claims the right to use the mark STEALTH in connection with computers and computer related goods. S Industries contends that defendants are infringing this trademark by using the STEALTH mark for computer video and graphics boards. Defendants move for summary judgment on all counts of plaintiff's second amended [\*\*2] complaint. Plaintiff also moves for summary judgment on Counts I - III and V - VI of its second amended complaint. For the following reasons, defendants' motion is granted and plaintiff's motion is denied.

**BACKGROUND**

The following facts are undisputed unless otherwise noted.

**I. The Parties**

**A. S Industries**

Since 1981, S Industries, its predecessors in interest, and related companies have used the mark STEALTH in connection with various consumer goods. Leo Stoller is the current president, CEO and sole shareholder of S Industries, Sentra Industries, Inc. and Stealth Industries, and the sole owner and sole proprietor of Sentra Sporting U.S.A. Co. and Rent-A-Mark. (Stoller Aff., P1). S Industries owns or is the exclusive licensee for the following federal trademark registrations:

Mark	Registration No.	Goods
STEALTH	2,025,156	metal alloys for use in sporting goods.

Mark	Registration No.	Goods
		transportation, and window locks
THE STEALTH	2,024,889	lawn sprinklers
STEALTH SQUAD	2,007,348	comic books
STEALTH	1,867,087	pool cues, pool tables, darts, billiard balls; cue cases, cue rack and billiard gloves
STEALTH	1,717,010	microwave absorbing automobile paint
STEALTH	1,766,806	fishing tackle floats
STEALTH	1,434,642	bicycles, motorcycles and boats
STEALTH	1,332,378	sporting goods, specifically, tennis rackets, golf clubs, tennis balls, basketballs, baseballs, soccer balls, golf balls, cross bows, tennis racket strings and shuttlecocks.

[\*\*3]

[\*1015] On June 11, 1990, Stealth Industries applied to register the mark STEALTH for "computer printers, disk drives, monitors, keyboards and disc storage containers" with the United States Patent and Trademark Office (the "PTO"). The application lists January 1985 as the date of first use. Because Stealth Industries failed to respond to a January 4, 1991 office action and did not furnish the required specimens of use, the PTO deemed the application abandoned. On January 10, 1992, Stealth Industries petitioned to revive its abandoned trademark application. The petition explained Stealth Industries' inaction and stated that its then president, Chris Stoller, suffered from memory loss and was unable to function properly due to defective medication. The PTO denied the petition stating that "the inability of the president to function does not constitute unavoidable delay" sufficient to revive the abandoned petition.

On November 13, 1995, S Industries again applied to register the mark STEALTH for "computers; dot matrix printers; computer disc drives, fax modem cards; computer monitors, computer keyboards, computer diskette storage containers, computer software for computer setup and data base [\*\*4] files, blank video films and video tapes; safety goggles, radios, photographic and video cameras; [and] compressed air cylinders for use with breathing apparatus." The application listed January 1985 as the date of first use. On March 18, 1996, the PTO refused to register the mark. The office action stated that a likelihood of confusion existed with prior applications for the mark STEALTH used in connection

with computers and computer related goods and listed various technical problems with the application. One of the prior applications cited by the PTO was filed by defendant Diamond Computer Systems, Inc. ("Diamond").

Currently, S Industries owns no federal trademark registration for the mark STEALTH in connection with computers or computer related goods. S Industries, however, claims to have acquired common law rights in the mark based on its alleged prior and continuous use of the mark since 1985.

#### B. Defendants

Since at least 1991, defendant Diamond has manufactured and sold a line of video and graphics computer boards bearing the STEALTH mark. The boards are printed circuit boards that are physically installed in a personal computer, enabling the user to display video [\*\*5] and graphics. Diamond has sold "millions" of its STEALTH boards and has earned over \$ 800 million in revenues from these sales. Defendants Micron Electronic, Inc., Zeos, Computer City, Inc., COMPUSA, Elek-Tek, Circuit City, Best Buy and Egghead Software sell and advertise Diamond's STEALTH video and graphics computer boards across the United States.

On October 18, 1993, Diamond applied to register its STEALTH mark for "accessory circuit boards of personal computers to display video graphics" based on its actual use of the mark beginning in October 1990. In 1994, Stealth Industries, Inc., Leo Stoller d/b/a Stealth, Leo Stoller d/b/a Sentra Sporting Goods and S Industries filed an opposition with the PTO challenging Diamond's

right to register the STEALTH mark. In 1995, Leo Stofler, on behalf of Stealth Industries, filed an amended opposition against Diamond's application. The PTO's Trial and Trademark Appeal Board stayed S Industries' opposition, and thus the disposition of Diamond's application, pending the resolution of this lawsuit.

## II. The Lawsuit

On June 5, 1996, plaintiff filed suit against Diamond, Micon Electronic, Inc., Zeos, Computer City, Inc., COMPUSA, Elek-Tek, [\*\*6] Circuit City, Best Buy and Egghead Software (collectively the "defendants"). Defendant Zeos has not been served because plaintiff discovered that it is a division of defendant Micon. (Pl. Resp. and Cross Mo. for S.J., p. 1).

Plaintiff filed its second amended complaint on March 26, 1997, bringing claims under the Lanham Act for infringement of a registered mark (Count I), false designation of origin (Count II), unfair competition (Count III) and dilution (Count IV). Additionally, [\*1016] plaintiff alleges state law claims under the Illinois Consumer Fraud and Deceptive Trade Practices Act and the Illinois Uniform Deceptive Trade Practices Act (Count V) and the Illinois Counterfeit Trademark Act (Count VI).

The parties initiated the first round of discovery in January 1997. Defendants sought to discover plaintiff's proof supporting its claim of prior, continuous use of the STEALTH mark on computers and computer related products. At the February 11, 1997 status conference, plaintiff agreed to provide the requested documents. The responsive documents produced the instant cross motions for summary judgment.

## DISCUSSION

### I. Standard of Review

Summary judgment is appropriate "if the [\*\*7] pleadings, depositions, answers to interrogatories, and admissions on file, together with affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." *Fed. R. Civ. P. 56(c); Salina v. Scherwood South, Inc.*, 38 F.3d 929, 932 (7th Cir. 1994). The moving party bears the burden of demonstrating an absence of evidence to support the position of the nonmoving party, *Doe v. R.R. Donnelley & Sons Co.*, 42 F.3d 439, 442-43 (7th Cir. 1994), and all reasonable inferences are drawn in favor of the party opposing the motion. *Associated Milk Producers, Inc. v. Meadow Gold Dairies*, 27 F.3d 268, 270 (7th Cir. 1994). The Court, however, is "not required to draw every conceivable inference from the record [in favor of the non-movant]—only those inferences that are reasonable." *Bank Leumi Le-Israel, B.A.I. v. Lec*, 928 F.2d 232, 236 (7th Cir. 1991). To avert

summary judgment the plaintiff must "do more than simply show there is some metaphysical doubt as to the material facts." *Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 586, 89 L. Ed. 2d 538, 106 S. Ct. 1348 (1986). [\*\*8] The non-movant cannot rely solely on its pleadings and must come forth with evidence showing that a genuine issue of material fact exists for trial. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323, 91 L. Ed. 2d 265, 106 S. Ct. 2548 (1986).

In making its determination, the court's sole function is to determine "whether there is any material dispute of fact that requires a trial." *Walbridge v. Am. Hoechst Corp.*, 24 F.3d 918, 920 (7th Cir. 1994). Credibility determinations and weighing evidence are jury functions, not those of a judge when deciding a motion for summary judgment. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 255, 91 L. Ed. 2d 202, 106 S. Ct. 2505 (1986).

Even though the parties have filed cross motions for summary judgment, it does not mean that summary judgment must be entered for one side. *Lac Courte Oreilles Band of Lake Superior Chippewa Indians v. Voigt*, 700 F.2d 341, 349 (7th Cir. 1983), cert. denied, 464 U.S. 805, 78 L. Ed. 2d 72, 104 S. Ct. 53 (1983); *Intermatic Inc. v. Toeppen*, 947 F. Supp. 1227, 1232 (N.D. Ill. 1996). The court must still assess whether a material fact questions exists. *Id.*

The parties do not dispute that Diamond [\*\*9] uses STEALTH as a brand name for its video and graphics computer boards or that the other defendants sell Diamond's STEALTH boards. Rather, plaintiff argues that "it is clear beyond reasonable dispute" that plaintiff has continuously used the STEALTH mark for computers and computer related products since 1985. (Pl. Resp. and Cross Mo. for S.J., p. 7). Thus, plaintiff claims that "it is clear beyond reasonable dispute that [defendants'] concurrent uses [of the STEALTH mark] are likely to cause confusion, or to cause mistake or to deceive." (*Id.*) Defendants claim that plaintiff's evidence fails, as a matter of law, to establish that plaintiff has prior common law or federal trademark rights to the STEALTH mark in connection with computers and computer related goods.

### II. Count I: Infringement of a Registered Mark Under The Lanham Act

In Count I, plaintiff claims that defendants' use of the STEALTH mark infringes its federal trademark registrations for STEALTH. Defendants argue that the plaintiff's registrations do not cover computers and computer related goods. We agree with defendants.

[\*1017] To prove infringement of a registered mark under the Lanham Act, 15 U.S.C. § 1114, [\*\*10] S Industries must show that: (1) its marks are registered; (2) the marks were used in commerce by the defendants



without S Industries' consent; and (3) defendants' unauthorized use is likely to cause confusion, mistake or deceive the public. See *Dunkin' Donuts, Inc. v. Towns Family, Inc.*, 1996 U.S. Dist. LEXIS 7982, No. 95 C 3666, 1996 WL 328018, \*2 (N.D. Ill. 1996). Plaintiff owns federal registrations for the mark STEALTH. Defendants use the mark STEALTH. Thus, the issue is whether defendants' use causes consumer confusion, deception or mistake.

Plaintiff does not own a trademark registration for the mark STEALTH in connection with computers or any kind of electronic technology. However, "modern trademark law prohibits use of a senior user's mark not only on products that are in direct competition with those of the senior user but also on products that are considered to be 'closely related' to the senior user's." *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 938 (7th Cir. 1992), cert. denied, 507 U.S. 1042, 123 L. Ed. 2d 497, 113 S. Ct. 1879 (1993). "A 'closely related' product is one 'which would reasonably be thought by the buying public to come from the same source, or thought to [\*11] be affiliated with, connected with, or sponsored by, the trademark owner.'" *Id.* (citations omitted). A senior user is protected against the use of confusingly similar marks on closely related goods so that the senior user may enter markets in which it does not now trade, but into which it might reasonably be expected to expand in the future. *Id.* For example, the use of the mark THIRST-AID on an isotonic beverage infringed the mark THIRST-AID registered for soft drinks, syrups, and toppings and sauces used in making ice cream. 978 F.2d at 958-959. See also *International Kennel Club v. Mighty Star Inc.*, 846 F.2d 1079, 1089-1090 (7th Cir. 1988) (use of INTERNATIONAL KENNEL CLUB mark on toy dogs likely to cause confusion as to source with International Kennel Club of Chicago's rights to the mark for sponsoring dog shows); *James Burrough Ltd. v. Sign of the Beekeeper, Inc.*, 540 F.2d 266, 273 (7th Cir. 1976) (SIGN OF THE BEEFEATER restaurants creates likelihood of confusion with BEEFEATER registered for gin).

That said, trademark registrations do not grant rights in a vacuum. *Zeocrystal Indus., Inc. v. Fox Broad. Co.*, 923 F. Supp. 132, 133 (N.D. Ill. 1996). The goods [\*12] registered by plaintiff such as metal alloys, sporting equipment, paint, comic books, motorcycles, bicycles, boats and lawn sprinklers are not even remotely related to computers or computer related goods. Plaintiff has offered no support for its claim that confusion will occur, and we do not believe that consumers will reasonably be confused between STEALTH lawn sprinklers and STEALTH video and graphics computer boards. Accordingly, we find as a matter of law that the goods in plaintiff's registrations are so unrelated to Diamond's com-

puter video and graphics computer boards that defendants' use of STEALTH cannot infringe plaintiff's registered STEALTH marks. Summary judgment is granted in defendants' favor on Count I.

### III. Counts II and III: Unfair Competition Under The Lanham Act

Section 1125(a) of the Lanham Act prohibits a broader range of practices than does § 1114 which applies only to registered marks. *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 766, 120 L. Ed. 2d 615, 112 S. Ct. 2753 (1992). Section 1125(a) provides relief for various categories of unfair competition such as false designation of origin which "is likely to cause confusion, or to cause mistake, [\*13] 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 activity by another person." In effect, § 1125 is the federal codification of traditional common law trademark rights.

Plaintiff brings two counts under this section of the Lanham Act, one for "unfair competition" and one for "false designation of origin." For both Counts II and III, S Industries must show that it has prior, protectable rights in the STEALTH mark for computers [\*1018] and computer related goods and that defendants' use of the mark is likely to cause consumer confusion, deception, or mistake. See 15 U.S.C. § 1125(a); *Dunn v. Gull*, 990 F.2d 348, 351 (7th Cir. 1993). Defendants do not address likelihood of confusion in their motion for summary judgment.

"A trademark, even a registered one, is not a property right, like a copyright or patent, but merely an identifier of source." *Door Systems, Inc. v. Pro-Line Door Systems, Inc.*, 83 F.3d 169, 173 (7th Cir. 1996). Nonetheless, trademarks may be protected under state and federal law. It is axiomatic that the right to a distinctive [\*14] mark belongs to the person who first continuously uses the mark to identify or distinguish goods or services in commerce. "Only active use allows consumers to associate a mark with particular goods and notifies other firms that the mark is so associated." *Zazu Designs v. L'Oreal, S.A.*, 979 F.2d 499, 503 (7th Cir. 1992). Trademark rights are acquired by adoption and use, not by registration. "Registration itself only establishes a rebuttable presumption of use as of the filing date." *Id.* at 504. Because plaintiff owns no federal registration for STEALTH in connection with computers or computer related goods, it must rely on common law rights to establish by a preponderance of the evidence that it made prior and continuous use of the STEALTH mark for computers and computer related goods. See *G. Heileman Brewing Co., Inc. v. Anheuser-Busch, Inc.*, 873 F.2d 985, 994 (7th Cir. 1989).

The parties hotly dispute which company first adopted and used the mark STEALTH for computers and computer related goods. Even assuming that plaintiff made first use of the mark, defendants contend that plaintiff abandoned its rights in the mark by failing to continuously use it.

In support of [\*\*15] its contention that it has acquired prior common law rights in the mark STEALTH for computers and computer related goods, plaintiff submits the following evidence:

- . one undated laptop computer with the word STEALTH affixed to it in some manner;
- . six invoices for STEALTH computers and computer software from 1986, 1987, and 1988 for sales totaling \$ 5301.00;
- . one 1986 invoice for a SENTRA computer totaling \$ 2500.00;
- . one 1989 acknowledgment that a specified person received two computers *not* designated as STEALTH;
- . four advertising or distribution contracts with retailers from 1986, 1987 and 1989
- . documents showing that Stealth Industries and Sentra imported computers and computer related products in the mid-1980's;
- . computer product information from a foreign supplier sent to USA Import Co. in 1994;
- . one 1988 catalog for STEALTH SENTRA sporting goods stating that purchasers of Stealth Industries' goods from January 1, 1988 to May 1, 1988 can earn points redeemable for prizes including a STEALTH computer;
- . a 1995 brochure depicting STEALTH and SENTRA laptop computers stating "STEALTH TM . . . Brand computer products continuously since at least 1985";
- . [\*\*16] several dated and undated users manuals and computer specification sheets from 1985, 1987 and 1993;
- . numerous licenses to plaintiff's related companies and licenses to unrelated companies for goods unrelated to computers;
- . numerous settlement agreements from past trademark infringement actions for goods unrelated to computers brought by plaintiff or its related entities;
- . two internal strategy memoranda from 1985 and 1986;

- . a handwritten spreadsheet showing: STEALTH SENTRA DARKSTAR computer products sales for 1992 - 1995;
- . three solicitation letters to potential customers about STEALTH SENTRA computers and computer related products dated 1992, 1995 and 1996;
- . the declaration of one of plaintiff's customers and
- . [\*1019] the declaration of Leo Stoller.

Plaintiff also submits its 1990 application to register STEALTH for computer products. However, no rights are conferred by the mere filing of a federal trademark application and the applicant is entitled to no statutory presumption of entitlement until the registration issues. See *Hydro-Dynamics, Inc. v. George Putman & Co., Inc.*, 811 F.2d 1470, 1472 (Fed. Cir. 1987). Because the PTO declared plaintiff's initial application [\*\*17] abandoned, and rejected its second application, S Industries may not rely on the applications here to establish priority in the mark. See *Warner Vision Entertainment Inc. v. Empire of Carolina Inc.*, 101 F.3d 259, 260 (2d Cir. 1996); *WarnerVision Entertainment Inc. v. Empire of Carolina Inc.*, 915 F. Supp. 639, 38 U.S.P.Q.2D (BNA) 1179, 1182 (S.D.N.Y. 1996), *aff'd in part and rev'd in part on other grounds*, 101 F.3d 259 (2d Cir. 1996).

Although plaintiff claims to have continuously used the STEALTH mark on computers and computer related goods since 1985, the evidence it provides clearly defeats its claim. Plaintiff produced eight invoices for sales in 1986-1989. Invoices alone cannot demonstrate trademark use. See *Dial-A-Mattress Operating Corp. v. Mattress Madnexus, Inc.*, 841 F. Supp. 1339, 1348 & n 1 (E.D.N.Y. 1994) (a few invoices insufficient to show priority of use); *The Boss Co. v. Homemaker Rugs, Inc.*, 117 U.S.P.Q. 255, 256 (N.D. Ill. 1958) (invoices insufficient to establish trademark rights because plaintiff did not use the mark as a source identifier).

Six of the invoices do actually establish that plaintiff sold 5 computers designated as STEALTH and 29 units [\*\*18] of software designated as STEALTH in 1986 - 1988. These sales totaled \$ 5301.00. Nonetheless, these invoices, which show only de minimis sales in the late 1980's, do not support S Industries' contention that it continuously used the STEALTH mark since 1985. See *Zazu Designs*, 979 F.2d at 503 ("[a] few bottles sold over the counter in Hinsdale [Illinois] and a few more mailed to friends in Texas and Florida, neither link the ZAZU mark with [plaintiff's] product in the minds of consumers nor put other producers on notice). Moreover, these invoices do not establish that any goods bore the STEALTH mark as a source identifier.

The other two invoices provided by plaintiff are irrelevant. One 1986 invoice documents the sale of a *SENTRA* computer. The 1989 invoice is actually only an acknowledgment that a specified person received two computers. Not only does the 1989 invoice fail to identify the two computers as *STEALTH*, the recipient did not specify from whom the computers were received.

Furthermore, except for a handwritten spreadsheet purporting to show sales of *STEALTH SENTRA DARKSTAR* computers in 1992-1995, plaintiff has produced no valid evidence of any sales of its *STEALTH* [\*19] computers or related products after 1988. The spreadsheet, however, is conclusory and S Industries provides no documentation to show to whom these sales were made or whether the goods were designated with the *STEALTH* mark.

Plaintiff's evidence of advertising is likewise insufficient to establish any consequential use, let alone continuous use, of the *STEALTH* mark. "Mere advertising of a product and documentary use of a symbol apart from the goods does not constitute trademark use." *Avakoff v. Southern Pacific Co.*, 765 F.2d 1097, 1098 (Fed. Cir. 1985). See also *Paramount Pictures Corp. v. White*, 31 U.S.P.Q.2D (BNA) 1768, 1773 (TTAB 1994) (de minimis advertising insufficient to establish continuous use). The 1988 catalog, which advertises *STEALTH SENTRA sporting goods*, merely notes that purchasers of Stealth Industries' goods from January 1, 1988 to May 1, 1988 can earn points redeemable for prizes including a *STEALTH* computers. The catalog does not confirm that any "*STEALTH* computers" were so designated or were introduced into commerce. Furthermore, plaintiff provides no affirmative evidence that it ever distributed or that potential purchasers ever received the 1988 catalog [\*20] or the 1995 brochure it relies on to establish its right in the *STEALTH* mark for computers and related products. S Industries has likewise neglected to provide address lists or other proof that the three solicitation letters were ever [\*1920] mailed. Just because plaintiff's 1995 brochure proclaims "*STEALTH* TM . . . Brand computer products continuously since at least 1985" does not make it so.

Similarly, even though plaintiff may have entered into advertising and distribution contracts with retailers in 1986, 1987 and 1989, plaintiff presents no evidence to show that the contracts were implemented or that the retailers ever advertised or distributed any *STEALTH* computers or related goods in the years designated or at anytime.

The single laptop computer produced by plaintiff with the *STEALTH* mark affixed in some manner is equally unhelpful to plaintiff. No evidence has been produced that demonstrates when or even if laptops bearing

the *STEALTH* mark were sold or transported to purchasers in commerce. Moreover, S Industries' evidence does not establish that the laptops were available prior to defendants' use of the mark. Similarly, the manuals and specifications supplied by plaintiff are ineffective. [\*21] Plaintiff has provided no affirmative evidence demonstrating that the manuals were supplied to purchasers at any time or that the products described in the manuals ever existed.

Indeed, the remainder of plaintiff's evidence is inconsequential. Licensing and settlement agreements for goods unrelated to computers and importation documentation do not establish that plaintiff actually used the *STEALTH* mark in connection with computers at any time. See e.g. *Avakoff*, 765 F.2d at 1098 (shipment from manufacturer to applicant does not constitute trademark use); *CTC Int'l. Inc. v. Hero Cycles Private, Ltd.*, 1992 U.S. Dist. LEXIS 22131, 26 U.S.P.Q.2D (BNA) 1309, 1312 (C.D. Cal. 1992) (summary judgment granted because shipments from the manufacturer to the claimed trademark owner are insufficient to establish priority). Furthermore, Leo Stoiler's self-serving affidavit, which has no factual support in the record, cannot defeat defendants' motion for summary judgment. *Slowiak v. Land O'Lakes, Inc.*, 987 F.2d 1293, 1295 (7th Cir. 1993). The affidavit of an S Industries' customer also contains conclusory statements which do not substantiate the affiant's claim of long-time familiarity with [\*22] plaintiff's *STEALTH* computer products. Finally, the internal strategy memoranda dated 1985 and 1986 merely demonstrate an intent to expand plaintiff's sales of *STEALTH* products into computers. However, "just as an intent to buy a choice parcel of land does not prevent a rival from closing the deal first, so an intent to use a mark creates no rights a competitor is bound to respect." *Zuzu Designs*, 979 F.2d at 504.

In sum, the documentation supplied by plaintiff is woefully inadequate to support its § 1125 claims. The evidence does not remotely demonstrate that S Industries actively and continuously attempted to or succeeded in establishing a trade in computers and related goods under the *STEALTH* mark, let alone since 1985. Viewed in a light most favorable to plaintiff and making all inferences in its favor as we must, we find that plaintiff's evidence creates no triable issues of fact as to whether plaintiff has acquired protectable common law rights in the *STEALTH* mark for computers and computer related goods. Accordingly, summary judgment is granted in defendants' favor on Counts II and III.

#### IV. Count IV: The Federal Dilution Act

Section 1125(c) of the Lanham Act, the [\*23] Federal Dilution Act, provides remedies for the dilution of the distinctive quality of famous marks. To prove this

claim, a plaintiff must show that its mark is famous and that the defendant's use of the same or similar mark creates a likelihood of dilution through tarnishment or blurring. *R.J. Corr Naturals, Inc. v. The Coca-Cola Co.*, 1997 U.S. Dist. LEXIS 6020, No. 97 C 1059, 1997 WL 223058, \*8 (N.D. Ill. 1997); *Intermatic Inc.*, 947 F. Supp. at 1238.

Defendants assert two grounds for summary judgment on Count IV. First, defendants contend that, as a matter of law, the Federal Dilution Act cannot be applied retroactively. Second, defendants claim that, as a matter of law, plaintiff's STEALTH mark is not famous and, thus, is not entitled to protection under the Federal Dilution Act. We agree with defendants.

Prior to the adoption of the Federal Dilution Act, a federal claim for use of a trademark could be brought only if the use caused a "likelihood of confusion" with a senior [\*1021] user's mark. Under the Federal Dilution Act, however, once a mark is adjudged famous a senior user need only show that its mark is diluted or tarnished by the junior user's use of the same or similar mark. "Thus, the [Federal] [\*24] Dilution Act significantly expanded the reach of the Lanham Act by creating new obligations, imposing new duties, and attaching new disabilities with respect to marks already adopted." *Circuit City Stores, Inc. v. OfficeMax*, 949 F. Supp. 409, 414 (E.D. Va. 1996).

Absent specific legislative direction, statutes are presumed to be applied prospectively. *Landgraf v. USI Film Prod.*, 511 U.S. 244, 270, 128 L. Ed. 2d 229, 114 S. Ct. 1483 (1994). In *Landgraf*, the Supreme Court refused to make a new statute, the Civil Rights Act of 1991, "applicable to conduct that occurred, and to cases that were filed, before the Act's effective date." 511 U.S. at 250. Moreover, the *Landgraf* Court found that a new provision which attaches new legal consequences to events completed before its enactment could not be applied retroactively. *Id.* at 270. Accordingly, the Federal Dilution Act, which contains no express retroactivity language, cannot be applied to conduct completed before its enactment on January 16, 1996. *Resorts of Pinchurst, Inc. v. Pinchurst Nat'l Dev. Corp.*, 973 F. Supp. 552, 557 (M.D.N.C. 1997); *Viacom, Inc. v. Ingram Enter., Inc.*, 965 F. Supp. 1278, 1281 (W.D. [\*25] Mo. 1997); *Circuit City Stores, Inc.*, 949 F. Supp. at 415.

Here, plaintiff seeks to apply the Federal Dilution Act to conduct which began in 1991, well before the Act's effective date, but continues afterwards. Clearly, any alleged acts defendants committed before January 16, 1996 are not actionable. Therefore, we must determine whether the Federal Dilution Act applies to defendants' alleged use of the STEALTH mark after January 16, 1996.

Because trademark rights accrue with selection and use of a mark, there is no way to effectively distinguish the time of adoption from the rights that accrue through continuous use. Thus, if the selection and adoption of a mark is lawful, its continued use cannot be interrupted by a law such as the Federal Dilution Act which imposes new legal duties, utilizes a new legal standard and crafts a new legal remedy. Accord *Resorts of Pinchurst, Inc.*, 973 F. Supp. at 559 (the Federal Dilution Act did not apply to ongoing conduct because the defendant completed its the selection and initial publicizing of its trade names well before enactment). Accordingly, if a defendant adopted and used a mark before January 16, 1996, the plaintiff's federal claims [\*26] "must be measured under the law of infringement and the confusion standard, not under the dilution concept created by the [Federal] Dilution Act." *Id.* (citing *Circuit City Stores, Inc.*, 949 F. Supp. 409 at 418-419).

Diamond selected, adopted, and first used the STEALTH mark for its video and graphics computer boards in 1991. Relying on the law that existed in 1991, Diamond spent a significant amount of money publicizing its mark and sold millions of video and graphics computer boards bearing its STEALTH mark. Indeed, during the four year period before the Federal Dilution Act created a new claim, defendants used and promoted a valid legal mark. Defendants therefore 'completed' the selection and publicizing of the mark prior to the enactment of the Federal Dilution Act. See *Resorts of Pinchurst, Inc.*, 973 F. Supp. 552 at 558. It would be manifestly unfair to require Diamond to abandon its investment and accompanying goodwill associated with its name in light of a new law which departs from the traditional "likelihood of confusion" standard. Therefore, application of the Federal Dilution Act in this case would have an impermissible retroactive effect by "attaching a new disability[]" [\*27] in respect to transactions or considerations already past." *Landgraf*, 511 U.S. at 270 (citations omitted). Defendants' purported conduct is not actionable under the Federal Dilution Act.

In any event, plaintiff's STEALTH mark is not famous. To determine whether a mark is distinctive and famous, the court must consider factors such as:

- (A) the degree of inherent or acquired distinctiveness of the mark; (B) the duration and extent of use of the mark in connection with the goods or services with which the [\*1022] mark is used; (C) the duration and extent of the advertising and publicity of the mark; (D) the geographical extent of the trading area in which the mark is used; (E) the channel of trade for

the goods or services with which the mark is used; (F) the degree of recognition of the mark in the trading areas and channels of trade used by the marks' owner and the person against whom the injunction is sought; (G) the nature and extent of use of the same or similar marks by third parties; and (H) whether the mark was registered under the Act of March 3, 1881, or the Act of February 20, 1905, or on the principal register.

15 U.S.C. § 1125(c)(1)(A)-(H). Examples of marks [\*\*28] found to be famous include: INTERMATIC, *Intermatic Inc.*, 947 F. Supp. at 1239 (exclusive use for 50 years); TOYS "R" US, *Toys "R" Us, Inc. v. Alkaoui*, 1996 U.S. Dist. LEXIS 17090, 40 U.S.P.Q.2D (BNA) 1836, 1838 (N.D. Ca. 1996) (exclusive use since 1960, extensive advertising of inherently distinctive mark); DON'T LEAVE HOME WITHOUT, . . . , *American Express Co. v. CFK, Inc.*, 947 F. Supp. 310, 316 (E.D. Mich. 1996) (exclusive worldwide use for 20 years, millions expended on advertising); and PANAVISION, *Panavision Int'l, L.P. v. Toeppen*, 945 F. Supp. 1296, 1302 (C.D. Ca. 1996) (continuous use since 1954 and extensive advertising generating daily public exposure to the mark).

Significantly, plaintiff never even alleges in its complaint or offers proof that its STEALTH mark is "famous" now or was "famous" before Diamond starting using the mark on its video and graphics computer boards in 1991. Nevertheless, plaintiff's STEALTH mark does not remotely meet the criteria of a famous mark.

S Industries' own use of the STEALTH mark has been adjudged by a federal court to infringe the STEALTH trademark owned by the Timex Corporation. *Timex Corp. v. Stoller*, 961 F. Supp. 374, 379-380 [\*\*29] (D. Conn. 1997) (Timex awarded treble damages and reasonable attorney's fees from defendant Stealth Industries, but case settled during the appeal). Moreover, S Industries has not used the STEALTH mark for an extended time period like PANAVISION or TOYS "R" US. Plaintiff has presented no evidence of any substantial publicity or advertising, other than two catalogs, a few advertising contracts with retailers, and three solicitation letters, to establish the extent to which plaintiff's STEALTH mark is recognized or promoted in the marketplace. Thus, as a matter of law, we find that plaintiff's evidence is insufficient to establish that its STEALTH mark is famous. Summary judgment on Count IV is granted in defendants' favor.

#### V. Count V: The Illinois Consumer Fraud and Deceptive Trade Practices Act and The Illinois Uniform Deceptive Trade Practices Act

Claims under the Illinois Consumer Fraud and Deceptive Trade Practices Act, 815 ILCS 505/1 et seq., and the Illinois Uniform Deceptive Trade Practices Act, 815 ILCS 510/1 et seq., are resolved in the same manner as Lanham Act claims. *D 56, Inc. v. Berry's Inc.*, 955 F. Supp. 908, 920 (N.D. Ill. 1997). To prevail on Count V, [\*\*30] S Industries must establish that it has a protectable mark, and if so, that defendants' use of the mark brings about a likelihood of confusion. *Thompson v. Spring-Green Lawn Care Corp.*, 126 Ill. App. 3d 99, 104, 466 N.E.2d 1004, 1010, 81 Ill. Dec. 202 (1984). For the same reasons stated in Section III, *supra*, summary judgment is granted in defendants' favor on Count V.

#### VI. Count VI: The Illinois Counterfeit Trademark Act

The Illinois Counterfeit Trademark Act, 765 ILCS 1040/1 et seq., prohibits the counterfeiting or imitating of a trademark by anyone other than the mark's rightful owner. After plaintiff filed this action, the Illinois General Assembly enacted an amendment on June 1, 1997 expressly repealing § 7 of the Act which allowed private civil actions. "The legislature has the power to withdraw jurisdiction of the courts over statutory causes of action and the exercise of that power leaves all such causes of action and pending suits where the repeal finds them." *Shelton v. City of Chicago*, 42 Ill. 2d 468, 248 N.E.2d 121, 123 (1969) (citation omitted), cert. denied, 396 U.S. 906, 24 L. Ed. 2d 182, 90 S. Ct. 222 (1969). Accord *Scott v. Midwest*, [\*\*1023] *Ltd.*, [\*\*31] 933 F. Supp. 735, 736 (C.D. Ill. 1996). The bill repealing § 7 did not contain a savings clause. Moreover, the Statute Savings (1874) Act, 5 ILCS 85/2, which saves actions pending under specified repealed statutes, does not list the Illinois Counterfeit Trademark Act.

No Illinois court has addressed how the repeal of § 7 affects private civil actions pending under the Illinois Counterfeit Trademark Act. However, "where the legislature passes a repealing act and nothing is substituted for the act that is repealed, the effect is to obliterate such statute as completely as if it had never been passed." *Tyrrell v. Mun. Employees Annuity and Benefit Fund of Chicago*, 32 Ill. App. 3d 91, 336 N.E.2d 97, 105 (1975). By repealing § 7, the Illinois General Assembly indicated that it no longer wanted private citizens to police the counterfeiting of trademarks. Rather, only criminal penalties remain and enforcement is now left exclusively to the State of Illinois. Thus, we find that Illinois courts would hold that the unconditional repeal of § 7 bars all private plaintiffs, including S Industries, from further pursuing private claims brought under the Illinois Coun-

terfeit Trademark Act. [\*\*32] Summary judgment is granted in defendants' favor on Count VI.

Even if plaintiff's claim remained after the amendment, the claim would fail. In order to state its claim, plaintiff must show that defendants intended to deceive customers as to the source of Diamond's product. *Dorr-Oliver, Inc. v. Fluid-Quip, Inc.*, 894 F. Supp. 1190, 1204 (N.D. Ill. 1995), rev'd on other grounds, 94 F.3d 376 (1996). Mere imitation is not enough. *S Indus. v. GMI Holdings, Inc.*, 1996 U.S. Dist. LEXIS 13297, No. 96 C 2232, 1996 WL 526792, \*4 (N.D. Ill. 1996); *People v. Revlon*, 99 Ill. App. 2d 463, 241 N.E.2d 554, 559 (1968). "S Industries must [prove] that defendants engaged in imitation in conjunction with other acts of misrepresentation and that the defendants intended to deceive the public by use of the word 'STEALTH.'" *S Indus.*, 1996 WL 526792, at \*4 (S Industries' claim under the Illinois Counterfeit Act cannot survive even a motion to dismiss).

Here, plaintiff provides no affirmative evidence to establish that defendants intended to deceive customers or that they misrepresented the source of Diamond's products. Indeed, nothing indicates that defendants' tried to pass off Diamond's goods as the goods of S [\*\*33] Industries. Diamond's product is referred to as the "Diamond Stealth VRAM." E.g., Lynda Radosевич, Windows on Fast Forward; Ratings Review, Lotus, April 1992, at 84; Winn L. Roseli, Graphics Accelerators: Pump up the Power, PC Magazine, March 17, 1992 at 364; Oscar Rojo, Sales Increases Lead to Expansions for Office Systems Firm, Toronto Star, February 10, 1992, at B3; see also Affidavit of plaintiff's customer, Pl. Ex. C20 (refers to the "Diamond STEALTH video card 3-D 2000"). Thus, plaintiff's claim under the Illinois Counterfeit Trademark Act cannot survive defendants' motion for summary judgment.

#### VII. Plaintiff's Cross Motion for Summary Judgment

In its cross motion for summary judgment, plaintiff contends "that it is clear beyond reasonable dispute that Plaintiff has priority of use of its mark STEALTH as a trademark, trade name, 'house mark' and service mark over Defendants. . . . on a wide range of consumer products, including computer hardware, computer software and related computer products. . . ." (Pl. Resp. and Cross Motion for S.J., p. 7). Plaintiff requests summary judgment on Counts I - III and V - VI. For the reasons stated above, see Sections II, [\*\*34] III, V and VI *supra*, plaintiff's motion is denied.

#### VIII. Attorney's Fees

The Lanham Act authorizes an award of attorneys' fees to the prevailing party in a trademark dispute "in

exceptional cases." 15 U.S.C. § 1117. The matter is within the district court's discretion and the standard is "a generous one." *FASA Corp. v. Playmates Toys, Inc.*, 108 F.3d 140, 143 (7th Cir. 1997). Bad faith is not the correct standard for determining whether a case is extraordinary. Rather "the canonical formula in this and other circuits is 'malicious, fraudulent, deliberate, or willful.'" *Door Systems, Inc. v. Pro-Line Systems, Inc.*, 126 F.3d 1028, 1031 (7th Cir. 1997). The Illinois Consumer Fraud and Deceptive Trade Practices [\*\*1024] Act also authorizes the court to award reasonable attorney's fees and costs to a prevailing party. 815 ILCS 505/10a(c); *Door Systems, Inc.*, 126 F.3d at 1029-1030.

S Industries' claim of actual infringement of its registered marks, Count I, crosses the border of legal frivolousness, as its § 1114 claim utterly lacks merit on its face. The claims made by plaintiff are unsupportable and even a cursory examination of the law demonstrates that fact. Plaintiff's [\*\*35] claim under the Federal Dilution Act, Count IV, is not only poorly drafted, but frivolous as well. In its complaint, plaintiff never alleges that its STEALTH mark is famous, the essential element necessary to support its dilution claim, and supplies no evidence to show that its STEALTH mark is famous now or when Diamond first used the mark. As the prevailing parties, therefore, the Court awards defendants the reasonable attorneys' fees and costs incurred for the defense of Counts I and IV. Additionally, as the prevailing parties on Counts II, III, and V, the Court invites defendants to submit a petition for the fees and costs incurred for the defense of these counts. Count VI is brought under the Illinois Counterfeit Trademark Act which does not authorize this Court to award fees and costs.

Defendants have until February 13, 1998 to file a bill of fees and costs for Counts I and IV (see Local Rules 46 and 47) and any petition regarding Counts II, III and V. This Court will deem the failure to file the bill of fees and costs or the petition by the deadline as a waiver of defendants' right to fees and costs.

#### CONCLUSION

For the foregoing reasons, defendants' motion for summary [\*\*36] judgment on plaintiff's second amended complaint is granted. Plaintiff's cross-motion for summary judgment on Counts I-III and V-VI of its second amended complaint is denied. The defendants are directed to file their bill of fees and costs for the defense of Counts I and IV and any petition regarding Counts II, III, and V by February 13, 1998. All other pending motions are moot. This is a final appealable order.

It is so ordered.

Wayne R. Andersen

United States District Judge

991 F. Supp. 1012, \*; 1998 U.S. Dist. LEXIS 596, \*\*;  
45 U.S.P.Q.2D (BNA) 1705

Dated: January 20, 1998

**Exhibit**

**R-4**



**S INDUSTRIES, INC., a Delaware Corporation, Plaintiff, v. JL AUDIO, INC.;  
MUSICAR; ACCENT MARKETING; AND WAYNE BROWN, Defendants.**

No. 96 C 4659

**UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF  
ILLINOIS, EASTERN DIVISION**

*29 F. Supp. 2d 878; 1998 U.S. Dist. LEXIS 19546*

**December 9, 1998, Decided  
December 9, 1998, Opinion Filed**

**DISPOSITION:** [\*\*1] Defendants' motion for summary judgment GRANTED as to all remaining counts and Plaintiff's motion for summary judgment DENIED. Plaintiff's motion for judicial notice GRANTED in part, DENIED in part and MOOT in part. Defendants' motion to strike MOOT.

**COUNSEL:** For S INDUSTRIES, INC., plaintiff: John C. Valias, Attorney at Law, Chicago, IL.

For JL AUDIO, INC., MUSICAR, ACCENT MARKETING, WAYNE BROWN, defendants: Martin D. Snyder, Williams & Montgomery, Chicago, IL.

For JL AUDIO, INC., MUSICAR, ACCENT MARKETING, WAYNE BROWN, defendants: Dale Paul DiMaggio, Daniel S. Polley, Malin, Haley, DeMaggio & Crosby, Fort Lauderdale, FL.

For JL AUDIO, INC., MUSICAR, ACCENT MARKETING, WAYNE BROWN, counter-claimants: Hall Adams, III, Edward Otto Pacer, Martin D. Snyder, Williams & Montgomery, Chicago, IL.

For S INDUSTRIES, INC., counter-defendant: John C. Valias, Attorney at Law, Chicago, IL.

**JUDGES:** David H. Coar, United States District Judge.

**OPINIONBY:** David H. Coar

**OPINION:**

[\*881] **MEMORANDUM OPINION AND ORDER**

Before this court are Plaintiff S Industries, Inc.'s ("Plaintiff") and Defendants JL Audio, Inc.'s ("JL"), Mu-

sicar's, Accent Marketing's ("Accent"), and Wayne Brown's ("Brown") (collectively, "Defendants") cross-motions for summary judgment as to the remaining four counts of Plaintiff's complaint, which alleges trademark infringement and violation of the Lanham Act § 43, 15 U.S.C. § 1051 et seq., (Counts I-III) and common law unfair competition under the Illinois Consumer Fraud and Deceptive Business/Trade Practices Act, 815 ILCS 505/1 et seq., (Count IV). Count V (counterfeit trademark) has previously [\*\*2] been dismissed by Plaintiff. Also before this court is Plaintiff's motion for judicial notice and Defendants' motion to strike. For the following reasons, Defendants' motion for summary judgment is GRANTED as to all remaining counts and Plaintiff's motion for summary judgment is DENIED. Plaintiff's motion for judicial notice is GRANTED in part, DENIED in part, and MOOT in part. Defendants' motion to strike is MOOT.

**I. Preface**

This has not been a good year for Plaintiff in the Northern District of Illinois, but, then again, Plaintiff has not been a good litigant. This is one of several trademark infringement cases brought by Plaintiff S Industries against various defendants who make a wide range of products. Essentially, if an entity markets a product with some version of the name "Stealth" or otherwise with a "stealth"-like description, Plaintiff has elected to sue that entity. Yet, time and time again, Plaintiff's claims are rebuffed, with judges in this district having granted summary judgment against Plaintiff in four different cases in the year of 1998: *S Industries, Inc. v. Stone Age Equipment, Inc.*, 12 F. Supp. 2d 796, 1998 U.S. Dist. LEXIS 9562 (N.D. Ill. 1998) (Castillo, J.); *S Industries, Inc. v. Centra 2000, Inc.*, 1998 U.S. Dist. LEXIS 4682 (N.D. Ill. 1998) (Lindberg, J.); *S Industries, Inc. v. GMI Holdings, Inc.*, 1998 U.S. Dist. LEXIS 1780 (N.D. Ill. 1998) (Kocoras, J.); *S Industries, Inc. v. Diamond*

*Multimedia Systems, Inc.*, 991 F. Supp. 1012, 1998 U.S. Dist. LEXIS 596 (N.D. Ill. 1998) (Andersen, J.). See also *S Industries, Inc. v. World of Weapons*, 1996 U.S. Dist. LEXIS 18245 (N.D. Ill. 1996) (granting a defendant's motion to dismiss on personal jurisdiction grounds) (Korcoras, J.), motion to vacate denied, 1997 U.S. Dist. LEXIS 643 (N.D. Ill. 1997). As Judge Shadur aptly noted in 1996, Plaintiff "appears to have entered into a new industry -- that of instituting federal litigation." *S Industries, Inc. v. Hobbico, Inc.*, 940 F. Supp. 210, 211 (N.D. Ill. 1996).

Much about this case is troubling. Plaintiff's actions in this case and in the several other cases filed throughout this district raise doubts as to the good faith of Plaintiff and its counsel. Additionally, both parties in this case have, at times, acted contrary to the spirit and, in some ways, the letter of the Local Rules and this court's standing orders. Both Plaintiff [\*\*4] and Defendants sought to evade the 15-page limit for memoranda by compressing the line-spacing of their memoranda. (Compare Plf's Mem. in Support of Summary Judgment and Dfs's Mem. in Support of Summary Judgment (approximately 1.5 line spacing) with Dfs's Mem. in Support of Motion to Strike (double-spacing).) Plaintiff and Defendants used this compressed line-spacing to give themselves the equivalent of an extra brief apiece between the two cross-motions. Additionally, Plaintiff reduced the type size of its footnotes to attain even more extra space. This behavior is unacceptable and will not be tolerated in the future. The parties are expected to use double-spacing for the body text, to utilize 12-point font for all text in the opinion, and to use one inch margins. If (as was not the case with any of the memoranda thus far [\*\*82] submitted), more space is necessary to offer a thorough argument, the party seeking additional pages beyond the 15-page limit may come in on a motion to submit a longer brief. Unless this court grants such a motion, the parties shall limit to themselves to the 15-page limit as set forth in the Local Rules, this opinion, and this court's standing orders. [\*\*5]

In addition to its attempt to make an end run around the 15-page limit, Plaintiff also attempted to use its 12(N) Response n1 as a section of additional legal argument. Plaintiff's counsel has sufficient experience in this district to realize that Local Rule 12(N) states that the respondent to a summary judgment motion should include "a concise response to the movant's statement that shall contain: (a) a response to each numbered paragraph in the moving party's statement, including, in the case of any disagreement, specific references to the affidavits, parts of the record, and other supporting materials relied upon. . . ." Local Rule 12(N)(3)(a). Including as much as 2 pages of legal argument (with 1.5 spacing) in a "response" to a single paragraph of the Defendants' 12(M)

Statement does not constitute "a concise response." Legal argument is for the Responsive Memorandum -- not for the 12(N)(3)(a) Response. Local Rule 12(N)(2). The court will consider Plaintiff's 12(N)(3)(a) to the extent that it follows this rule but will not consider any legal argument contained in it. See *Walldridge v. American Hoechst Corp.*, 24 F.3d 918, 921-22 (7th Cir. 1994) (stating that the Seventh Circuit [\*\*6] upholds "the strict enforcement" of Local Rules regulating summary judgment motions).

n1 In order to keep the various factual statements clear in this opinion, the court will refer to the Statement of Facts in Plaintiff's summary judgment motion as Plaintiff's 12(M) Statement and Defendants' 12(N) Response and to the Statement of Facts in Defendant's summary judgment motion as Defendants' 12(M) Statement and Plaintiff's 12(N) Response.

## II. Facts

Plaintiff is a Delaware corporation with its principal place of business in Chicago, Illinois. (Dfs' 12(M) Stmt. P 59.) JL Audio, Inc., is a Florida corporation that manufactures and markets audio equipment and sells such products throughout the United States, including within the Northern District of Illinois. (Dfs' 12(M) Stmt. P 60.) Defendants Accent Marketing, Musicar, and Wayne Brown sell products and/or do business within the Northern District of Illinois. (Dfs' 12(M) Stmt. P 61.)

Defendant JL Audio manufactures and markets high-end, custom designed speaker [\*\*7] boxes and enclosures under the mark "STEALTHBOX." (Dfs' 12(M) Stmt. P 1.) n2 JL Audio's housemarks "JL Audio" and/or "JL Audio and Logo Design" also appear on the Stealthboxes sold under the mark "STEALTHBOX," as well as marketing materials used for such products. (Dfs' 12(M) Stmt. P 2.) n3 JL Audio's housemarks "JL Audio" and/or "JL Audio and Logo Design" are used in conjunction with the secondary mark "STEALTHBOX" for JL Audio's Stealthboxes. (Dfs' 12(M) Stmt. P 3.) JL Audio is the owner of two federally registered trademarks: U.S. Trademark Registration No. 1,948,910 (the "910 Registration"), which is for use of the mark "JL. [\*\*83] AUDIO" on Audio and stereo components and accessories, particularly speakers and U.S. Trademark Registration No. 1,956,624 (the "624 Registration"), which is for the use of the mark "JL AUDIO & DESIGN" on stereo components and accessories, namely amplifiers, receivers, tuners, equalizers, and loudspeakers. (Dfs' 12(M) Stmt. P 10.)

n2 Plaintiff disputes this claim on the grounds that Defendants failed to produce any evidence which would support Defendants' assertion (presumably, only the part of the assertion that claims that the speaker boxes ("Stealthboxes") are "high-end [and] custom designed," for Plaintiff has admitted the rest of the sentence. The court disagrees with Plaintiff's challenge. The materials attached to Plaintiff's own complaint and referenced by Defendants in paragraph 1 support this claim, as they list the different versions of Stealthboxes available -- all of which are custom designed depending on the make, model, and, in some cases, the year of the buyer's automobile. (Plt's Cplt. Ex. C.) Additionally, Plaintiff has included materials showing that JL Audio's Speakerboxes sell for over \$ 500. (Plt's Ex. F to Motion for Judicial Notice.)

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n3 Plaintiff challenges this claim on the ground that Defendants produced no samples of the Stealthboxes. However, two exhibits offered by Plaintiff distinctly show JL Audio's housemarks on marketing materials and on the pictured Stealthboxes. (Plt's Cplt. Ex. C; Plt's Ex. F to Motion for Judicial Request.) Plaintiff's "but see" citation to its Ex. F to Motion for Judicial Request is particularly mystifying. The housemark and logo for JL Audio appear 7 times on the page advertising the Stealthboxes -- once on the top of the page, once (in large type including the JL Audio logo) above the description of the Stealthboxes (which are described as "custom stealth subs and enclosures"), and on five of the speakers pictured.

Plaintiff cites to four United States Trademark Registrations in its Complaint: U.S. Trademark Registration No. 1,332,378 (the "378 Registration"), which is for use of the mark "STEALTH" on sporting goods, specifically, tennis rackets, golf clubs, tennis balls, basketballs, baseballs, soccerballs, golf balls, crossbows, tennis racquet strings, and shuttlecocks in International Class [\*\*9] 28, (Dfts' 12(M) Stmt. P. 4); U.S. Trademark Registration No. 1,434,642 (the "642 Registration"), which is for use of the mark "STEALTH" on bicycles, motorcycles, and boats in International Class 12, (Dfts' 12(M) Stmt. P. 5); U.S. Trademark Registration No. 1,867,087 (the "087 Registration"), which is for use of the mark "STEALTH and Design" on pool cues, pool tables, darts, billiard balls, cue cases, cue racks, and billiard gloves, in International Class 28, (Dfts' 12(M) Stmt. P. 6); U.S. Trademark

Registration No. 1,717,010 (the "010 Registration"), which is for use of the mark "STEALTH" on microwave absorbing automobile paint, in International Class 2, (Dfts' 12(M) Stmt. P. 7.) Since July 29, 1996 (the date that Plaintiff's Complaint was filed), Plaintiff has attained four more federal registrations for the mark STEALTH: U.S. Trademark Registration No. 2,007,348 (the "348 Registration"), which is for use of the mark "STEALTH SQUAD" on comic books, in International Class 16 (Plt's Ex. A to Plt's Motion for Judicial Notice); U.S. Trademark Registration No. 2,024,889 (the "889 Registration"), which is for the use of the mark "STEALTH" on lawn sprinklers, in International Class 21 (Plt's [\*\*10] Ex. A to Plt's Motion for Judicial Notice); U.S. Trademark Registration No. 2,025,156 (the "156 Registration"), which is for the use of the mark "STEALTH" on metal alloys for use in sporting goods and transportation and window locks, in International Class 6 (Plt's Ex. A to Plt's Motion for Judicial Notice); U.S. Trademark Registration No. 1,766,806 (the "806 Registration"), which is for the use of the mark "STEALTH" on fishing tackle floats, in International Class 28 (Plt's Ex. B to Plt's Motion for Judicial Notice). Additionally, Cobra Electronics has assigned to Plaintiff, effective on September 1, 1998, its STEALTH federal trademark Registration No. 2,074,780, issued on July 1, 1997, for radar detectors in International Class 9. (Plt's 12(N) Resp. P. 8.) n4

n4 Plaintiff cites to a registration that Plaintiff has for the mark "DARK STAR" registered on April 29, 1997 for the goods of audiocassettes, audio tapes, and radios. (Plt's 12(M) Stmt. PP. 5-6.) This registration is not relevant to the issue of whether Plaintiff has been marketing audio equipment that is closely related to Defendants' stereo boxes and enclosures AND that is marketed with the mark of STEALTH.

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JL Audio has filed a U.S. trademark application for the mark "STEALTHBOX"; its trademark has been allowed by the U.S. Patent and Trademark Office ("PTO"), and has been passed to publication. (Dfts' 12(M) Stmt. PP. 11-12.) Plaintiff's Letter of Protest against JL Audio's trademark application was denied by the PTO on December 17, 1997 on the grounds that the PTO's determination of no likelihood of confusion was not clearly erroneous "in view of the differences between [JL Audio's] mark and goods and [Plaintiff's] mark and goods. . . ." (Dft's Reply Mem. Ex. E (PTO letter).) Plaintiff has filed a Notice of Opposition to JL Audio's application. (Plt's 12(N) Resp. P. 13.) Plaintiff has also filed a U.S. trademark application for the mark STEALTH used on "ra-

dios and speakers for automobiles, stereo speaker boxes, tape recorders, tape players and portable stereos," and notes that the PTO found a likelihood of confusion between this application for use of the STEALTH mark as to radios and speakers, etc., and JL Audio's putative "Stealthbox" trademark. (Plt's 12(N) Resp. P 13.)

JL Audio's Stealthboxes are high-end customized products which are relatively expensive with respect to general [\*\*12] audio equipment. (Dfts' 12(M) Stmt. P 14.) JL Audio's speaker boxes and enclosures have ranged in price from \$ 500.00 to \$ 2000.00. (Dfts' 12(M) Stmt. P 15.) Each particular speaker box or enclosure is designed to fit into a particular make [\*\*84] and year of a specific vehicle. (Dfts' 12(M) Stmt. P 16.) JL Audio's products do not merely reside on shelves in mass merchant stores. (Dfts' 12(M) Stmt. P 17.) JL Audio advertises its products in or have had its products reviewed in auto sound industry magazines, such as Car Audio and Electronics magazine, Car Sound magazine, and Today's Truck and Sport Utility Vehicle. (Dfts' 12(M) Stmt. P 18.) Plaintiff does not advertise in any publications in which JL Audio advertises its products. (Dfts' 12(M) Stmt. P 19.) JL Audio does not sell product to or through mass merchant stores allegedly targeted by Plaintiff. (Dfts' 12(M) Stmt. P 20.) JL Audio sells its speaker boxes and enclosures under the mark "STEALTHBOX" directly to auto sound specialty retail stores who are set up as authorized JL Audio dealers. (Dfts' 12(M) Stmt. P 21.) n5 JL Audio also advertises its products, including speaker boxes and enclosures sold under the mark "STEALTHBOX" at its [\*\*13] website, which has an address of www.jlaudio.com. (Dfts' 12(M) Stmt. P 22.) Plaintiff has never attended a trade show at which JL Audio has also been present. (Dfts' 12(M) Stmt. P 23.) JL Audio's products are high-end audio products geared toward sophisticated audio purchasers who are discerning individuals who take great care and pride in their audio components and who do not purchase audio products on impulse. (Dfts' 12(M) Stmt. P 26.) JL Audio's advertisements describe its Stealthboxes as "a custom engineered subwoofer system from JL Audio that bolts into place, disappears in your vehicle and produces uncommonly satisfying sub-bass performance." (Plt's 12(M) Stmt. P 38.)

n5 Plaintiff has requested that this court take judicial notice of an advertisement in an electronic catalog in which JL Audio's goods were advertised as "custom stealth subs and enclosures." (Motion for Judicial Notice P 6 and Ex. F.) However, Plaintiff has failed to include significant facts relating to the catalog, e.g., facts about the producer of the catalog, facts supporting the authenticity of the catalog, etc. Addition-

ally, in view of Plaintiff's admission that "stealth" may be descriptive of JL Audio's Stealthboxes and in view of the fact that JL Audio's housemark appears 7 times on the catalog page and its secondary mark "Stealth Box" appears twice on the catalog page, the electronics catalog does not demonstrate what Plaintiff apparently wishes to use it for, i.e., that JL Audio has advertised its goods simply as "STEALTH" speakers as a mark without the accompaniment of "JL Audio" or of the entire secondary mark of "Stealthbox."

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JL Audio is unaware of any actual confusion by consumers between the parties' goods. (Dfts' 12(M) Stmt. P 30.) Plaintiff possesses no documents which evidence any actual confusion by consumers between the parties' goods. (Dfts' 12(M) Stmt. P 31.) The only evidence that Plaintiff has offered to demonstrate actual confusion is the testimony of Christopher Stoller ("C. Stoller"), that unnamed customers of JL Audio allegedly contacted STR Industries, a licensee of S. Industries, to complain about JL Audio's Stealthboxes. (Plt's 12(N) Resp. PP 30-31.)

Prior to the adoption of the "STEALTHBOX" mark for its speaker boxes and enclosures, JL Audio had never heard of Leo Stoller ("L. Stoller"), Plaintiff, Stealth Industries, Inc., Chestnut Industries, Inc., or Sentra Industries, Inc., or of any alleged use by these entities of the mark "STEALTH" for any products, including audio products. (Dfts' 12(M) Stmt. P 34.) n6 JL Audio's selection of "STEALTHBOX" for its speaker boxes and enclosures evolved from its previous use of the mark "SMARTBOX" for similar products installed in trucks." (Dfts' 12(M) Stmt. P 35.) Plaintiff's alleged mark "STEALTH" was never taken into consideration with respect [\*\*15] to the selection of "STEALTHBOX" by JL Audio. (Dfts' 12(M) Stmt. P 36.)

no Plaintiff's claim that "JL Audio has not present [sic] any evidence supporting this naked assertion" is incorrect. (Plt's 12(N) Resp. P 34.) Defendants cited to the affidavit of Manville D. Smith ("Smith Affidavit"). Plaintiff has not offered any reason to challenge Mr. Smith's competency to testify regarding JL Audio's knowledge prior to the adoption of the mark "STEALTHBOX," and, thus, his un rebutted testimony is admissible.

Plaintiff produced no receipts, invoices, or sales orders evidencing any sales of any product by Plaintiff during the 1990s. (Dfts' 12(M) Stmt. P 37.) Specifically,

Plaintiff produced no receipts, invoices, or sales orders evidencing any sales of any STEALTH audio or stereo equipment by Plaintiff during the 1990s. (Dfts' 12(M) Stmt. P 38.) Plaintiff [\*885] produced no documentation evidencing any shipment of products, STEALTH products, or STEALTH audio or stereo products by Plaintiff during the 1990s. (Dfts' 12(M) Stmt. [\*16] PP 39-41.) Plaintiff did produce two invoices, one from 1986 and one from 1987, for sales of a total of 18 STEALTH car speaker or radio products: 10 "STEALTH SENTRA car speaker boxes" and 6 "STEALTH TERMINATOR car radios" (\$ 20 apiece for \$ 320.00 total with no provision for sales taxes or shipping and handling) in 1986 and 2 "STEALTH car radios" (\$ 40 apiece for \$ 80.00 total with no provision for sales taxes or shipping or handling) in 1987. (Ptf's 12(M) Stmt. PP 7-10; Ptf's Ex. C1 and C2 (invoices).) n7

n7 Defendants challenge the authenticity of these two invoices on the grounds that they include no provision for sales tax or shipping and handling. (Dfts' 12(N) Resp. PP 7-10.) The court finds that the invoices are admissible because L. Stoller has attested that they are true and correct copies of real Stealth Industries, Inc. invoices. (L. Stoller Decl. PP 29-30.) As discussed later in this opinion, these few sales, which occurred years before the alleged infringement, do not serve to provide actual trademark use in the area of car audio components.

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Leo Stoller ("L. Stoller") is the sole employee, shareholder, officer, or director of Plaintiff. (Dfts' 12(M) Stmt. P 55.) He is the most knowledgeable representative of Plaintiff. (Dfts' 12(M) Stmt. P 42.) In his deposition, L. Stoller testified that he has never performed any formal market analysis or surveys regarding who his competitors were and how they affected his sales. (Dfts' 12(M) Stmt. P 43.) n8 L. Stoller also admitted that he was not aware of any instances in which JL Audio was using marketing or sales literature that he created. (Dfts' 12(M) Stmt. P 45.) L. Stoller admitted that he was not aware of any instances in which JL Audio's Stealthboxes were sold in the same stores as his alleged audio products. (Dfts' 12(M) Stmt. P 46.) L. Stoller admitted that he was not aware of any publications in which he and JL Audio both advertised their products. (Dfts' 12(M) Stmt. P 47.) L. Stoller testified that he was not aware of any trade shows at which both he and JL Audio had exhibited audio products bearing some derivatives of the mark "STEALTH." (Dfts' 12(M) Stmt. P 48.)

n8 Plaintiff's "disputes" to Defendants' 12(M) Statements regarding L. Stoller's deposition are frequently ephemeral. For example, Plaintiff disputes Dfts' 12(M) Stmt. P 43 ("During the course of his discovery deposition, Leo Stoller testified that he has never performed any formal market analysis or surveys regarding who his competitors were and how they affected his sales.") on the grounds that Leo Stoller had testified that Plaintiff "conducts and market analysis as and [sic] ongoing part of its business." (Ptf's 12(N) Resp. P 43.) This is not a legitimate dispute. L. Stoller testified as follows:

A. Been self-employed all my adult life, and I have not per se conducted any kind of expensive survey because all I have to do is go into any retailer, see what brands they're carrying, go to any consumer electronics trade show and see what brands are being sold out. And I can figure it out in ten minutes, counselor.

No, I did not conduct any survey. I don't have to conduct any surveys.

Q. So the answer to the question is no?

A. Right. I do it intuitively. The surveys that I conduct are intuitive surveys based on going into Circuit City, going into Best Buy, going into the retailers and seeing what radios are being sold in those stores. And those are my competitors.

So, in essence, I am conducting surveys all the time, and I don't contract out to have an expensive survey done by any firm.

(Dfts' Ex. J (L. Stoller Dep.) at 282-83.)

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In Plaintiff's application for Certificate of Authority to Transact Business in Illinois dated February 17, 1994, Plaintiff indicated that it estimated its total business to be transacted by it everywhere for the following year to be One Dollars. (Dfts' 12(M) Stmt. P 49.) HHA Sports is no longer manufacturing, marketing, or selling any products under the mark STEALTH. (Dfts' 12(M) Stmt. P 50.) Wonderwand, Inc., is no longer manufacturing or marketing any products under the mark STEALTH. (Dfts' 12(M) Stmt. P 51.) Plaintiff has produced no documentary evidence (e.g., invoices, etc.) showing sales of any "STEALTH" audio products during the 1990s. (Dfts' 12(M) Stmt. P 52.) To attempt to show trademark use, Plaintiff produced only alleged catalog sheets of audio products it allegedly mass mailed, unsolicited with a cover letter, to various buyers throughout the country.

(Dfts' 12(M) Stmt. P 53.) Stoller testified that he merely works out of a home office. (Dfts' 12(M) Stmt. P 54.) Other than Stoller, Plaintiff has no other employees, shareholders, officers, or directors. (Dfts' 12(M) Stmt. P 55.) Plaintiff [\*886] does not have any accounting records for the 1990s. (Dfts' 12(M) Stmt. P 56.) The [\*19] one document that Plaintiff has produced is a "Five Year Sales Report for STEALTH, SENTRA, and TERMINATOR Auto Products," which L. Stoller prepared himself from numbers that he had "maintained for compilation of the total gross sales of these audio figures, the sales figures." (Ptf's Ex. A to 12(N) Resp. (Stoller Dep.) at 106-07.) L. Stoller admits that he did not consult invoices to make the document and states that at some point in time he had consulted invoices from 1990 and 1992-93 to create the sales figures for those three years that he ultimately relied upon to create the document. (Ptf's Ex. A to 12(N) Resp. (Stoller Dep.) at 107-110.) The Five Year Sales Report lists sales reports for three different types of audio equipment (STEALTH, SENTRA, and TERMINATOR Audio Products) and states (without differentiation between the different products) that Plaintiff sold \$ 2498 in audio products in 1990, \$ 2674 in 1992, \$ 2782 in 1993, \$ 2864 in 1994, \$ 2959 for 1996, and \$ 2998 in 1996. (Ptf's 12(M) Stmt. PP 11-12.) n9 C. Stoller testified that STR sold STEALTH brand speakers and radios to national stores including "Howard's" and "Kmart." (Ptf's 12(M) Stmt. P 48.) No tax returns have [\*20] been filed for Plaintiff for at least the past three years. (Dfts' 12(M) Stmt. P 57.)

n9 The court doubts that this Sales Report is admissible. It is hearsay and relies on hearsay statements, and Plaintiff has not shown that it falls within any of the hearsay exceptions. In particular, L. Stoller, who produced the Sales Report, was unable to describe how he prepared them or to demonstrate that the numbers at issue were kept in the ordinary course of business. L. Stoller testified that he basically looked through what materials he had and put what figures he had into the report. Thus, for 1991, he included no figures in the Sales Report because he could not find any figures for that year. He could not identify when the Sales Report was produced and testified that the basic records on which the figures were allegedly based were erased. (Ptf's Ex. A (L. Stoller Dep.) at 107-15.) Thus, the Sales Report does not include the indicia of trustworthiness traditionally required for admissibility of a hearsay statement.

[\*21]

Plaintiff has produced advertising, routing guides, and purchasing information sheets for STEALTH audio equipment dated in the 1980s. (Ptf's 12(M) Stmt. PP 13, 15-18.) Plaintiff has also produced a licensing agreement between itself (signed by L. Stoller on behalf of Plaintiff) and related corporation Stealth Industries, Inc. (signed by L. Stoller on behalf of Stealth Industries, Inc.) purportedly licensing the mark STEALTH for use on products, including "audio stereo speaker boxes, car radios. . . ." (Ptf's 12(M) Stmt. P 31; Ptf. Ex. CL5 (Stealth license).) Plaintiff has produced a licensing agreement between itself (signed by L. Stoller on behalf of Plaintiff) and related corporation Sentra Industries, Inc. (signed by L. Stoller on behalf of Sentra Industries, Inc.) purportedly licensing the mark STEALTH for use on products, including "automobile lights, paint, audio stereo speaker boxes, car radios. . . ." (Ptf's 12(M) Stmt. P 33; Ptf. Ex. CL2 (Sentra license).)

### III. Summary judgment standard

Summary judgment is proper "if the pleadings, depositions, answers to interrogatories and admissions on file, together with the affidavits, if any, show that there is no genuine issue [\*22] as to any material fact and that the moving party is entitled to a judgment as a matter of law." *Fed. R. Civ. P. 56(c); Cox v. Acme Health Serv., Inc.*, 55 F.3d 1304, 1308 (7th Cir. 1995). A genuine issue of material fact exists for trial when, in viewing the record and all reasonable inferences drawn from it in a light most favorable to the non-movant, a reasonable jury could return a verdict for the non-movant. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248, 106 S. Ct. 2503, 2510, 91 L. Ed. 2d 202 (1986); *Hedberg v. Indiana Bell Tel. Co.*, 47 F.3d 928, 931 (7th Cir. 1995). The movant has the burden of establishing that there is no genuine issue of material fact. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323, 106 S. Ct. 2548, 2553, 91 L. Ed. 2d 265 (1986); *Hedberg v. Indiana Bell Tel. Co.*, 47 F.3d 928, 931 (7th Cir. 1995). If the movant meets this burden, the non-movant must set forth specific facts that demonstrate the existence of a genuine issue for trial. *Fed. R. Civ. P. 56(c); Celotex*, 477 U.S. at 324, 106 S. Ct. at 2553. Rule 56(c) mandates the entry of summary judgment against a party "who fails to make a showing sufficient to establish the existence of [\*23] an element essential to that party's case, and in [\*887] which that party will bear the burden of proof at trial." *Celotex*, 477 U.S. at 322, 106 S. Ct. at 2552-53. A scintilla of evidence in support of the non-movant's position is not sufficient to oppose successfully a summary judgment motion; "there must be evidence on which the jury could reasonably find for the [non-movant]." *Anderson*, 477 U.S. at 250, 106 S. Ct. at 2511.

On cross-motions for summary judgment, each movant must individually satisfy the requirements of

Rule 56. *Proviso Association of Retarded Citizens v. Village of Westchester*, 914 F. Supp. 1555, 1560 (N.D. Ill. 1996); *Chicago Truck Drivers, Helpers and Warehouse Workers Union (Ind.) Pension Fund v. Kelly*, 1996 U.S. Dist. LEXIS 12901, 1996 WL 507258, \*3 (N.D. Ill. 1996). Thus, the traditional standards for summary judgment still apply even though both parties have moved for summary judgment. *Blum v. Fisher and Fisher, Attorneys at Law*, 961 F. Supp. 1218, 1222 (N.D. Ill. 1997). The Court thus considers the merits of each cross-motion separately and draws all reasonable inferences and resolves all factual uncertainties against the party whose motion is under consideration. *Chicago* [\*\*24] *Truck Drivers*, 1996 WL 507258 at \*3. This "Janus-like perspective, . . . sometimes forces the denial of both motions," but only where there are material facts in dispute. *Buttina v. City of Chicago*, 803 F. Supp. 213, 217 (N.D. Ill. 1992), aff'd, 9 F.3d 1198 (7th Cir. 1993).

### III. Analysis

#### A. Federal claims

"In a trademark infringement claim, the plaintiff must demonstrate: (1) the validity of its trademark; and (2) the infringement of that mark." *Platinum Home Mortgage Corporation v. Platinum Financial Group, Inc.*, 149 F.3d 722, 726 (7th Cir. 1998). The court will now consider each of these two elements in turn.

##### 1. Validity of Plaintiff's trademark

Registration of a trademark "is admissible into evidence to establish registrant's rights on a prima facie basis but . . . an opposing party may prove any legal or equitable defense or defect which might have been asserted if the mark had not been registered." *Union Carbide Corp. v. Ever-Ready Inc.*, 531 F.2d 366, 378 (7th Cir. 1976). Defendant challenges the validity of Plaintiff's mark on the parallel grounds that Plaintiff is not using the "STEALTH" mark as part of an established, ongoing business [\*\*25] or that Plaintiff has abandoned the mark, at least as to audio equipment. For Plaintiff to have "ownership rights" in the mark "STEALTH," Plaintiff "must show that it actually uses the mark[] in connection with an established, presently existing, and ongoing business." *MCF, Inc. v. King-Seeley Thermos Co.*, 1988 U.S. Dist. LEXIS 1210, 1988 WL 10687, \*2 (N.D. Ill. 1988). See also *Zazu Design v. L'Oreal, S.A.*, 979 F.2d 499, 503 (7th Cir. 1992) ("Use" is neither a glitch in the Lanham Act nor a historical relic. By insisting that firms use marks to obtain rights in them, the law prevents entrepreneurs from reserving brand names in order to make their rivals' marketing more costly. Public sales let others know that they should not invest resources to develop a mark similar to one already used in the trade. Only active use allows consumers to associate a mark with particular

goods and notifies other firms that the mark is so associated."). Defendants point to the minimal amount of proceeds alleged by Plaintiff on Plaintiff's application to transact business in Illinois (\$ 1.00 predicted revenues in 1994), the lack of any tax returns over the last three years, and the lack of non-testimonial evidence (e.g., [\*\*26] samples of products or invoices and receipts) evidencing conduct of business. See *Heinemann v. General Motors Corp.*, 342 F. Supp. 203, 173 U.S.P.Q. (BNA) 214, 174 U.S.P.Q. 296, 296 (N.D. Ill. 1972) ("The amount of compensation received . . . is so minimal that this Court is convinced that, as a matter of law, plaintiff was not engaged in the business of racing."). Plaintiff offers a plethora of advertising materials allegedly sent to wholesale buyers; however "mere advertising and documentary use of a notation apart from the goods do not constitute technical trademark use." *Powermatic v. Globe Roofing Products Co., Inc.*, 341 F.2d 127, 52 C.C.P.A. 950, 954 (C.C.P.A. 1965). See also *Avakoff v. Southern Pacific Co.*, 765 F.2d 1097, 1098 (Fed. Cir. 1985) (same); *The Boss Co. v. Homemaker Rugs*, 1958 U.S. Dist. LEXIS 4185, 117 U.S.P.Q. (BNA) 253, P. 5 (N.D. Ill. 1958) (stating that evidence of advertising and of invoices is insufficient to establish trademark rights). Other testimonial evidence, Plaintiff has [\*\*88] shown no actual admissible evidence of "STEALTH" items in the 1990s. The one piece of physical evidence of sales -- an inadmissible table of Plaintiff's gross sales of audio goods -- does not differentiate between STEALTH audio [\*\*27] goods and SENTRA or TERMINATOR audio goods. The evidence in support of sales of STEALTH audio goods in the 1980s -- two invoices from 1986 and 1987 covering a total of 18 STEALTH car speaker or radio products. As a matter of law, such evidence is not sufficient to establish use. See *Zazu Design*, 979 F.2d at 503 ("ZHD's sales of its product are insufficient use to establish priority over L'Oreal. A few bottles sold over the counter in Hinsdale, and few more mailed to friends in Texas and Florida, neither link the ZAZU mark with ZHD's product in the minds of customers nor put other producers on notice. As a practical matter ZHD had no product, period, until months after L'Oreal had embarked on its doomed campaign."). n10 At a minimum, Plaintiff has failed to establish, as a matter of law, that it has conducted sufficient use of any kind but particularly use as to audio products to justify the validity of its trademark. Thus, Plaintiff's motion for summary judgment must be DENIED. Plaintiff's failure to put forth admissible evidence to establish sufficient use also requires this court to GRANT Defendants' motion for summary judgment. n11 See *S. Indus. v. GMI Holdings*, 1998 U.S. [\*\*28] Dist. LEXIS 1780, at \*15 (holding that Plaintiff had failed in that case to demonstrate trademark use as to lawn sprinklers and paint, assuming for purposes of summary judgment motion only that Plaintiff had estab-

lished use as to garage door locks and window locks); *S. Indus. v. Diamond*, 991 F. Supp. 1012, 1998 U.S. Dist. LEXIS 596, at \*23 (holding that Plaintiff had failed to establish use as to computers and related goods).

n10 A large fraction of Plaintiff's overly long argumentation is devoted to attacking Zazu Designs and the cases that follow it. The court does not concur with Plaintiff's analysis of Zazu Designs. Specifically, the Seventh Circuit did not foreclose summary judgment in a case, like this one, where the admissible evidence brought before the court shows minimal or no sales; rather, it justified its decision not to defer to the finder of fact on the issue of use because "the extent to which ZHD used the mark is not disputed" and went on to find that as a matter of law the amount of use was insufficient to establish a valid trademark. 979 F.2d at 505. Thus, contrary to Plaintiff's claims, where the amount of use is not genuinely in dispute, summary judgment is appropriate. Here, the court finds that Plaintiff, who has the burden of proof to show trademark validity, *Rust Environment & Infrastructure, Inc. v. Teunissen*, 131 F.3d 1210, 1214 (7th Cir. 1997), has not proffered admissible evidence showing actual sales in the 1990s and has only shown minimal sales that occurred almost a decade before this case was filed. Thus, the amount of use is not genuinely in dispute.

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n11 The court's finding that Plaintiff has failed to establish use makes a finding of abandonment unnecessary, as abandonment occurs when a mark (1) was in use and (2) is no longer in use and there is no intent to resume its use, such that two consecutive years of nonuse is "prima facie evidence of abandonment." *Rust Environment & Infrastructure, Inc. v. Teunissen*, 131 F.3d at 1214 (quoting 15 U.S.C. § 1127). The court notes that, if Plaintiff's proffered invoice evidence from 1986 and 1987 was sufficient to demonstrate use, that Plaintiff's failure to proffer admissible evidence of use in the 1990s would support a finding of abandonment.

## 2. Infringement of Plaintiff's trademark

Even if the court found that Plaintiff had established validity of its trademark, the court finds that summary judgment in favor of Defendants is appropriate on the issue of infringement. "Likelihood of confusion is a

question of fact in this circuit, but like any fact can be determined at the summary judgment stage if not contestable." *Door Systems, Inc. v. Pro-Line Door Systems, Inc.*, 83 F.3d 169, 173 (7th Cir. 1996). [\*\*30]

"The 'keystone' of trademark infringement is 'likelihood of confusion' as to source, affiliation, connection or sponsorship of goods or services among the relevant class of customers and potential customers." *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 957 (7th Cir. 1992), cert. denied, 507 U.S. 1042, 113 S. Ct. 1879, 123 L. Ed. 2d 497 (1993). A trademark holder may offer two different theories of confusion. The typical theory, and the one largely advanced by Plaintiff, is "forward" confusion, "which occurs 'when customers mistakenly think that the junior user's goods or services are from the same source as or are connected with the senior user's goods or services.'" *Id.* [\*\*889] (quoting 2 McCarthy, Trademarks and Unfair Competition, § 23:1, at 42-43, 46-47). Thus, under the theory of "forward" confusion, Plaintiff argues that it is the senior user and holder of a "famous" mark and that Defendants, by copying that mark, are confusing customers into thinking that Defendants' goods actually are produced and distributed by Plaintiff. The second theory, briefly alluded to by Plaintiff in its Responsive Memorandum to Defendants' motion for summary judgment, is [\*\*31] "reverse" confusion, which "occurs when a large junior user saturates the market with a trademark similar or identical to that of a smaller, senior user," thus taking some of the value of the mark from the senior user and possibly foreclosing the senior user's expansion into new markets or even causing consumers to believe that the senior user is the infringer. *Id.* Beyond the fact that Plaintiff has never clearly stated a reverse confusion claim, Plaintiff has proffered neither argument nor evidence to show that any reverse confusion has or is likely to occur. Indeed, Plaintiff's argument relies on its assertion that its "STEALTH" mark is famous and strongly associated with Plaintiff and that consumers are likely to think that JL Audio's goods are manufactured by Plaintiff. n12 Accordingly, this court shall analyze Plaintiff's claims under the forward confusion theory.

n12 In the end, the court applies the same likelihood of confusion test in a reverse confusion case as it does in a forward confusion case, see *Sands, Taylor & Wood*, 978 F.2d at 959, and would find that many of the reasons that defeat Plaintiff's forward confusion claim also apply to any reverse confusion claim and, thus, that a reverse confusion claim would also fail.

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There are seven factors in a likelihood of confusion analysis: "(1) similarity between the marks in appearance and suggestion; (2) similarity of the products; (3) area and manner of concurrent use; (4) degree of care likely to be exercised by consumers; (5) strength of complainant's mark; (6) actual confusion; and (7) intent of defendant 'to palm-off his product as that of another.'" *AHP Subsidiary Holding Co. v. Stuart Hale Co.*, 1 F.3d 611, 615 (7th Cir. 1993) (quoting *Forum Corp. of North Am. v. Forum Ltd.*, 903 F.2d 434, 439 (7th Cir. 1990)). None of these factors are determinative and, indeed, the likelihood of confusion determination does not require a party to prove its arguments on all or even the majority of the factors. 1 F.3d at 616. Rather, the court must determine on a case by case basis which factors should be given more weight in the likelihood of confusion analysis. With that in mind, the court will now consider the each of the seven factors.

#### a. Similarity of marks

In determining whether the two marks are similar, "the proper method of comparison is conducted 'in light of what occurs in the marketplace, not in the courtroom.'" *Forum Corp.*, 903 F.2d [\*\*33] at 439 (citation omitted). "Any memorable feature of a mark, which of course includes the way it sounds, should be considered in analyzing likelihood of confusion." *Id.* at 440. See also *Nike Inc. v. "Just Did It" Enterprises*, 6 F.3d 1225, 1230 (7th Cir. 1993) (citing with approval *Universal City Studios, Inc. v. Nintendo Co., Ltd.*, 746 F.2d 112, 116 (2d Cir. 1984)). In this case, we have two marks: Plaintiff's STEALTH mark and JL Audio's STEALTHBOX mark. Looked at in a vacuum, one might consider the two marks to be similar, as the dominant part of each mark is the term "STEALTH." See *Forum Corp.*, 903 F.2d at 440 (focusing on the "dominant" or "salient" part of the mark). Looking at the marks as the consumer would see them, however, shows one significant difference between the two marks: Plaintiff's STEALTH mark is a primary mark, used without any other mark, while JL Audio's STEALTHBOX mark is a secondary mark, always used in conjunction with JL Audio's name and/or logo. "The use of a brand name, particularly a well known one . . . is likely to reduce the likelihood of confusion as to the source of the product." *Breuer Electric Mfg. Co. v. The Hoover Co.*, 1998 U.S. Dist. LEXIS 11613, 1998 WL [\*\*34] 427595, \*6 (N.D. Ill. 1998). See also, *Henri's Food Products Co., Inc. v. Kraft, Inc.*, 717 F.2d 352, 355 (7th Cir. 1983) (noting that "a prominent housemark may tend to lessen confusion"); *Munters Corp. v. Matsui America, Inc.*, 730 F. Supp. 790, 795 (N.D. Ill. 1989) ("Prominent display of different names on the marks . . . reduce[s] the likelihood of confusion even where . . . the marks are otherwise similar."); [\*890] quoting *Ziebart Int'l Corp. v. After Market Assocs.*, 802 F.2d 220, 226

(7th Cir. 1986)), *aff'd*, 909 F.2d 250 (7th Cir. 1990), *Vitarroz Corp. v. Borden, Inc.*, 644 F.2d 960, 969 (2d Cir. 1981) ("When similar marks are always presented in association with company names, the likelihood of confusion is reduced."). n13

n13 There is one situation in which the conjunction of a challenged mark with a junior user's brand name is "an aggravation, not a justification": namely, where the senior user is alleging reverse confusion. *Sands, Taylor & Wood*, 978 F.2d at 960. As previously noted, if Plaintiff has neither stated a reverse confusion claim nor proffered evidence tending to show reverse confusion.

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Additionally, Plaintiff actually urges against finding that consumers would view the marks as similar and as source identifying. Plaintiff argues (in multiple places) that "stealth" in the context of JL Audio's stereo boxes is actually a descriptive mark, and, thus, undeserving of trademark protection. n14 However, a court should give less weight to a descriptive term in considering whether marks are similar and whether a given mark is source identifying. See *Henri's Food Products Co. v. Kraft, Inc.*, 717 F.2d at 356 ("When one portion of a composite mark is a descriptive or generic word, that feature of the mark may be of less significance in designating a source of origin."; finding that finding that common term in two marks was descriptive and, thus, that the two marks were dissimilar).

n14 It is odd that Plaintiff made this claim, because, without proof of secondary meaning, a descriptive mark cannot be a valid trademark and cannot be infringed. *United Carbide Corp. v. Ever-Ready Inc.*, 531 F.2d 366, 378 (7th Cir. 1976) ("A mark which is 'merely descriptive' may not be registered, and a holding that Carbide's mark [is] merely descriptive would defeat its action for infringement."); *id.* at 380 (noting that a descriptive mark which has attained secondary meaning as a source-identifying mark may be registered). Plaintiff has offered no evidence of secondary meaning, e.g., the "amount and manner of advertising, volume of sales, the length and manner of use, direct consumer testimony and consumer surveys." *id.* The court need not decide if "stealth" as applied to JL Audio's Stealthboxes is descriptive because Plaintiff has otherwise failed to show likelihood of confusion.

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Overall, the court finds that the similarity of the marks favors Defendants, particularly because JL Audio's name and/or logo is consistently displayed with its secondary mark of STEALTHBOX.

#### b. Similarity of products

There are two different groups of products to consider. First, there is a broad group of products for which Plaintiff has registered the mark STEALTH, including sporting goods, specifically, tennis rackets, golf clubs, tennis balls, basketballs, baseballs, soccerballs, golf balls, crossbows, tennis racquet strings, and shuttlecocks in International Class 28; bicycles, motorcycles, and boats in International Class 12; pool cues, pool tables, darts, billiard balls, cue cases, cue racks, and billiard gloves, in International Class 28; microwave absorbing automobile paint, in International Class 2; comic books, in International Class 16; lawn sprinklers, in International Class 21; metal alloys for use in sporting goods and transportation and window locks, in International Class 6; fishing tackle floats, in International Class 28 (Plf's Ex. B to Plf's Motion for Judicial Notice); and, as of September 1, 1998, radar detectors in International Class 9. (Plf's 12(N) Resp. [\*\*37] P. 8.) Second, there are audio products for which Plaintiff has never received any trademark. n15

n15 For purposes of the likelihood of confusion analysis only, the court will assume that Plaintiff had established trademark use.

"Because confusion is a factual matter, the plaintiff must produce proof, a theory about how consumers might be confused will not do, unless evidence supports the theory." *Reed-Union Corp. v. Turtle Wax, Inc.*, 77 F.3d 909, 912 (7th Cir. 1996). Here, Plaintiff has proffered neither evidence nor a theory of why consumers might view its products (registered or unregistered) as similar to JL Audio's Stealthboxes. There are three levels of similarity: (1) competitive; (2) non-competitive but related; and (3) non-competitive and non-related. *Knaack Manufacturing Co. v. Rally Accessories, Inc.*, 955 F. Supp. 991, 1000 (N.D. Ill. 1997). In answering this question, the court should consider how consumers view the products. *Id.* Looking to the first group of alleged products, i.e., the [\*\*38] ones with registrations, there is no claim [\*\*39] that they are competitive with JL Audio's Stealthboxes, i.e., there is no claim that a person would substitute a Stealthbox for any of those goods. Additionally, only two of the products with registrations are even related to automobiles: the automobile paint and the radar detectors. n16 However, the simple claim that

two products are somehow related to automobiles automatically places them in category (2) (non-competitive but related) has been soundly rejected. *Westward Coach Manufacturing Co. v. Ford Motor Co.*, 388 F.2d 627, 635 (7th Cir. 1968) ("While the products of the automotive industry are necessary to provide mobility for the products of the trailer industry . . . we cannot say that campers and trailers and sports cars are 'similar goods similarly marketed.'"); *Knaack Manufacturing*, 955 F. Supp. at 1000 (rejecting claim that labeling products as "motor vehicle accessories is sufficient to show a similarity of products"; finding that products are non-competitive and non-related where Plaintiff had "failed to produce any evidence that purchasers of these product types perceive a commonality."). See also *Vitarroz Corp. v. Borden, Inc.*, 644 F.2d 960, 967 (2d Cir. 1981) (rejecting claims that crackers and chips with the same secondary mark were closely related based on the nature of the products, i.e., ingredients, uses, and method of preparation, on their different placement in a given supermarket, and on different marketing methods). In short, there is no reason to believe that a consumer would perceive a connection between STEALTH automobile paint or STEALTH radar detectors and JL Audio's Stealthboxes, all of which serve different purposes. Finally, the court rejects Plaintiff's claim that the court should find that a radar detector is similar to a stereo box or disclosure because both are classified in International Class 9. There is no evidence that a typical consumer has any knowledge of International Classifications or that any perception of similarity flows from that classification.

n16 The court does not necessarily accept the relevance of the radar detector registration, which was not issued before the complaint was filed and was not in Plaintiff's control until after the cross-motions for summary judgment were filed.

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Looking to the second group of products, the court finds that Plaintiff has failed to show that its goods are competitive with or related to JL Audio's Stereoboxes. The only STEALTH audio products that there is any evidence of sales in the records are for 18 STEALTH car speaker or radio products: 10 "STEALTH SENTRA car speaker boxes" and 6 "STEALTH TERMINATOR car radios" (\$ 20 apiece for \$ 320.00 total with no provision for sales taxes or shipping and handling) in 1986 and 2 "STEALTH car radios" (\$ 40 apiece for \$ 80.00 total with no provision for sales taxes or shipping or handling) in 1987. Plaintiff's STEALTH audio products are standard, i.e., not custom. By contrast, the undisputed evidence regarding JL Audio's Stealthboxes are that they are

custom-made, tailored to a given car's make, model, and year, and that their cost ranges from \$ 500 to \$ 2000. Again, Plaintiff's failure to produce any evidence tending to show that a consumer would consider these goods to be substitutable (i.e., competitive) or similar (i.e., related) dooms its claim to similarity of products. Plaintiff has also failed to offer any evidence that its products and JL Audio's Stealthboxes involve similar [\*\*41] features or have similar functions.

The court finds that Plaintiff's products and JL Audio's Stealthboxes are non-competitive and non-related and, thus, finds that the similarity of products factor favors Defendants.

#### c. Area and manner of concurrent use

Plaintiff has failed to show that there is any concurrent use. The concurrent use factor "focuses on the overlap of promotion, distribution, and sales of the parties' goods." *Imperial Toy Corp. v. Ty, Inc.*, 1998 U.S. Dist. LEXIS 14418, 1998 WL 601875 (N.D. Ill. 1998). Thus, case look to the geographical area of distribution, *Rust Environment & Infrastructure*, 131 F.3d at 1217, whether there is evidence of direct competition between the relevant products, *Smith Fiberglass Products, Inc. v. Ameron, Inc.*, 7 F.3d 1327, 1330 (7th Cir. 1993), whether the products are sold in the same stores, *Vitarroz*, 644 F.2d at 967, whether the products are sold in the same section of a given store, *id.*, whether the products are sold using the same means of advertising, *Victory Pipe Craftsmen, Inc. v. Faberge, Inc.*, 582 F. Supp. 551, 558 [\*\*892] (N.D. Ill. 1984), and whether the products are sold through the same "marketing channels," e.g., retail stores or mail [\*\*42] order. *Nike*, 6 F.3d at 1230. While there is no evidence regarding the geographical area of distribution of either Plaintiff's or JL Audio's products, the other elements all demonstrate little to no overlap. Plaintiff has offered no evidence of direct competition between the products, and, more specifically, has admitted that it knows of no situations in which its products have been sold in the same stores or promoted at the same trade shows as JL Audio's products. Additionally, there is no evidence that Plaintiff's audio products have been promoted directly to consumers, in contrast to JL Audio's products. There is no admissible evidence that Plaintiff's goods have ever been distributed through the same audio and stereo stores through which JL Audio's goods are sold. See *Knaack Manufacturing*, 955 F. Supp. at 1001 ("Knaack has failed to prove that even one of its distributors carried any Rally car covers. . . . The clear inference from this proof is that there is no overlap in distribution, which also minimizes any possibility of confusion."). Finally, it is undisputed that JL Audio's Stealthboxes, unlike Plaintiff's goods, are custom made and tailored for an individual's cars. [\*\*43] Therefore, unlike Plaintiff's alleged car radios and speakers, which

come standard, JL Audio's Stealthboxes must be custom ordered.

The court finds that there is no evidence of concurrent use.

#### d. Degree of care

The degree of care factor seeks to distinguish how likely the relevant group of consumers is to distinguish between different products. Thus, "where consumers are sophisticated, deliberative buyers, confusion is less likely." *Rust Environment & Infrastructure*, 131 F.3d at 1217. By contrast, where the relevant group of consumers is likely to buy in haste or on impulse, confusion is more likely. *TV Land, L.P. v. Viacom International, Inc.*, 908 F. Supp. 543, 552 (N.D. Ill. 1995). As a general rule, "where 'the cost of the defendant's trademarked product is high, the courts assume that purchasers are likely to be more discriminating than they might otherwise be.' Moreover, . . . where the product involved was a low value item, the risk of confusion is greater. . . ." *Maxim's Limited v. Budonsky*, 772 F.2d 388, 393 (7th Cir. 1985). Additionally, certain purchasing decisions, regardless of the price level, may be more deliberative. See, e.g., *Tsio-lis v. Interscope* [\*\*44] *Records, Inc.*, 946 F. Supp. 1344, 1356 (N.D. Ill. 1996) (finding high degree of care despite low price level of CDs and cassettes because consumers "are 'necessarily discriminating'" between different artists and different musical genres").

In this case, JL Audio's Stealthboxes cost between \$ 500 and \$ 2000. This is far beyond the price level considered "low." See *Nike*, 6 F.3d at 1230 ("In any event, we cannot agree that as a matter of law customers routinely purchase a \$ 39.95 item without looking carefully at the product information."); *Knaack Manufacturing*, 955 F. Supp. at 1001 (finding that plaintiff had "failed to prove that consumers are not likely to exercise care in purchasing a \$ 49 to \$ 79 vehicle cover."). Additionally, the fact that JL Audio's Stealthboxes are custom made for different makes and models of automobiles tends to show that consumers have to consider product specifications before purchasing a Stealthbox. See *Knaack Manufacturing*, 955 F. Supp. at 1001 (finding that consumers had to consider product specifications in purchasing car covers which come in different sizes and which are designed for different weather conditions). Finally, Plaintiff has [\*\*45] offered no evidence tending to show that consumers purchase car stereo equipment on impulse or otherwise without deliberation.

Thus, the court finds that the degree of care factor favors Defendant.

#### e. Strength

"Strength" of a trademark measures the likelihood that a consumer will view a mark as source-identifying.

Id. Strength cannot be proven merely by statements from a plaintiff's executives that its mark is famous. *Id.* at 1001-02. Additionally, the fact that a trademark has been registered does not create a presumption that the mark is strong or that the mark's coverage should be expanded to cover non-related products. *Id.* at 1002. Here, the only evidence that Plaintiff produces as to the strength of its "STEALTH" mark is its own president's [\*893] statements that the mark is famous. That is insufficient. Additionally, it is undisputed that several other producers have used or currently use the "STEALTH" mark for a wide variety of products -- hence, Plaintiff is engaged in its multitudinous federal litigation. See *Westward Coach Manufacturing Co.*, 388 F.2d at 634-35 (finding that the "MUSTANG" mark was weak where several other producers had trademarked the mark [\*46] for a variety of products). In the absence of proof, such as a consumer survey, showing strength of Plaintiff's STEALTH trademark, the court finds that the STEALTH mark is weak.

#### **F. Actual confusion**

While proof of actual confusion is not required to prove likelihood of confusion, "courts often view evidence of actual confusion as the best evidence of likelihood of confusion." *Union Carbide*, 531 F.2d at 383. But see *Nike*, 6 F.3d at 1231 (noting that proof of actual confusion is not required to show likelihood of confusion but stating that "it is certainly proper for the trial judge to infer from the absence of actual confusion that there was also no likelihood of confusion") (quoting *McGregor-Doniger, Inc. v. Drizzle, Inc.*, 599 F.2d 1126, 1136 (2d Cir. 1979)). However, "isolated instances of actual confusion or misdirected mail have been held insufficient to sustain a finding of likelihood of confusion." *Union Carbide*, 531 F.2d at 383. Courts have emphasized that "de minimis evidence of actual confusion does not necessarily establish a likelihood of consumer confusion." *Platinum Home Mortgage Corp.*, 149 F.3d at 729. See also *Forum Corp.*, 903 F.2d at [\*47] 443 ("De minimis evidence of confusion may be discounted."); *Heurt's Food Products*, 717 F.2d at 358 (holding that survey showing a 7.6% rate of confusion weighs against a finding of likelihood of confusion).

Here, Plaintiff relies on vague allegations of unknown numbers of consumers who allegedly called or wrote to Plaintiff's related company STR complaining about JL Audio's Stealthboxes. However, Plaintiff has only C. Stoller's hearsay testimony as proof of these allegations -- and such testimony is inadmissible. *Smith Fiberglass Products*, 7 F.3d at 1330-31 (holding district court ruling that actual confusion evidence which lacks "an exact quote or even the identity of the person making the statement" was hearsay; "Here, however, Smith presented no instances of actual confusion, but rather sought to admit into evidence a vague hearsay account of what

may have been actual confusion . . . Smith essentially asks this court to interpret Forum Corp. and Helene Curtis Industries as crafting a new hearsay exception to the Federal Rules of Evidence for paraphrases of state of mind declarations by unknown declarants. Without hesitation we refrain from adopting such a recommendation."). [\*48] The court finds that Plaintiff has failed to establish actual confusion.

#### **g. Intent to palm-off**

Plaintiff has offered no evidence tending to show that Defendants knew of Plaintiff's trademarks or of any possibility that Plaintiff's trademarks might apply to stereo boxes or enclosures and, therefore, has failed to demonstrate that Defendants had any intent to palm-off its goods as being those of Plaintiff.

### **3. Conclusion**

The court has found that Plaintiff has no valid trademark covering audio products. Additionally, Plaintiff has failed to establish any of the seven factors comprising likelihood of confusion. The court GRANTS Defendants' motion for summary judgment as to Counts I, II, and III (trademark infringement under the Lanham Act) and DENIES Plaintiff's motion for summary judgment as to Counts I, II, and III.

#### **B. State law**

Count IV is a state law claim pursuant to the Illinois Consumer Fraud and Deceptive Business Act and Uniform Deceptive Trade Practices Act of the State of Illinois. Both of these acts require the same showing of likelihood of confusion. *TV Land*, 908 F. Supp. at 553 (citing *AHP*, 1 F.3d at 619). Plaintiff has failed to make such [\*49] a showing. Therefore, the court GRANTS Defendants' motion for summary judgment as to Count IV and DENIES Plaintiff's motion for summary judgment as to Count IV.

#### **[\*894] C. Sanctions**

Defendants spend a great deal of time hinting that this court should award sanctions against Plaintiff. However, as no motion for sanctions has been filed, an award of sanctions would be inappropriate.

### **IV. Conclusion**

For the foregoing reasons, Defendants' motion for summary judgment is GRANTED as to all remaining counts and Plaintiff's motion for summary judgment is DENIED. Plaintiff's motion for judicial notice is GRANTED in part, DENIED in part, and MOOT in part. Defendants' motion to strike is MOOT.

Enter:

David H. Coar

United States District Judge

Dated: December 9, 1998

**JUDGMENT IN A CIVIL CASE**

Decision by Court. This action came to trial or hearing before the Court. The issues have been tried or heard and a decision has been rendered.

IT IS HEREBY ORDERED AND ADJUDGED that Defendants' Motion for Summary Judgment is granted as

to all remaining counts. Plaintiff's Motion for Summary Judgment is Denied. Plaintiff's request for Judicial notice is granted in part, denied [\*\*50] in part and moot in part. Defendants' Motion to strike portions of Stoller's declaration and certain exhibits is moot. All other remaining motions are moot.

Summary Judgment is hereby entered in favor of the defendants JL Audio, Inc; Musicar; Accent Marketing; and Wayne Brown and against the plaintiff S. Industries, Inc. This case is closed.

Date: 12/9/1998

**Exhibit**

**R-5**

**S INDUSTRIES, INC., Plaintiff, v. STONE AGE EQUIPMENT, INC., d/b/a FIVE  
TEN, d/b/a 5.10; RECREATIONAL EQUIPMENT, INC., d/b/a REI; EREHWON  
MOUNTAIN OUTFITTERS, INC., Defendants. n1**

n1 Plaintiff originally named three other companies as defendants in this action: The North Face, Uncle Dan's Ltd., and Active Endeavors. A consent judgement was entered against Uncle Dan's on October 17, 1996; The North Face and Active Endeavors were dismissed by agreement of the parties.

**No. 96 C 4951**

**UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF  
ILLINOIS, EASTERN DIVISION**

*12 F. Supp. 2d 796; 1998 U.S. Dist. LEXIS 9562; 49 U.S.P.Q.2D (BNA) 1071*

**June 23, 1998, Decided**

**June 24, 1998, Docketed**

**DISPOSITION:** [\*\*1] Defendants' motion for summary judgment granted in its entirety, and the plaintiffs' motion for summary judgment denied. Judgment entered in favor of the defendants, Stone Age Equipment, Inc., d/b/a Five Ten, d/b/a 5.10; Recreational Equipment, Inc., d/b/a REI; and Erehwon Mountain Outfitters, Inc. and against the plaintiff, S Industries, Inc. Action dismissed in its entirety.

**COUNSEL:** For S INDUSTRIES, INC., plaintiff: John C. Valas, Attorney at Law, Chicago, IL.

For STONE AGE EQUIPMENT, INC., RECREATIONAL EQUIPMENT INC., EREHWON, defendants: Philip M. Kolehmainen, Joseph Krieger, Joan Pennington, Mason, Kolehmainen, Rathburn & Wyss, Chicago, IL.

For STONE AGE EQUIPMENT, INC., RECREATIONAL EQUIPMENT INC., EREHWON, defendants: Theodore A. Pianko, Marilyn R. Khorsand, Christie, Parker & Hale, Pasadena, CA.

**JUDGES:** Ruben Castillo, United States District Judge.

**OPINIONBY:** Ruben Castillo

**OPINION:**

[\*798] **MEMORANDUM OPINION AND  
ORDER**

This lawsuit presents serious issues about the ethics of the plaintiff's principal and his counsel. "S Industries, Inc. . . . appears to have entered into a new industry -- that of instituting federal litigation." *S Indus., Inc. v. Hobbico, Inc.*, 940 F. Supp. 210, [\*\*2] 211 (N.D. Ill. 1996) (Shadur, J.). To this we might add litigation lacking in merit and approaching harassment. Of the five merits-related decisions spawned by S Industries' ("SI") 1996 trademark litigation siege, three have entered summary judgment against SI and two have seriously questioned the validity of SI's complaints. n2 Our decision continues in [\*799] this vein, and thus signifies a continuing pattern of bad faith litigation by SI, who has been represented by the same counsel in each case.

n2 See *S Industries, Inc. v. Centra 2000, Inc.*, 1998 U.S. Dist. LEXIS 4682, 1998 WL 157067 (N.D. Ill. Mar. 31, 1998) (granting summary judgment against SI); *S Indus., Inc. v. GMI Holdings, Inc.*, 1998 U.S. Dist. LEXIS 1780, 1998 WL 67627 (N.D. Ill. Jan. 30, 1998) (granting summary judgment against SI); *S Indus., Inc. v. Diamond Multimedia Sys., Inc.*, 991 F. Supp. 1012 (N.D. Ill. 1998) (granting summary judgment against SI); *S Indus., Inc. v. Hobbico, Inc.*, 940 F. Supp. 210 (N.D. Ill. 1996) (doubting SI's ability to state a claim); *S Indus., Inc. v. Kimberly-Clark Corp.*, 1996 U.S. Dist. LEXIS 9567, 1996 WL 388427 (N.D. Ill. July 9, 1996) (same). Judge Shadur described the latter two suits as "having

the hallmark of a lawyer-inspired lawsuit of dubious merit," then ordered SI's attorney to show cause why the complaints satisfied the requirements of *Fed. R. Civ. P. 11(b)*. See 940 F. Supp. at 212-13, 1996 WL 388427, at \*1. On the flip side, a federal judge in Connecticut found SI culpable of infringing a trademark owned by Timex, awarding Timex treble damages and reasonable attorney's fees. See *Timex Corp. v. Stoller*, 961 F. Supp. 374, 379-80 (D. Conn. 1997). The case was later settled during SI's appeal.

Under these circumstances, the Court deems it appropriate, if not critical, to publish this opinion despite the parties' practice of filing nearly every document under seal under the guise of complying with the stipulated Protective Order entered in April 1997. Any material that the Order defines as "confidential" is either (1) irrelevant and not discussed in this opinion; (2) does not meet Rule 26(c)'s requirements for protection from disclosure; or (3) has already been revealed in other federal court decisions of public record. As the Seventh Circuit aptly observed, "the common law right of access creates a 'strong presumption' in favor of public access to materials submitted as evidence in open court . . . the public's right to inspect judicial documents may not be evaded by the wholesale sealing of court papers." *United States v. Corbitt*, 879 F.2d 224, 228 (7th Cir. 1989) (citations omitted). This is not to say that the sealed documents will become public record; it simply means that we are publishing an opinion that addresses motions supported by documents filed under seal.

[\*\*3]

This suit stems from SI's claim that it owns the trademark STEALTH for use on various sporting goods and equipment and on athletic shoes and boots. SI contends that defendant Stone Age Equipment's (denoted here as "Five Ten") use of STEALTH on rubber soles for rock-climbing shoes and water-terrain navigation boots (think fly-fishing) infringes these trademarks; defendants REI and Erchwon allegedly infringed SI's marks by selling Five Ten's STEALTH-soled products. SI asserts several offenses based on this conduct: infringement of a registered trademark under the Lanham Act, 15 U.S.C. § 1114 (Count I); unfair competition and false designation of origin under the Lanham Act, 15 U.S.C. 1125 (Counts II and III); and violations of the Illinois Consumer Fraud and Deceptive Trade Practices Act, 815 ILCS 505/1 *et seq.*, and the Illinois Uniform Deceptive Trade Practices Act, 815 ILCS 510/1 *et seq.* (Count IV). n3

n3 SI voluntarily dismissed Count V, a claim under the Illinois Counterfeit Trademark Act, 765 ILCS 1040/1 *et seq.* On June 1, 1997, the Illinois General Assembly repealed the Act's provisions permitting private rights of action. See *S. Indus., Inc. v. Diamond Multimedia Sys., Inc.*, 991 F. Supp. 1012, 1022-23 (N.D. Ill. 1998).

[\*\*4]

But this Court's exhaustive review of the pleadings and rather voluminous record demonstrates a striking absence of proof supporting these claims -- most notably, SI's failure to produce any evidence permitting a reasonable jury to find that a STEALTH shoe ever existed, much less reached the public -- frequent misrepresentations of the evidence and unsupported legal arguments. Consequently, on the cross-motions for summary judgment before us, we rule for the defendants and against SI. We also award the defendants reasonable attorneys' fees and defense costs as prevailing parties, see 15 U.S.C. § 1117(a) and 815 ILCS 505/10a(e), finding that this is just the type of suit that the Seventh Circuit would deem "oppressive." See *Door Sys., Inc. v. Pro-Line Door Sys., Inc.*, 126 F.3d 1028, 1031-32 (7th Cir. 1997).

#### RELEVANT FACTS n4

n4 The facts are derived from the parties' Local Rule 12(M)-(N) statements of fact and accompanying evidentiary materials.

#### A. Leo Stoller and His Companies

SI is in the [\*\*5] business of assisting its affiliated companies in importing, marketing, distributing and selling a wide variety of consumer goods, some of which bear the STEALTH trademark. Its current President, CEO and sole shareholder is Leo Stoller. Stoller, who began doing business in 1981 as the sole proprietorship Sentra Sporting Goods, U.S.A., incorporated SI in 1985 and founded its affiliated entities around the same time: Sentra Industries (incorporated in 1984), Stealth Industries (1984), and Chestnut Industries (1985) (collectively the "Stoller companies"). All are based in Illinois.

Stoller claims that Sentra Sporting Goods, U.S.A. was the first to use the STEALTH mark "as a trade name, 'house' mark, service mark and trademark" on consumer goods -- including sporting goods and, allegedly, athletic shoes -- and that, through various inter-company license agreements and assignments, SI and the other Stoller companies began to use the mark on those goods as well, with SI retaining ownership rights. n5 Stoller



Decl. PP 4-10 Stoller states that under a ten-year marketing and licensing plan he established in 1985, his companies have "spent a great [sic] money promoting [and] building the [\*\*6] mark STEALTH into a national brand, recognized by buyers throughout the United States and the entire World." Stoller Decl. PP 11-13.

n5 The defendants devote a fair amount of time to contesting which of Stoller's companies owns the STEALTH mark and which companies were and are properly licensed to use it. Because the defendants prevail on the merits, we assume for the purposes of this opinion that SI currently owns the mark, and that the other Stoller companies hold valid licenses to use it on the goods at issue in this case.

SI currently holds title to seven federal registrations for the STEALTH mark, two of which are relevant here. Registration No. 1,332,378 covers "sporting goods, specifically, [\*800] tennis rackets, golf clubs, tennis balls, basketballs, baseballs, soccer balls, golf balls, cross bows, tennis racket strings and shuttle cocks." The Patent and Trademark Office ("PTO") issued this registration on April 23, 1985, with January 15, 1981 listed as the date of the mark's "first use" in commerce. Registration [\*\*7] No. 1,434,642, issued by the PTO on March 31, 1987, encompasses "bicycles, motorcycles, and boats" and lists January 1982 as the date of first use. n6 None of the STEALTH registrations mentions athletic shoes or boots, rubber, or rubber shoe soles. Stoller nevertheless claims that his companies have been using the STEALTH mark on athletic shoes since at least 1985. SI and Stoller do own registrations covering shoes under the trademarks SENTRA, LOVE YOUR BODY, WHITE LINE FEVER, and DARK STAR, but not STEALTH.

n6 SI's other federal registrations for the STEALTH mark cover microwave absorbing automobile paint (No. 1,717,010 registered in 1992); pool cues, pool tables, darts billiard balls, cue cases, cue racks, and billiard gloves (No. 1,867,087 registered in 1994); comic books (No. 2,007,348 registered in 1996); lawn sprinklers (No. 2,024,889 registered in 1996); and metal alloys for use in sporting goods and transportation and window locks (No. 2,025,156 registered in 1996). Stoller and his companies have several more pending applications to use STEALTH on an extensive range of goods.

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The Stoller companies market and sell STEALTH sporting goods products (and, allegedly, STEALTH athletic shoes) directly through catalogs and sales representatives, and wholesale through broad-based retailers such as Wal-Mart and K-Mart. In addition, the Stoller companies have entered into numerous license agreements permitting third parties to use the STEALTH mark on sporting goods. Four license agreements specifically allow third-party use of STEALTH on footwear. Stealth Industries executed the first of these with Puma USA.

In December 1988, one of Puma's attorneys, Bert Collison, contacted Stealth Industries to ask whether it had used the STEALTH mark on shoes. Stealth Industries' attorney, John Brezina, replied that the company had been using the mark on shoes since at least 1985. Collison Dep. at 17. He supplied Collison with the following proof: a May 28, 1986 invoice for a black referee shoe, which does not indicate what mark, if any, is on the shoe; two undated photocopies of catalog pages with four pictures of shoes, none of which visibly bears the STEALTH mark but which are described respectively as STEALTH athletic shoes, STEALTH oxfords, white STEALTH tennis shoes and [\*\*9] black STEALTH tennis shoes; an undated photocopy of what looks like a shoe with the word STEALTH on one side of the heel (attorney Brezina states that he made this photocopy from a STEALTH shoe that Stoller gave him); and a typed page from a June 3, 1988 Stealth Industries general ledger listing "shoes" as one of the items and displaying the handwritten words "ALL STEALTH BRAND" at the top. Collison Dep. Ex. 111-115. Collison does not remember whether he ever saw an actual STEALTH shoe, but "assumes" that he must have.

SI and Puma executed an agreement on February 1, 1989 that made Puma USA the exclusive licensee for the STEALTH mark on "footwear." Payment was on a royalty basis. Among other things, the agreement required Puma to pay a \$ 10,000 fee upon signing, an annual advance minimum royalty of \$ 4000, and 2% of its net sales of STEALTH footwear. In return, Stealth Industries promised to file an application with the PTO to register the STEALTH mark for footwear. It appears that in 1990 Puma promoted basketball shoes designated as "PUMA Stealth," but none of Puma's ads shows the STEALTH mark appearing on the shoe. n7

n7 It is less than clear whether Puma actually sold any of its "PUMA Stealth" basketball shoes. The record contains numerous free-standing Puma ads for a "Stealth" basketball shoe -- a shoe that does not visibly bear the STEALTH mark -- as well as a Spring 1990 Puma footwear catalog showing pictures of basketball shoes with the

word "Stealth" underneath the picture. But there is no evidence that the ads were ever published or that the catalog reached consumers. Bert Collison testified that he has "no idea" whether Puma ever sold any "Stealth" shoes. He also stated that no one at Puma knows what became of the 1989 license agreement. Collison Dep. at 52-53. Puma did, however, make advance royalty payments to Stealth Industries in 1989 and 1991, and SI submitted what looks like a Stealth Industries ledger from 1990 indicating it received royalty payments for style numbers that correspond to the "Stealth" basketball shoes in Puma's 1990 catalog.

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[\*801] As promised, on February 27, 1989, John Brezina filed Stealth Industries' application to register the mark STEALTH for use on "Sport and Athletic [sic] Shoes." n8 To demonstrate the mark's use on shoes, Brezina supplied the PTO with a photocopy that resembled the one he had provided to Puma. He listed January 1984 as the date that STEALTH was first used on shoes in commerce. On May 9, 1989, the PTO mailed Stealth Industries an Office Action that contained some preliminary determinations. First, the Examining Attorney noted that Stealth Industries' mark was "likely to be confused" with the mark STEALTHWEAR, which had already been registered by Covington Industries for use on camouflage clothing. The Examining Attorney also observed that Five Ten had an earlier pending application to use STEALTH on "shoe soles, [and] kits for resoling footwear comprised of rubber, cement and instructions," and that "there may be a likelihood of confusion" with this mark as well. To this day, the PTO has made no determination on Stealth Industries' application -- the PTO's Trademark Trial and Appeal Board ("TTAB") suspended it to await the outcome of this litigation.

n8 Application No. 73-783,038.

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Thereafter, Stoller and his companies entered three other STEALTH footwear license agreements: a 1994 non-exclusive license permitting Cabela's, Inc. to use the STEALTH mark on "footwear"; a 1995 non-exclusive license allowing The Sportsman's Guide to use the mark -40 [degrees] STEALTH on hunting boots; and a 1996 five-year license giving Mitsubishi International, Inc. the right to use STEALTH on golf shoes.

Stoller states that his companies continue to market and sell "a broad range of consumer products including athletic and sport shoes." Stoller Decl. P. 10. He attends

trade shows that focus on athletic equipment and apparel for team and court sports participants. n9 And he continues to license the STEALTH mark for use on a wide variety of goods, aiding his efforts by appearing at the Licensing Industry Merchandiser's Association ("LIMA") show from 1995-1997, and the World Licensing Exposition in 1996. The mid-nineties have also marked Stoller's aggressive campaign to police his registered and common-law STEALTH trademarks in sporting goods and other products. He has been involved in at least 100 PTO actions and has filed over forty district court cases. Stoller Dep. at 465, [\*\*12] 697.

n9 As examples, Stoller mentioned attending the Annual Charter Catalogue Merchandise Trade Exhibit, the Super Show in Atlanta, and shows sponsored by the National Sporting Goods Trade Association and the Sporting Goods Manufacturing Association. See Stoller Dep. at 514-19.

## B. Five Ten, REI and Erehwon

Five Ten was founded in 1985 and incorporated in 1987 by its current CEO, Charles Cole. The California-based company manufactures and markets footwear, specializing in high-end rock climbing shoes. These shoes have soles made of a sticky, high-friction black rubber bearing the trademark STEALTH or STEALTH C4. The STEALTH mark appears only on the shoe soles or hangtags, never on the shoe uppers.

Cole, an avid rock climber who possesses both a mechanical engineering degree and an MBA from the University of Michigan, invented the sticky rubber, hoping to improve climbers' ability to navigate precipitous terrain. The name "Stealth" stems from Cole's days as a factory worker manufacturing parts for [\*\*13] the B-1 Stealth Bomber, connoting his intentions to keep the rubber compound's formula top secret. Cole uses "master batches" of the compound to manufacture sheets of black STEALTH rubber, then markets the rubber on his Five Ten shoe soles and in sole replacement kits. The STEALTH rubber products appear exclusively in stores that specialize in outdoor and adventure sports equipment. Defendants Erehwon and REI, both outdoor retailers, sell various models of Five Ten shoes with STEALTH soles.

Cole states that he began selling STEALTH rubber for use on shoe soles in August 1987. He provides two invoices dated [\*\*802] August 4 and 5, 1987 for the sale of "5.10 resole rubber . . . 'Stealth'" to Mekan Custom Boots in Kearns, Utah and to Dave Page Cobbler in Seat-

tle Washington. The record also contains two sales slips dated August 4 and 11, 1987 for "5.10 Resole Rubber 'Stealth'" made out to Brad Singer of California and Steven Handler of Maryland, respectively.

Cole started advertising STEALTH rubber in the February 1988 issue of *Climbing* magazine. The ad begins, "Introducing 5.10 STEALTH Rubber. After one year of rigorous testing Five Ten is proud to introduce the most advanced climbing boot [\*\*14] rubber ever developed," and lists the names, addresses and phone numbers of several "official 5.10 resolvers," including Mekan Custom Footwear and Dave Page Cobbler. An interview with Cole in the March/April 1998 issue of *Rock & Ice* followed, during which he discussed the characteristics and advantages of STEALTH rubber. In the same issue, Wheeler and Wilson Sports advertised that they were providers of "5.10's new STEALTH rubber." In June 1998, *Climbing* magazine published a product review, remarking that "this year's model" of a popular climbing shoe "uses 5.10's latest top-secret Stealth rubber." The first time pictures of shoes appear in an ad for STEALTH rubber is the August 1988 issue of *Climbing*. The full-page ad is titled "The Guts of our Boots," and depicts three climbing shoes above the words "STEALTH RUBBER." Below this is advertising text plugging the rubber and encouraging the reader to "ask [a top climber] what kind of rubber is really on the bottoms of his boots. Chances are that it will be 5.10 Stealth." The ad lists Five Ten's name, address and phone number at the bottom.

On November 1, 1988, Five Ten filed an application with the PTO to register STEALTH [\*\*15] for use on "boots, shoes and sandals; sheet rubber for soling or resoling footwear; kits of rubber, cement and instructions for resoling footwear," n10 listing August 4, 1987 as the date STEALTH was first used on these goods. The Examining Attorney later amended Five Ten's application to cover "shoe soles; kits for resoling footwear comprised of rubber, cement and instruction." The PTO published Five Ten's mark for opposition in *The Official Gazette* n11 on July 18, 1989, prompting Stealth Industries to formally oppose (Opposition 81,164) the application on September 18, 1989. The TTAB suspended proceedings on Opposition 81,164 on July 25, 1997, pending final resolution of this case.

n10 Application No. 73-761,259.

n11 *The Official Gazette* (trademark section) is the PTO's weekly publication that lists trademarks being published for opposition. The publication shows the mark, the goods covered, and the date of first use in commerce.

Although its initial application remains unresolved, Five Ten was [\*\*16] nonetheless successful in registering the STEALTH mark under a slightly different description of goods. On January 13, 1992, it applied to register the mark STEALTH for use on "sheet rubber having high friction and damping characteristics, and for use in the manufacture of gripping and antiskid surfaces, and for vibration isolation." n12 The date of first use in commerce is listed as August 4, 1987. The PTO issued Registration No. 1,782,681 for these goods on July 20, 1993. Not to be outdone, Stealth Industries filed a petition to cancel (Cancellation No. 24,688) the registration on January 16, 1996. Again, the TTAB suspended proceedings on Cancellation 24,688 in deference to this litigation, leaving Five Ten's registration intact.

n12 Application No. 74-237,222.

Five Ten has continued to advertise in publications directed at outdoor adventure enthusiasts, to showcase its products at trade shows (such as Outdoor Retailer) that feature outdoor adventure goods, and to sell its shoes through outdoor adventure specialty [\*\*17] stores. The record contains evidence that STEALTH soles are extremely popular among climbers because of the rubber's high-friction, rock-gripping characteristics. STEALTH rubber soles now appear on an expanded Five Ten product line, which includes approach shoes (closer to a hiking boot), river shoes, and all terrain shoes. In addition, Five Ten worked with LL Bean to create a new formulation of STEALTH rubber -- [\*\*18] "Aqua Stealth" -- for underwater traction boots used in sports such as fly-fishing. LL Bean began selling a boot with the Aqua Stealth sole in its 1996 fly fishing catalogue.

### C. This Lawsuit

Apparently not satisfied with the pace of the administrative battle before the PTO, SI filed suit in this Court on July 12, 1996. It claims that the defendants' manufacture and sale of Five Ten's STEALTH-soled climbing shoes and water terrain footwear (including LL Bean's boot with Aqua Stealth soles) infringe its two federally registered trademarks for sporting goods and "bicycles, motorcycles, and boats" (Count I); infringe its federal common-law rights in the STEALTH mark on athletic shoes and boots (Counts II and III); and violate various state-law consumer protection statutes [\*\*18] (Count IV). As relief, SI seeks both a permanent injunction and monetary damages.

The parties have filed cross-motions for summary judgment on all claims. Because we find that defendants have not infringed any of SI's STEALTH trademarks as a

matter of law, we grant the defendants' motion and deny SI's motion.

## LEGAL STANDARDS

### I. Summary Judgment

Summary judgment is proper when the record shows that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law. *Fed. R. Civ. P. 56(c)*; *Cincinnati Ins. Co. v. Flanders Elec. Motor Serv., Inc.*, 40 F.3d 146, 150 (7th Cir. 1995). A genuine issue for trial exists when "the evidence is such that a reasonable jury could return a verdict for the nonmoving party." *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248, 91 L. Ed. 2d 202, 106 S. Ct. 2505 (1986). The court must view all evidence in a light most favorable to the nonmoving party, and draw all reasonable inferences from the evidence in the non-movant's favor. *Cincinnati Ins.*, 40 F.3d at 150. But if the evidence is merely colorable, or is not significantly probative, or just raises "some metaphysical doubt as [\*\*19] to the material fact," summary judgment may be granted. *Liberty Lobby*, 477 U.S. at 261; *Matsushita Elec. Indus. v. Zenith Radio Corp.*, 475 U.S. 574, 586, 89 L. Ed. 2d 538, 106 S. Ct. 1348 (1986). In making its determination, the court's sole function is to determine whether sufficient evidence exists to support a verdict in the nonmovant's favor. Credibility determinations, weighing evidence, and drawing reasonable inferences are jury functions, not those of a judge deciding a motion for summary judgment. *Liberty Lobby*, 477 U.S. at 255.

When the parties submit cross-motions for summary judgment, the court is not required to grant judgment as a matter of law for one side or the other. *Heublein, Inc. v. United States*, 996 F.2d 1455, 1461 (2d Cir. 1993). The court must evaluate each party's motion on its own merits, resolving factual uncertainties and drawing all reasonable inferences against the party whose motion is under consideration. *Id.*; *Buttitta v. City of Chicago*, 803 F. Supp. 213, 217 (N.D. Ill. 1992), *aff'd*, 9 F.3d 1198 (7th Cir. 1993).

### II. Lanham Act Claims — Federal Trademark Infringement

SI's federal trademark infringement claims (Counts [\*\*20] I, II and III) are governed by two different sections of the Lanham Act: 15 U.S.C. § 1114(a) (prohibiting infringement of registered marks) and § 1125(a) (providing relief for unfair competition, including false designation of origin). To prove infringement of its registered marks under § 1114(a), SI must show that (1) its marks are registered; (2) the defendants used the marks in commerce without SI's consent; and (3) that the defendants' unauthorized use is likely to confuse consumers

or deceive the public. *S. Indus., Inc. v. Diamond Multimedia Sys., Inc.*, 991 F. Supp. 1012, 1017 (N.D. Ill. 1998); *S. Indus., Inc. v. GMI Holdings, Inc.*, 1998 U.S. Dist. LEXIS 1780, 1998 WL 67627, at \*3 (N.D. Ill. Jan. 30, 1998); *Dunkin' Donuts, Inc. v. Towns Family, Inc.*, 1996 U.S. Dist. LEXIS 7982, 1996 WL 328018, at \*2 (N.D. Ill. 1996). SI holds two federal registrations for STEALTH, which cover sporting goods and "bicycles, motorcycles, and boats." It is undisputed that Five Ten, RHL, and Firehwon use the STEALTH mark in commerce. [\*\*804] As such, likelihood of confusion is the only remaining section 1114 issue.

Section 1125(a) "prohibits a broader range of practices" than § 1114(a). *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768, [\*\*21] 120 L. Ed. 2d 615, 112 S. Ct. 2753 (1992) (internal quotations and citations omitted), extending its reach to protect both registered and unregistered marks from unfair competition that is likely to confuse or deceive consumers. *See Diamond*, 991 F. Supp. at 1017. SI brings two claims under this section: one for unfair competition and one for false designation of origin (which is really just a species of unfair competition). Both require SI to prove (1) prior, protectable rights in (a.k.a. "senior use" of) a mark; and (2) that the defendants' junior use of the mark is likely to confuse consumers or deceive the public. *Diamond*, 991 F. Supp. at 1017-18 (citing *Dunn v. Gull*, 990 F.2d 348, 351 (7th Cir. 1993)); *see Forum Corp. v. The Forum, Ltd.*, 903 F.2d 434, 439 (7th Cir. 1990); *see also G. Heileman Brewing Co. v. Anheuser-Busch, Inc.*, 873 F.2d 985, 999 (7th Cir. 1989) ("The first user of a mark may maintain an action for unfair competition under the Lanham Act by showing a likelihood of confusion as to the source of the goods in question.")

It is undisputed that SI owns prior protectable rights in the STEALTH mark for the goods identified in its federal registrations. [\*\*22] n13 The parties disagree, however, over who has prior rights in STEALTH for various shoes and shoe-related products, which are not listed in SI's registrations. The parties also disagree on the likelihood of confusion resulting from the defendants' uses of the STEALTH mark.

n13 Adopting and using a trademark -- not registering it -- is what establishes trademark rights. *See Diamond*, 991 F. Supp. at 1017. "Registration itself only establishes a rebuttable presumption of use as of the filing date." *Zazu Designs v. L'Oreal, S.A.*, 979 F.2d 499, 503 (7th Cir. 1992). Since defendants do not attempt to rebut this presumption by offering evidence that SI does not use the STEALTH mark on its regis-

tered goods, we afford SI the benefit of this presumption and assume that it does.

Left for this Court's determination on the Lanham Act claims, then, are two issues: (1) did SI use the STEALTH mark on athletic shoes and boots before Five Ten started using the mark on high-friction rubber and climbing shoe soles; and [\*\*23] (2) are the defendants' uses of the STEALTH mark likely to cause confusion in light of (a) SI's registered marks or (b) the Stoller companies and their licensees' use n14 of STEALTH on athletic shoes and boots. n15 We acknowledge that a negative answer to the first question would relieve us from having to consider issue (2)(b). Nevertheless, we address all the issues to underscore the lack of merit to SI's claims.

n14 Licensees' proper use of a trademark inures to the benefit of the mark's owner. *See Restatement (Third) of Unfair Competition* § 33 (1995) ("If the licensor exercises reasonable control over the nature and quality of the goods, services, or business on which the designation is used by the licensee, any rights in the designation arising from the licensee's use accrue to the benefit of the licensor."). Comment b elaborates:

The [trademark] owner may thus rely on use by controlled licensees to prove . . . the fact of continuing use of the mark. . . . If the licensee authorizes use on goods or services other than those previously marketed by the trademark owner, the licensee's use can also extend the trademark owner's rights into additional product markets.

Moreover, a trademark owner can establish senior use through a controlled licensee. *Restatement (Third) of Unfair Competition* § 33 notes to comment b ("Section 5 of the Lanham Act as amended in 1988, 15 U.S.C.A. § 1055, explicitly recognizes the acquisition of trademark rights by a licensor through a first use of the mark by a controlled licensee."); *see* 15 U.S.C. § 1055 (1997) ("If first use of a mark by a person is controlled by the registrant or applicant for registration of the mark with respect to the nature and quality of the goods or services, such first use shall inure the benefit of the registrant or applicant, as the case may be.").

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n15 Defendants also urge us to find that SI's suit is barred under the doctrine of laches; because we rule for defendants on the merits we need not address this issue.

## ANALYSIS

### I. Five Ten Used STEALTH on Rubber Soles Before SI Used it on Athletic Footwear

#### A. Trademark Rights Derive From Use

"Trademark rights are acquired by adoption and use, not by registration." *Diamond*, [\*\*805] 991 F. Supp. at 1018. Although registration establishes a rebuttable presumption that the mark was first used on the filing date, *Zazu Designs v. L'Oreal, S.A.*, 979 F.2d 499, 504 (7th Cir. 1992). SI has only applied to register STEALTH for use on athletic shoes and boots. Simply filing an application is not sufficient to create rights in the mark. *See Diamond*, 991 F. Supp. at 1019 (citing *Hydro-Dynamics, Inc. v. George Putnam & Co.*, 811 F.2d 1470, 1472 (Fed. Cir. 1987)). Consequently, SI must establish its rights to STEALTH on athletic footwear under the common law, which confers ownership on the person who employs the "first actual use of a mark in a genuine commercial transaction." *Allard Enters., Inc. v. Advanced Programming Resources, Inc.*, 146 F.3d 350, 1998 U.S. App. LEXIS 11694, 1998 WL 285218 (6th Cir. 1998). In short, "one must win the race to the marketplace." *Zazu*, 979 F.2d at 503.

"Use" under the common law means that the mark was attached to a product sold to the public. *Id.* at 503; *Blue Bell*, 508 F.2d 1260 at 1263. The use must be continuous and bona fide to impart ownership -- de minimus sales, a few shipments, or pre-marketing tactics that attempt to "reserve" the mark will not do. *See Zazu*, 979 F.2d at 503, 505 ("Only active use allows consumers to associate a mark with particular goods and notifies other firms that the mark is so associated;" "reserving a mark is forbidden"; dispensing a few sample products is a "pre-marketing maneuver" that is insufficient to confer trademark rights); *Allard*, 1998 WL 285218, at \*9 (single use in trade must be "followed by continuous commercial utilization" to establish trademark rights) (quoting *Blue Bell, Inc. v. Farah Mfg. Co.*, 508 F.2d 1260, 1263 (5th Cir. 1975)); *Diamond*, 991 F. Supp. at 1018 ("It is axiomatic that the right to a distinctive mark belongs to the person who first continuously uses the mark [\*\*26] to identify or distinguish goods or services in commerce."). Likewise, the mere intent to use a mark is insufficient. *Zazu*, 979 F.2d at 504; *Allard*, 1998 WL 285218, at \*7.

In any given case, the amount of activity that constitutes "use" depends on the facts. *Lucent Info. Mgmt., Inc. v. Lucent Tech., Inc.*, 986 F. Supp. 253, 258 (D. Del. 1997). The guiding principle is that the activity be "sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark." *Blue Bell*, 508 F.2d at 1266.

SI contends that the Stoller companies made continuous, bona fide commercial use of STEALTH on athletic shoes and boots since 1985, establishing priority over the defendants' allegedly later use of STEALTH on rubber and climbing shoe soles. n16 Defendants rejoin that SI has no evidence that the Stoller companies ever sold a STEALTH shoe to the public or engaged in any activity that constitutes adoption and use. Even assuming Puma used the mark on shoes as a licensee, defendants argue, Five Ten used STEALTH on its products well before the licensing agreement was even executed. Defendants also argue -- quite forcefully [\*\*27] -- that SI and Stoller fabricated evidence in attempt to show first use.

n16 A senior user enjoys superior rights in the mark not only on goods that compete directly with its own, but also on goods that are "closely related" to the senior user's products. *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 958 (7th Cir. 1992). Implicit in SI's claim of senior use is that athletic shoes and boots are closely related to rubber and rubber soles on climbing shoes. A "closely related" product is one that "would reasonably be thought by the buying public to come from the same source, or thought to be affiliated with, connected with, or sponsored by, the trademark owner." *Id.* (internal quotations and citations omitted). This is the same inquiry involved in assessing the likelihood of confusion, *see* 15 U.S.C. § 1125(a), an issue we take up later in the opinion. Even assuming (for now only) that these goods are closely related, it is irrelevant because we find that Five Ten used STEALTH on its products first.

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We agree with defendants' first two points, which are dispositive. The fabrication argument we find persuasive, but not conclusive; Stoller offers an explanation that is tenable enough to prevent us from finding as a matter of law that he perpetrated a fraud on this Court.

#### B. SI Cannot Show Senior Use

SI attempts to show senior use with the following evidence:

. Leo Stoller's unsupported assertions that his companies began using STEALTH [\*\*806] on athletic shoes and boots in 1984 or 1985

. 1986 invoices for the sale of tennis shoes, leather shoes, oxford shoes, "ref" shoes, and athletic shoes -- none of which indicate what mark, if any, these shoes bore

. 1985 and 1986 internal strategy memoranda that discuss expanding STEALTH to other products, but do not mention shoes

. a "STEALTH Catalog '88" displaying two shoes that do not bear the STEALTH mark on either the shoe or its sole, but are described as "STEALTH Tennis Shoe[s]" in misaligned font that is vastly different than the print on the rest of the page -- a page on which all the other items bear only the SENTRA mark

. 1984 and later inter-Stoller-company license agreements that license STEALTH on products [\*\*29] in "the approved catalog"

. two affidavits from former Stoller company customers - - both of whom surfaced in other SI trademark infringement lawsuits -- stating in a conclusory manner that they purchased "STEALTH brand" shoes in 1985 and 1988

. the "proof" of use that Stealth Industries provided to Puma in December 1988 (a May 1986 invoice for the sale of a "blk. ref. shoe"; two undated photocopies of catalog pages exhibiting shoes that do not visibly bear the STEALTH mark; an undated photocopy of a shoe with the word STEALTH on one side of the heel; and a typed 1988 general ledger listing "shoes" and displaying the handwritten words "ALL STEALTH BRAND" at the top); Puma attorney Bert Collison's testimony that he "assumes" he "must have" seen a STEALTH shoe in December 1988; and an affidavit from Stealth Industries' former attorney John Brezina stating that he made the photocopy from a STEALTH shoe Stoller gave him

. the February 1, 1989 Puma license agreement and advance royalty payments in 1989 and 1991

. undated, free-standing ads for a "PUMA Stealth" shoe that does not visibly bear the STEALTH mark; a Spring 1990 Puma footwear catalog showing pictures of basketball [\*\*30] shoes with the word "Stealth" below the pictures; a 1990 Stealth Industries ledger indicating the company received royalty payments for style numbers that correspond to the "Stealth" basketball shoes in Puma's 1990 catalog

a May 17, 1990 cease and desist letter from Stealth Industries' attorney to Five Ten asserting that Stealth Industries has sold athletic shoes under the STEALTH mark "for many years"

three agreements between the Stoller companies and third parties licensing STEALTH for use on "footwear" (1994), boots (1995), and golf shoes (1996)

None of these items would permit a reasonable jury to find that the Stoller companies or their licensees made continuous, bona fide commercial use of the STEALTH mark on athletic shoes or boots prior to Five Ten's use. As such, SI's claim to common-law rights in the STEALTH mark fails as a matter of law. n17

n17 This defeats SI's § 1125(a) claim insofar as it is premised on infringement of SI's unregistered marks.

We begin with the "STEALTH Catalog [\*\*31] '88," one of several catalogs in the record. Also appearing are a "1987 Chestnut Catalog" and several copies of a "Chestnut Catalog '88." On page 7 of the STEALTH Catalog '88, titled "STEALTH high quality bags," seven items appear -- four tennis bags, one tennis racquet cover (items A., B., C., F., G.), and two tennis shoes (items D. and E.). These are the only shoes in the catalog. To the naked eye, no mark is visible on either the shoe uppers or soles, which are both prominently displayed. Nevertheless, the item descriptions proclaim that these are "STEALTH tennis shoe[s]," available in white or black, boasting a "Genuine leather upper, with gummy sole for extra traction on the court." The word "STEALTH" in the [\*\*807] descriptions is a different size and in a different font than the print on the rest of the page. Three of the bags on the page contain the mark SENTRA; no mark is visible on the fourth bag or the racquet cover. n18

n18 Interestingly, SI attached to its complaint a STEALTH Catalog whose cover page is different from the STEALTH Catalog '88 produced during discovery. The first page of the Catalog attached to the complaint does not have a date -- it simply says "STEALTH Catalog" -- does not have a toll free number at the bottom, and omits the words "Sentra Guarantee" in the bottom right corner.

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Page 7 of the "Chestnut Catalog '88" is exactly the same, with one exception -- the shoes are described as

"SENTRA tennis shoe[s]." But they have model numbers identical to the shoes in the STEALTH catalog. In contrast to the STEALTH catalog, the word "SENTRA" is the same size and font as the words "tennis shoe" that follow it. The "1987 Chestnut Catalog," although different from the other two catalogs, contains pictures of two shoes as well -- the SENTRA athletic shoe and SENTRA Oxfords.

Defendants employed a Board Certified Forensic Document Examiner, Diane Marsh, who conducted visual, microscopic, and close-up photographic examinations of the "STEALTH Catalog '88" and the 1987 and 1988 Chestnut Catalogs to determine what marks appear on the merchandise and whether the catalogs have been altered. n19 Her most important finding for our purposes concerns the shoe in item E. on page 7 of the STEALTH Catalog '88: her examination revealed the letters "SEN" and a portion of a "T" and an "A" on the shoe upper. She found no indication that the STEALTH mark appears on the shoes in items D. or E.

n19 SI attacks Marsh's qualifications by seizing on her testimony that her primary area of expertise is handwriting analysis. This does not negate the numerous qualifications in Marsh's CV, which include three board certifications in document examination, extensive training in the area, and several publications on the topic of document examination. See Marsh Aff. Ex. A.

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Marsh's other primary conclusion is that the STEALTH Catalog '88 was created using the Chestnut Catalog '88 as a base. She opined that someone had pasted cut-outs of the word STEALTH over the printed word SENTRA on several pages in the Chestnut catalog and then photocopied the pages to make the STEALTH catalog. Her examination revealed "trash lines" and stray marks -- which she testified are hallmarks of cut-and-pasted material -- surrounding the word STEALTH on many pages in the catalog; that the font on STEALTH in many places does not match the printing in the rest of the catalog; that the word STEALTH is often misaligned, cut off, or runs into other words; and that the catalog's print lacks sharpness and exhibits toner instead of printer ink. This led her to conclude that the STEALTH Catalog '88 is an altered document. She could not date it, however. n20

n20 Among the many other bizarre inconsistencies in the catalogs, Marsh observed: (1) The Chestnut catalogs contain only SENTRA-marked,

but not STEALTH-marked goods, while the STEALTH catalog contains both SENTRA and STEALTH goods. When STEALTH appears, the word often bears obvious evidence of transposition (misalignment, running into other words, being cut off the page); (2) An item in the STEALTH catalog described as "STEALTH Genuine Leather" corresponds to a picture of a soccer ball with the word SENTRA on it. The Chestnut Catalog '88 describes the same item as "SENTRA Genuine Leather"; (3) Page 13 of the STEALTH catalog contains items lettered A. through J. In the description for item B., the "STEALTH Timer," the letter "B." is blocked out by the word STEALTH. All the other item descriptions are preceded by letters, and none of the products are described as STEALTH. In comparison, the same item in the Chestnut Catalog '88 displays the letter "B." and denotes the product as the "SENTRA Timer"; and (4) Page 14 of the STEALTH catalog pictures an item with the word "videosender" on it. The description, however, says "The Video STEALTH," and STEALTH appears in a different font and case than the word "Video." The same item in the Chestnut Catalog '88 is described as "The Video Sender" in consistent typeface and case.

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Stoller admits that the STEALTH Catalog '88 was a paste-up job created from one of his company's other catalogs, but insists that the catalog was produced in 1987 and distributed "nationwide to mass merchants, catalog showrooms and other smaller companies in 1988 and 1989," Stoller Decl. P 21. He testified that he (personally, along with "inexperienced key line people") made many of his catalogs this way because his companies lacked the resources for professional [\*808] printing. Asked what catalogue he used as a base, Stoller answered:

I don't remember. I think -- we would take one catalogue. We would make another catalogue from that catalogue. We would make a third catalogue from that catalogue, and we would use some of the -- some of the, you know, copy interchangeably depending on which particular market we were sending it out to. So, I mean, this is 1997. We're talking about something that took place in 1987, 10 years ago. So all I can tell you is that this was produced on our own computers and in-house with our own key line paste-up.

Stoller Dep. at 531-32. This convoluted explanation, along with Marsh's inability to date the STEALTH Catalog '88, just barely saves Stoller [\*\*35] from a finding that he submitted fabricated evidence in a federal court proceeding. But none of this questionable evidence establishes first use.

The STEALTH Catalog '88 does not show that the Stoller companies ever sold athletic shoes to the public with the STEALTH mark, much less that the shoes were the subject of continuous, bona fide commercial use. First, the STEALTH mark appears nowhere on the shoes in the catalog. In fact, Diane Marsh's expert examination revealed that the shoes in item E. actually bear the SENTRA mark. Simply describing the shoes as "STEALTH tennis shoes" in the catalog does not confer ownership rights in the mark. See *Avakoff v. Southern Pacific Co.*, 765 F.2d 1097, 1098 (Fed. Cir. 1985) ("Mere advertising of a product and documentary use of a symbol apart from the goods does not constitute trademark use."). Nor does it demonstrate that any STEALTH shoes entered the stream of commerce. See *Zazu*, 979 F.2d at 503 ("use" means sales to the public of a product with the mark attached").

Second, this single catalog from the year 1988 shows, at most, a single use of STEALTH on shoes. There is no evidence that this was followed by "active use" that "allows [\*\*36] consumers to associate a mark with particular goods and notifies other firms that the mark is so associated." *Zazu*, 979 F.2d at 503. "For advertising alone to constitute use it must be 'of sufficient clarity and repetition to create the required identification [and] must have reached a substantial portion of the public that might be expected to purchase the [goods].'" *Lucent*, 986 F. Supp. at 259 (quoting *T.A.B. Sys. v. Pactel Teletrac*, 77 F.3d 1372, 1376 (Fed. Cir. 1996)); see also *Windows User, Inc. v. Reed Bus. Pub. Ltd.*, 795 F. Supp. 103, 109 (S.D.N.Y. 1992) ("Although advertisements and promotional activities may be relied on to demonstrate priority in use of a mark, this is the case only where it can be shown that such an activity was of a nature and extent such as to create an association of the term with the user's goods.") (internal quotations and citations omitted). SI presents no such evidence of repetition or public association of the STEALTH mark with these goods.

SI's evidence of pre-1988 use is even more spurious. The 1986 invoices are insufficient evidence of use because they contain no indication that the shoes sold bore the STEALTH mark. The shoes [\*\*37] are described only by their model numbers and type, i.e., athletic shoe, oxford shoe, tennis shoe, leather shoe or "ref." shoe. The model numbers are not helpful because the STEALTH



'88 and Chestnut '88 catalogs use identical numbers for both the SENTRA and STEALTH shoes. That these are "Stealth Industries" invoices is equally unavailing because the STEALTH Catalog '88, which was published by Stealth Industries, does not exhibit shoes bearing the STEALTH mark. Moreover, the record contains Stealth Industries invoices that attach orders for the SENTRA athletic shoe. Even if these invoices did feature the words "STEALTH shoes," this would not constitute evidence of use. *See Diamond, 991 F. Supp. at 1019* ("Invoices alone cannot demonstrate trademark use."); *The Boss Co. v. Homemaker Rugs, Inc., 117 U.S.P.Q. 255 (N.D. Ill. 1958)* (holding that the designation "Wooltone" on an invoice for the sale of rugs did not create rights in the WOOLTONE mark because it "did not show use as a trademark on the rugs").

Stoller's testimony is no better. His declaration contains several conclusory statements that his companies "advertised, marketed, and sold" athletic shoes "from at least [\*\*38] as [\*\*809] early as 1985 to the present date." Absolutely nothing in the record supports this. Stoller's internal strategy memoranda from 1985 and 1986 talk about expanding use of the STEALTH mark to all manner of goods -- but not shoes. Inter-company license agreements for the STEALTH mark executed in 1984 and 1985 permit use on goods in the "approved catalog." But no catalog is attached to the agreements, and SI has not produced any catalogs from these years, much less catalogs advertising STEALTH shoes. Not one document even mentions a STEALTH shoe until 1988 -- and we have already established that the STEALTH Catalog '88 fails to show use. It is apparent that Stoller's declaration is merely a self-serving document without factual support in the record; as such, it cannot create a fact issue to withstand summary judgment. *Slowiak v. Land O'Lakes, Inc., 987 F.2d 1293, 1293 (7th Cir. 1993)*.

Stoller's deposition testimony likewise fails to create an issue of fact as to prior use because it is internally inconsistent, flatly contradicted by documentary and physical evidence, and uncorroborated. Stoller insisted in his deposition that his companies have been selling shoes with the STEALTH [\*\*39] mark since 1984. He could not locate any documents to support this, however, and did not produce any catalogs from the years 1984-1986. n21 Although the 1987 Chestnut catalog pictures only SENTRA shoes, Stoller claimed that "all the products in this Chestnut catalogue were sold under the name Stealth and also under the name Sentra." Stoller Dep. at 118. Later he testified that the shoes in this catalog "would have had both marks" on them. *Id.* at 678.

n21 Defendants obtained a SENTRA Sports Equipment Catalog for 1985 from one of the Stoller companies' former customers. No shoes of any kind appear in the catalog's pages.

Confronted with the fact that the SENTRA and STEALTH shoes shared the same model number in the STEALTH '88 and Chestnut catalogs, Stoller replied simply that "the 800 was the shoe and the 800 was sold under the Stealth mark and the 800 was sold under the Sentra mark." *Id.* at 536. Using the white tennis shoe as an example, Stoller explained that it "could have been sold under the Stealth [\*\*40] mark or it could have been sold under the Sentra mark." *Id.* at 536-37. Asked how he determined which mark the customer wanted on a shoe, Stoller said, "if they ordered a Stealth shoe, they would get the Stealth shoe. If they ordered the 800 and they said they wanted the Sentra shoe, they would get the Sentra shoe." *Id.* at 544. At various points, however, Stoller insisted that both the STEALTH and SENTRA marks appeared on his shoes. *See id.* at 546 ("Both the Stealth and Sentra trademarks were sold on my shoes."); *id.* at 614 ("I'm going to testify that the shoes left the warehouse with both marks on them."); *id.* at 546 ("I could have the name Sentra on one side and the name on the other side was Stealth."). In particular, he claimed that the white tennis shoe, model number 037-800W, "would have left our warehouse with the trademarks Stealth and Sentra on it." *Id.* at 616. Then Stoller backtracked and said that both marks appeared at least on the packaging. *Id.* at 543, 544, 665. Stoller was unable to provide any shoe specimens or corroborative documents, and stated he could not remember the last names of any employees who worked for his companies during this [\*\*41] period. n22 *Id.* at 576-578, 671-672.

n22 Stoller's excuse is that his father and brother ousted him from the business between 1990-1994, during which time he had no access to the documents that allegedly support his testimony. He testified that by the time he regained control, his brother and father had disposed of the documents. Stoller Dep. at 576-78. Although the record supports his removal from control, it is no excuse for the lack of proof. Stoller brought the lawsuit; he has the burden of locating and turning over adequate proof to sustain it.

This testimony is inconsistent, confusing, and directly contradicted by the STEALTH and Chestnut catalogs. The shoes in the Chestnut catalogs bear only the SENTRA mark and are described as SENTRA shoes. None display the STEALTH mark, either alone or in

conjunction with SENTRA. The shoes in the STEALTH catalog are either unmarked or labeled with SENTRA. Again, they neither exhibit the STEALTH mark nor show both marks. As for Stoller's comment that his shoes were [\*\*42] packaged with the [\*\*10] STEALTH mark, the record contains no evidence of any packaging - marked or unmarked -- used to ship the shoes.

In addition, the defendants present photographs of a white SENTRA tennis shoe with no STEALTH mark on it, compliments of Richard Rutter, who bought the shoe from Stealth Industries in 1986. n23 Rutter testifies that he purchased many items, including shoes, from the Stoller companies during the years 1986 through 1988. He provides a Stealth Industries invoice documenting that he bought a white SENTRA tennis shoe, model number 037-800W, in November 1986. This is the model number that Stoller claimed left his warehouse with both marks, but Rutter's pictures (taken from several angles) show only the SENTRA mark -- it appears on the shoe tongue, on each side of the shoe near the laces, and on the shoe heel.

n23 Rutter identifies himself as a former Chestnut Industries and Stealth Industries sales representative, a tennis pro who promoted their athletic products. SI denies that Rutter worked for either company, insisting that he was simply a customer who resold shoes to some co-workers at his factory job. Rutter's status as sales rep or customer is irrelevant, however. What matters is that he obtained the SENTRA shoe from Stealth Industries during the relevant time period.

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In light of this evidence, we cannot parse anything together from Stoller's testimony that does more than suggest "some metaphysical doubt as to the material facts." *Matsushita Elec. Indus. v. Zenith Radio Corp.*, 475 U.S. 574, 586, 89 L. Ed. 2d 538, 106 S. Ct. 1348 (1986), as opposed to creating a genuine issue for a jury. Stoller's deposition testimony is thus no more probative than his conclusory, self-serving declaration, and cannot defeat summary judgment. See *United States v. Kinsos*, 770 F. Supp. 1230, 1237 (N.D. Ill. 1991) (Shadur, J.) ("The removal of a factual question from the jury is most likely when a plaintiff's claim is supported solely by the plaintiff's own self-serving testimony, unsupported by corroborating evidence, and undermined either by other credible evidence, physical impossibility or other persuasive evidence that the plaintiff has deliberately committed perjury.") (quoting *Johnson v. Washington Metro. Area Transit Auth.*, 280 U.S. App. D.C. 53, 883 F.2d 125, 128 (D.C. Cir. 1989)), *aff'd*, 968 F.2d 1219 (7th

*Cir.* 1992); see also *Stewart v. RCA Corp.*, 790 F.2d 624, 628 (7th Cir. 1986) ("A court might be able to find a witness incredible as [\*\*44] a matter of law if he had told a different story under oath before recognizing the legal significance of the truth, or if the current story were irrefutably contradicted by documentary evidence.").

Finally, SI attempts to support its claim of senior use with the affidavits of two former customers. David Todoroff states that he is a professional tennis instructor who has purchased a number of sporting goods products from the Stoller companies. In particular, he claims to have bought "both STEALTH brand tennis shoes and SENTRA brand tennis shoes" from Stealth Industries and SI in late 1985 and early 1986. The 1988 purchase of "STEALTH brand" shoes was from a catalog that "was known to me as STEALTH's 1988 catalog." Todoroff provides no invoices or other proof of sale and says he cannot locate any of these shoes or the catalogs from which he ordered them. He simply attaches a photocopied "STEALTH Catalog '88" that was "supplied by S Industries, Inc.'s counsel," and recalls using "just such a catalog" to buy the "STEALTH brand tennis shoes." Nicholas Bianchi, another customer from the 1980's, states that he also bought "STEALTH brand tennis shoes" from Stealth Industries in 1985 and 1988. [\*\*45] Like Todoroff, Bianchi attaches a lawyer-provided STEALTH Catalog '88 and remembers using "just such a catalog" to make the 1988 purchase. But, like Todoroff, Bianchi cannot produce proof of purchase, shoe specimens, or actual catalogs. Stoller has offered both Todoroff and Bianchi as either witnesses or potential witnesses in other SI trademark infringement lawsuits. n24

n24 Todoroff signed an affidavit in the *S Indus. v. Diamond v. Multimedia Sys., Inc.* case to support SI's senior use of STEALTH on computers. The court rejected his testimony as "containing conclusory statements which do not substantiate the affiant's claim of long-time familiarity with plaintiff's STEALTH computer products." 991 F. Supp. at 1020. After submitting the affidavit, Todoroff tried to avoid service of the defense attorneys' deposition subpoena. See Declaration of Ronald Lamb PP 4-7.

Bianchi's name surfaced in several SI cases as a consumer who was "confused" about whether SI was the source of various products, including bug zappers, garage door openers, and radios. See Affidavit of Joseph Krieger (attaching Stoller Deposition excerpts from *S Indus. v. Eco-lab, Inc.* and *S Indus. v. J.L. Audio, Inc. et al.*; and the court's opinion in *S Indus. v. GMI Holdings*,

*Inc.*). Bianchi gives similar "confusion" testimony in this case, which we take up later.

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[\*811] Aside from their highly questionable aspects, these affidavits are inadequate evidence of use as a matter of law. First, neither witness says that the STEALTH mark appeared on the shoes he bought. Both customers merely declare the purchase of "STEALTH brand" shoes from Stealth Industries in 1985 or 1986 and 1988. But the shoes in the STEALTH Catalog '88 do not bear the STEALTH mark, so any shoes Bianchi and Todoroff bought from that catalog cannot demonstrate use. And there is no evidence that the shoes Stealth Industries sold in 1985-86 were any different. Under these circumstances, proclaiming the purchase of "STEALTH brand" shoes does not translate into buying shoes that bore the STEALTH mark. *See Zazu*, 979 F.2d at 503 ("use mean[s] sales to the public with the mark attached").

Even if Todoroff and Bianchi had proof that the STEALTH mark was affixed to the shoes they bought, these constitute "de minimus" sales that do not bestow trademark rights. *See id.* at 505-06 (a few sales to customers were "insufficient as a matter of law" to establish use); *Diamond*, 991 F. Supp. at 1019 ("These invoices, which show only de minimus sales in the late 1980's, do not support S [\*47] Industries' contention that it continuously used the STEALTH mark since 1985."); *see also Lucent*, 936 F. Supp. at 260 ("many other courts have refused to recognize trademark ownership by a party that can only point to limited sales . . ."). This is in line with the axiom that trademark rights depend on active, continuous, bona fide commercial use. All we have here are a few sales of "STEALTH brand" shoes to two customers -- who cannot produce any objective proof of the purchase or the product -- in 1985 and 1988. At most, this shows infrequent, sporadic sales, not active, continuous use. The record is otherwise devoid of any evidence that the Stoller companies sold STEALTH shoes to the public.

The rest of SI's evidence, beginning with the undated "proof" provided to Puma in December 1988 and ending with the Stoller companies' footwear, boot and golf shoe license agreements executed in the mid-90's, becomes irrelevant in light of our determination that Five Ten began using STEALTH on rubber and climbing shoe soles in the summer of 1988. We note, however, that much of SI's later proof is just as inadequate to establish use as its earlier proof. n25 Turning to defendants' evidence, [\*48] we find it defeats SI's senior use claim as a matter of law.

n25 Take, for example, the December 1988 "evidence" that Stealth Industries gave Puma to show that it was selling shoes under the STEALTH mark: the two catalog pages are undated and exhibit shoes that do not visibly display the STEALTH mark; the invoice contains no indication that the "blk ref shoe" bore the STEALTH mark; the Stealth Industries 1988 general ledger simply lists "shoes" without specifying the mark on them; and the photocopy of the shoe with STEALTH on the heel is undated and bears no evidence of the shoe's sale or shipment to the public.

Defendants present uncontested proof that Five Ten sold STEALTH-marked rubber for shoe soles to the public as early as August 1987, and that its advertising campaign was sufficient for outdoor adventure enthusiasts to associate STEALTH with high-end climbing shoe soles by mid-1988. We start with the four August invoices and sales slips for the sale of "5.10 Resole Rubber 'Stealth.'" Although invoices [\*49] cannot demonstrate trademark use, "a party may establish that a shipment in commerce was a bona fide commercial transaction by evidence of subsequent events." *Hydro-Dynamics, Inc. v. George Putnam & Co.*, 811 F.2d 1470, 1474 (Fed. Cir. 1987), as well as with proof that it "received the first order for trademark goods." *Talk to Me Prods., Inc. v. Larami Corp.*, 804 F. Supp. 555, 561 (S.D.N.Y. 1992), *aff'd*, 992 F.2d 469 (2d Cir. 1993).

The August 4 and 5, 1987 invoices indicate that Five Ten sold and shipped sheets of 5.10 resole rubber designated as STEALTH to [\*812] Mekan Custom Boots in Kearns, Utah and to Dave Page Cobbler in Seattle, Washington. A few months later (in February 1988), *Climbing* magazine displayed an ad "Introducing 5.10 STEALTH rubber," the "most advanced climbing boot rubber ever developed," and listing both Mekan and Dave Page Cobbler as "official 5.10 resolvers." This subsequent evidence makes clear that the August 4 and 5 shipments were bona fide commercial transactions involving trademarked goods. In addition, Five Ten provides evidence of an order for its trademarked goods. An August 5, 1987 letter from Steven Handler of Maryland requests "One Stealh [\*50] [sic] (XX) sole"; it is followed in the record by an August 11, 1987 sales slip made out to Steven Handler for "5.10 sole rubber 'Stealth.'"

What followed these August 1987 sales was "active" and "continuous" commercial use. *See Blue Bell*, 508 F.2d at 1265 ("even a single use in trade may sustain trademark rights if followed by continuous commercial utilization."). Between February and August 1988, *Climbing* magazine and *Rock & Ice* published several

advertisements for "5.10 STEALTH Rubber" or "STEALTH Rubber"; an interview with Charles Cole explaining STEALTH rubber's characteristics and advantages for climbers; and a product review discussing STEALTH rubber. n26 "For advertising alone to constitute use it must be 'of sufficient clarity and repetition to create the required identification [and] must have reached a substantial portion of the public that might be expected to purchase the service.'" *Lucent*, 986 F. Supp. at 259 (quoting *T.A.B. Sys. v. Pactel Teletrac*, 77 F.3d 1372, 1377 (Fed. Cir. 1996)), see also *Windows User*, 793 F. Supp. at 109 (advertisements can show use if they are "of a nature and extent such as to create an association of the term with [\*51] the user's goods.") (citations omitted). Five Ten's advertising during 1988 easily meets this standard because (1) it was repetitive; (2) clearly identified STEALTH as a new, high-friction rubber used on Five Ten's climbing shoes soles; and (3) appeared in a number of specialty publications whose subscribers are interested in adventure sports such as rock climbing.

n26 See Cole Aff. Ex. B (Feb. 1988 -- "Introducing 5.10 STEALTH Rubber . . . the most advanced climbing boot rubber ever developed"; "Stick to the rock with Five Ten and get stuck on STEALTH"); Ex. D (March/April 1988 -- lengthy, detailed interview in *Rock & Ice* explaining how Cole started producing STEALTH rubber, its subsequent testing, its characteristics and advantages); Ex. E (March/April 1988 -- "STEP UP TO THE FUTURE WITH STEALTH. Rock shoe re-soles with 5.10's NEW STEALTH RUBBER"); Ex. E (product review of STEALTH rubber soles in June 1988 *Climbing*); and Ex. G (August 1988 -- pictures climbing shoes above the words "STEALTH RUBBER" and encourages the reader to "ask [a top climber] what kind of rubber is really on the bottoms of his boots. Chances are that it will be 5.10 Stealth.").

[\*\*52]

Unlike the advertisements in SF's catalogs, which are confusing because the shoes described as STEALTH show either the SENTRA mark or none at all, Five Ten's ads unambiguously identify its rubber soles under the STEALTH mark. Although the ads do not show a sole with the STEALTH mark on it, one would not expect such a display because the advertised value of STEALTH rubber is not its appearance, but rather its top-secret formula and gripping characteristics. Moreover, the record contains several photographs of Five Ten shoes with the mark STEALTH or STEALTH C4 on the soles.

In contrast, SI cannot produce even a single STEALTH shoe, much less any evidence that one was sold on the market. The earliest possible date SI used STEALTH on athletic shoes is 1990, when Puma appears to have begun selling "PUMA Stealth" shoes under its license agreement with Stealth Industries. But Five Ten's August 1987 sales, along with its 1988 advertisements, establish that Five Ten began using STEALTH two years earlier -- by August 1988 at the latest. This finding means that SI cannot show senior use, and that its § 1125(a) claim based on common-law trademark rights fails as a matter of law.

## II. [\*\*53] The Defendants' Use of STEALTH Does Not Create a Likelihood of Confusion n27

n27 This is an alternative basis for rejecting SF's § 1125(a) common-law trademark infringement claims. It is the ruling disposing of SF's two registered trademark infringement claims brought under § 1114(a) and § 1125(a).

What remains for our determination is whether defendants' trademark use is [\*\*813] likely to cause confusion in light of (a) SI's registered marks or (b) the Stoller companies and their licensees' use of STEALTH on athletic shoes and boots. The likelihood of confusion is a fact question that, "like any fact[,] can be determined at the summary judgment stage if not contestable." *Door Sys., Inc. v. Pro-Line Door Sys., Inc.*, 83 F.3d 169, 173 (7th Cir. 1996). Judgment as a matter of law is proper on this issue "if the evidence is so one-sided that there can be no doubt about how the question should be answered." *Id.* at 171.

Because a trademark is a source identifier, not a property right, "the use of a competitor's [\*\*54] mark that does not cause confusion as to source is permissible." *Knauck Mfg. Co. v. Rally Accessories, Inc.*, 955 F. Supp. 991, 999 (N.D. Ill. 1997) (citing *Libman Co. v. Vining Indus., Inc.*, 69 F.3d 1360, 1362 (7th Cir. 1995)). To prevail in a trademark infringement suit, the plaintiff must demonstrate a likelihood, not the mere possibility, of confusion. *August Storck K.G. v. Nabisco, Inc.*, 59 F.3d 616, 619 (7th Cir. 1995). The likelihood of confusion must be assessed "with reference to the realities of consumer behavior in the relevant market." *Dorr-Oliver, Inc. v. Fluid-Quip, Inc.*, 94 F.3d 376, 381 (7th Cir. 1996). In this Circuit, the analysis proceeds according to a seven factor-test: (1) the marks' similarity in appearance and suggestion; (2) the similarity of the products; (3) the area and manner of concurrent use; (4) the degree of care likely to be exercised by customers; (5) the strength of the plaintiff's mark; (6) actual confusion; and (7) the defendant's intent, if any, to "pass-off" its prod-

uct as someone else's. *Rust Environment & Infrastructure, Inc. v. Teunissen*, 131 F.3d 1210, 1216 (7th Cir. 1997) (citations omitted). No single factor is dispositive, [\*55] and the relative weight afforded each will vary among cases. *Dorr-Oliver*, 94 F.3d at 381.

SI argues that defendants' use of STEALTH is likely to cause source confusion. n28 Before we analyze this, we clarify the relevant issues. The first is the likelihood of confusion in light of SI's registered marks, i.e., STEALTH on sporting goods, including tennis rackets, golf clubs, tennis balls, basketballs, baseballs, soccer balls, golf balls, cross bows, tennis racket strings and shuttle cocks; and bikes, motorcycles, and boats. See *Broderick & Baxcom Rope Co. v. Goodyear Tire & Rubber Co.*, 531 F.2d 1068, 1070 (C.C.P.A. 1976) (description of goods in registration controls for purposes of determining likelihood of confusion). The second is the likelihood of confusion in light of SI's alleged use of STEALTH on athletic shoes, and its licensees' use of STEALTH. See *Restatement (Third) of Unfair Competition* § 33 cmt. b ("If the license authorizes use on goods or services other than those previously marketed by the trademark owner, the licensee's use can also extend the trademark owner's rights into additional product markets."). We analyze these two issues simultaneously, beginning [\*56] with the first factor, the similarity of the marks.

n28 SI also asserts, in a conclusory fashion and without factual support, that defendants' use causes sponsorship confusion and reverse confusion. Neither of these points merits any discussion apart from the likelihood of confusion analysis that follows.

#### A. Similarity of Marks

"A name is confusingly similar to an existing trademark if it is similar in sound, appearance, meaning, and connotation." *S Indus., Inc. v. GMI Holdings, Inc.*, 1998 U.S. Dist. LEXIS 1780, 1998 WL 67627, at \*6 (N.D. Ill. Jan. 30, 1998) (citing *Knaack Mfg. Co. v. Rally Accessories, Inc.*, 955 F. Supp. 991, 1000 (N.D. Ill. 1997)). Both parties use the mark STEALTH, fulfilling sound similarity. As for mark appearance, we have only photocopies of STEALTH shoes (provided to the PTO and Puma) to compare with Five Ten's photographs of its climbing shoes and their soles. SI offers no evidence of how STEALTH appears on the goods in its registrations or on its licensees' goods.

Viewed in isolation, the marks [\*57] do look similar: both print STEALTH in upper-case letters using a similar font. But SI produced only a photocopy that cuts

off the better [\*814] portion of the shoe, making it difficult to difficult to perform a realistic evaluation. Without seeing an actual picture of the entire shoe, we cannot tell, for example, what other marks appear on it (according to Stoller, the shoe would also display SENTRA somewhere).

When observed from a consumer's marketplace vantage point, the similarities diminish. See *Knaack*, 955 F. Supp. at 999 ("The marks must be compared in light of what occurs in the marketplace, not sitting side by side . . .") (citing *James Burrough Ltd. v. Sign of the Beekeeper, Inc.*, 540 F.2d 266, 275 (7th Cir. 1976)). SI's shoes display STEALTH on the shoe upper, while Five Ten's shoes contain the house mark "5.10" or "Five Ten" in various places on the shoe upper — STEALTH never appears there. STEALTH is found only on the sole, which is typically not visible in Five Ten's ads, and generally hidden in a shoe display and when the shoe is on someone's foot.

The marks also have different connotations because they refer to different things. See *Forum Corp. v. The Forum*, [\*58] *Ltd.*, 903 F.2d 434, 441 (7th Cir. 1990) (court must consider "the full range of ways that the parties communicate their marks to the public"). Five Ten's ads consistently portray STEALTH as the mark for the high-friction, strong-gripping rubber on its shoe soles, not its shoes. n29 SI, on the other hand, uses STEALTH haphazardly in a nonspecific manner. The word appears in random places in its catalogs, and the item descriptions do not elaborate on what STEALTH represents or refers to for a particular product.

n29 The only exception is one advertisement for Five Ten's "Stealth Sandal," but even this ad makes clear that STEALTH refers to the trademarked rubber on the sole.

Five Ten's use of a prominent house mark on the shoe upper and its relegation of STEALTH to the sole militates against confusion. See *G. Heileman Brewing Co. v. Anheuser-Busch, Inc.*, 873 F.2d 985, 999 (7th Cir. 1989) (affirming district court's finding that defendant's "use of a prominent brand name" in conjunction with the trademark "dispelled [\*59] any significant likelihood of confusion"). So does the specificity of Five Ten's ads, which make clear that STEALTH is the rubber, not the shoe. Thus, although SI's shoe and Five Ten's soles have the word "Stealth" in common, context dispels the similarity.

#### B. Similarity of the Products and Area and Manner of Concurrent Use

Both of these factors weigh heavily in favor of the defendants. The test for similarity of product is "whether the products are the kind the public attributes to a single source." *Knaack*, 955 F. Supp. at 1000 (quoting *McGraw-Edison Co. v. Walt Disney Productions*, 787 F.2d 1163, 1169 (7th Cir. 1986)). Two important variables are competitiveness and relatedness. *See id.* Goods are related if consumers would use them in conjunction with each other. *GMI*, 1998 WL 67627, at \*7; *Knaack*, 955 F. Supp. at 1000.

All of SI and its licensees' STEALTH-marked goods are noncompetitive with and unrelated to Five Ten's products. This is especially clear from examining the goods in SI's registrations, which are totally unrelated to Five Ten's rubber soles and rock-climbing, hiking, and water terrain shoes. *See S Indus. v. Hobbico, Inc.*, 940 F. Supp. [\*\*60] 210, 212 (N.D. Ill. 1996) (dismissing S Industries' complaint because the sporting goods listed in its registrations are "entirely different goods" than the defendants' fishing tackle floats); *GMI*, 1998 WL 67627, at \*7 (finding S Industries' garage door locks unrelated to defendant's garage door openers). It is beyond dispute that consumers do not, for example, use tennis rackets, golf balls, basketballs, or bicycles in connection with climbing shoes or shoes designed for traversing river beds. Nor would the public believe that Five-Ten's rubber soles and high-end outdoor adventure shoes come from the same source that sells relatively inexpensive team and court sporting goods for activities such as golf, tennis, basketball, or bicycling. Judge Shadur's comments are particularly apropos:

S [Industries'] lawyer continues to ignore the fundamental proposition that the perpetual monopoly that may be assisted (though it is not created) by the granting [\*\*815] of a federal trademark registration does not apply to a name or other mark in a vacuum, but attaches only to the use of the mark on specified goods -- in this instance, not at all the type of goods that have been trademarked [\*\*61] and are being marketed by defendants here.

*Hobbico*, 940 F. Supp. at 212

The same rationale applies to SI and its licensees' unregistered goods, STEALTH team and court athletic shoes and hunting boots. Assuming for the moment that these goods are marketed as STEALTH products, the Stoller company catalogs feature an "athletic shoe," tennis shoes, and an "oxford" described as an "all around shoe," all of which retail in the \$ 50 range. The PUMA

Stealth shoes are high-topped basketball shoes that cost about \$ 90. The Sportsman's Guide license agreement attaches an ad for a cold-weather hunting boot that is advertised for \$ 29.97. n30 None of these products are related to or compete with \$ 140 high-friction rubber-soled shoes designed for gripping mountain precipices or rocky riverbeds. Climbers and fly-fishers do not use tennis shoes, oxfords, or basketball shoes in pursuing their sports, just as basketball players, tennis players, and casual walkers would not purchase Five Ten's shoes for their activities. And the public would not associate the source of shoes designed for flat surfaces, team sports, or casual use with the source of shoes made for navigating vertical or [\*\*62] rocky terrain. *See Knaack*, 955 F. Supp. at 1000 ("Dissimilarity of products on a company-wide basis makes it even less likely that consumers would believe that the two product types come from the same source.").

n30 The shoes marketed by SI's other two licensees, Cabela and Mitsubishi, are not described or pictured in the record. Cabela's license is for STEALTH on undefined "footwear," and Mitsubishi's is for golf shoes, goods totally unrelated to Five Ten's rock-climbing footwear.

In sum, SI's and its licensees' products serve a different purpose, target a different market, and sell at different price points than Five Ten's products. We feel the need to point out that SI does not enjoy a monopoly on STEALTH for all shoes -- only for goods that are competitive with or related to its shoes. *See Clarks of England v. Glen Shoe Co.*, 485 F. Supp. 375, 378 (S.D.N.Y. 1980) (denying preliminary injunction and finding no likelihood of confusion, in part, because "although both Glen and Clarks produce footwear, [\*\*63] their shoes differ substantially. . . . the 'differences in appearance, style, function (and) fashion appeal demonstrate that the 'competitive distance' between [the parties'] shoes is substantial.") (quoting *McGregor-Doniger, Inc. v. Drizzle, Inc.*, 599 F.2d 1126, 1130 (2d Cir. 1979)). Courts have declined to find competitiveness in cases much closer than this one. *See, e.g., Aerogroup Int'l, Inc. v. Marlboro Footworks, Ltd.*, 1996 WL 929597, at \*18 (S.D.N.Y. Oct. 21, 1996) ("although both Aerosoles and the shoes produced by Marlboro compete broadly in the lightweight flexible women's shoes market, their shoes are in a different segments of that market").

Our conclusion that SI and its licensees' and Five Ten's products are dissimilar is underscored by their contrasting channels of trade. Relevant to this determination is "whether there is a relationship in use, promotion, distribution or sales between the goods and services of the

parties." *Forum Corp.*, 903 F.2d at 442. SI's distribution and sales methods are vastly different than Five Ten's. Stoller testified that his companies sell their sporting goods and shoes through catalogs, sales representatives, and at retail [\*64] stores that sell a broad range of products, including Wal-Mart and K-Mart. n31 Stoller Dep. at 14-15. In contrast, Five Ten's climbing, approach and water terrain shoes appear only in boutique outdoor adventure stores, such as REI and Erewhon. There is no evidence that any retailer sells both parties' goods. While LL Bean sells its Aqua Stealth-soled boots through a specialized fly-fishing catalog, this channel of trade does not compare to the Stoller company catalogs, which advertise a wide variety of sporting goods and consumer electronic equipment.

n31 The record contains no evidence on the sales, distribution, or promotional methods of SI's licensees, other than the 1990 Puma footwear catalog and some free-standing ads that do not bear proof of publication.

[\*816] The parties' promotional techniques are likewise distinct. The Stoller companies promote their products through catalogs and sporting goods trade shows (e.g., the National Sporting Goods Trade Association show and the Sporting Goods Manufacturing Association [\*65] show), as well as at licensing exhibitions (e.g., the Licensing Industry Merchandiser's Association show). Five Ten, however, promotes its products in specialty publications and trade shows targeted toward outdoor adventure and climbing enthusiasts (e.g., *Climbing* and *Rock & Ice* magazines and the Outdoor Retailer trade show). Neither party has encountered the other while attending their respective trade shows. And there is no evidence that the parties' ads have ever appeared in the same publication, or that the parties share any customers. In short, SI and Five Ten "have not come in contact with one another in the business world, except in court." *Knaack*, 955 F. Supp. at 1001.

#### C. Degree of Care Exercised by Consumers

"Where consumers are sophisticated, deliberative buyers, confusion is less likely." *Rust Env't & Infrastructure, Inc. v. Teemissen*, 131 F.3d 1210, 1217 (7th Cir. 1997). Both the price and function of Five Ten's products make it clear that potential purchasers are sophisticated and exercise great care in deciding whether to buy the products. Selecting a shoe to wear for climbing treacherous peaks or for submersion in water requires careful examination [\*66] and inquiry about the sole's gripping characteristics and ability to withstand these extraordinary uses -- indeed, climbers' lives literally depend on

the quality of their shoes. And at \$ 140 a pair, customers will not make the purchase lightly.

Furthermore, there is no chance that potential purchasers will inadvertently buy (or even see) Five Ten's shoes and think that they are SI or its licensees', or otherwise be confused about source or affiliation. *See Forum Corp.*, 903 F.2d at 442 (court must consider "potential purchasers of both products") Five Ten's shoes are prominently marked with the Five Ten brand name and sold in specialty stores. Outside these stores, there is little chance that anyone will see the shoes anywhere other than mountainous, remote areas. In light of this, it is difficult to understand how anyone could be confused about the source of Five Ten's shoes or erroneously think that they were produced by companies that sell tennis shoes and team and court sporting goods.

In addition, the Stoller companies' tennis shoes, Puma's basketball shoes, The Sportsman's Guide's hunting boots, Five Ten's climbing and water terrain shoes, and LL Bean's fly-fishing shoes [\*67] all have distinct functions. If a consumer wants to hunt, play basketball, or hit the tennis courts, she will look for shoes adapted to those activities, not accidentally walk into Erewhon and buy a climbing shoe or unwittingly pick up LL Bean's fly fishing catalog and order its Aqua Stealth-soled boot. There is no evidence that any of these shoes, particularly those in Five Ten's product line, are the subject of anything but deliberate, careful purchases. *See Knaack*, 955 F. Supp. at 1001 (a car cover is not "an impulse item which is purchased like an umbrella when it is raining outside"); *GMI*, 1998 WL 67627, at \*8 (consumers "would not purchase a garage door on impulse as he would with less expensive products"). As such, this factor, like the others, weighs in favor of the defendants.

#### D. Strength of the Mark

"The term 'strength' as applied to trademarks refers to the distinctiveness of the mark, or more precisely, its tendency to identify the goods sold under the mark as emanating from a particular . . . source." *Sands, Taylor & Wood*, 978 F.2d at 959 (quoting *McGregor-Doniger, Inc. v. Drizzle, Inc.*, 599 F.2d 1126, 1131 (2d Cir. 1979)). Practically speaking, [\*68] this merits two considerations: (1) the mark's inherent strength, that is, where it falls on the continuum between a generic and an arbitrary term; and (2) public association of the mark with a source. *See Telemet Corp. v. Tel-Med, Inc.*, 588 F.2d 213, 219 (7th Cir. 1978) (mark strength depends on whether "the public has already been educated to accept it as the hallmark of a particular source"; whether [\*817] the mark is "distinctive in itself"; and whether it has been the subject of "wide and intensive advertisement") (internal quotations and citations omitted); *Knaack*, 955 F. Supp. at 1001-03 (analyzing inherent strength and public

identification with a source in determining mark strength). "Only strong marks are entitled to protection against infringement by non-competing goods." *GMI*, 1998 WL 67627, at \*8 (internal quotations and citations omitted).

Inherent strength is determined according to a mark's categorization as (1) generic; (2) descriptive; (3) suggestive; or (4) arbitrary or fanciful. *Telemed*, 588 F.2d at 216. The word STEALTH, as used by SI, is arbitrary. STEALTH does not serve as a proxy for Stoller companies or their licensees' goods, does not describe their [\*69] goods, and is not suggestive of their goods' characteristics. *Cf. G Heileman Brewing Co.*, 873 F.2d at 998 (beer manufacturer's use of "LA" is merely descriptive because it described the beer's "low alcohol" content). Indeed, the Stoller companies use STEALTH on all manner of unrelated products.

Any strength that STEALTH derives from its arbitrariness, however, is obliterated by the utter absence of evidence that the public associates this mark with any particular source, much less a good sold by SI or one of its licensees. SI has not provided any affidavits, testimony, or consumer survey evidence, for example, showing that consumers identify STEALTH with its products. *See Knaack*, 955 F. Supp. at 1003 ("Knaack's failure to produce any survey evidence or direct testimony from the relevant consumer group undermines its own ability to prove the strength of its mark in its own market."). Even crediting Stoller's claim that his company has been selling STEALTH products since 1981 does not aid SI because it fails to show that the public accepts STEALTH as "the hallmark of a particular source." *Telemed*, 588 F.2d at 219; *see Knaack*, 955 F. Supp. at 1001 ("The fact that Knaack [\*70] has sold products under the WEATHER GUARD trademark for twenty-five years does not answer the question of whether the name resonates in the consumers' consciousness."). We agree with Judge Kocoras that "[S Industries] has not provided any evidence that consumers associate the 'Stealth' name with one source when they see 'Stealth' products." *S Indus., Inc. v. GMI Holdings, Inc.*, 1998 U.S. Dist. LEXIS 1780, 1998 WL 67627, at \*8 (N.D. Ill. Jan. 30, 1998).

The failure of proof on public identification is not surprising given the dearth of evidence that SI or its licensees actually use STEALTH. We have Stoller company catalogs from the 1980's but nothing since then. We have a 1990 Puma footwear catalog and evidence of de minimus sales (\$ 3235.34 paid as a royalty to Stealth Industries) in the same year. We have several license agreements executed in the 1990s permitting use of STEALTH on sporting goods, and three for use of the mark on footwear, but no evidence (except for the de minimus Puma sales in 1990) that the agreements were

ever implemented or produced any revenue. *See GMI*, 1998 WL 67627, at \*8 (finding STEALTH mark not strong due to small number of product sales); *S Indus., Inc. v. Centra 2000*, [\*71] *Inc.*, 1998 U.S. Dist. LEXIS 4682, 1988 WL 158067, at \*5 (N.D. Ill. Mar. 31, 1998) (finding SENTRA mark "relatively weak" because SI showed little evidence of its own use and no evidence that license agreement to use the mark ever generated revenue). Given the apparent lack of use and public identification, we find that STEALTH is a weak mark.

SI's arguments to the contrary border on the frivolous. SI points to language in a district court opinion stating that SI's use of STEALTH has "created a distinctive designation of the origin of products on which it has been place [sic] and is widely recognized by the public." n32 But the court took this language from an earlier opinion on a motion to dismiss, which accepted the plaintiffs' allegations as true. SI's attempt to paint its own allegations as the factual finding of a court is nothing short of dishonest. Next, SI harps on the fact that the PTO has deemed its two registrations at issue in this case "incontestable." This is an equally misleading tactic because incontestability is insignificant in the mark strength calculation. *See* [\*818] *Knaack*, 955 F. Supp. at 1002 (plaintiff's incontestable registrations "create no presumption of strength in its mark nor do[] [\*72] [they] broaden the scope of the mark's protection."). SI has tried this tactic before, without success. *See Hobbitco*, 940 F. Supp. at 212 (finding SI's allegations of incontestability "really misleading because such incontestability has no significance at all under the circumstances.").

n32 *S Indus., Inc. v. World of Weapons*, 1997 U.S. Dist. LEXIS 643, 1997 WL 17796 (N.D. Ill. Jan. 15, 1997).

We also note that SI's success last year in persuading the PTO to cancel three third-party registrations for the STEALTH mark is irrelevant because the cancellations do not alter public perception. If anything, the fact that third parties had registrations for the STEALTH mark weakens it as a source identifier. *See Knaack*, 955 F. Supp. at 1003 (third-party use of mark demonstrates "lack of distinctiveness and strength") (citing cases). Likewise with SI's indiscriminate licensing program, which, assuming the agreements are in force, puts the STEALTH mark on all manner of goods without consistency and associates the mark with a vast number [\*73] of brand names -- diluting rather than building a source affiliation.

#### E. Actual Confusion



SI's evidence of actual confusion is almost nonexistent. It consists solely of self-serving hearsay testimony in Stoller's declaration and the perennially confused Nicholas Bianchi's affidavit. Stoller claims in his declaration that he has "experienced confused customers" at trade shows "who do not and cannot distinguish between" the parties' products. He also insists that he received one phone call from an unnamed person on an unspecified date complaining about the quality of Five Ten's shoes. The first statement is hearsay and therefore we ignore it. The second, though technically within the state-of-mind hearsay exception, is equally unreliable. See *Smith Fiberglass Prods., Inc. v. Ameron, Inc.*, 7 F.3d 1327, 1331 (7th Cir. 1993) (refusing to consider plaintiff's employee's "vague hearsay account" that a customer asked whether the plaintiff made one of the defendant's products because it would "craft[] a new hearsay exception to the Federal Rules of Evidence for paraphrases of state of mind declarations by unknown declarants"). Even if the phone call were reliable evidence, it [\*\*74] is de minimus evidence of confusion that we need not consider. *Forum Corp.*, 905 F.2d at 443 ("Of course, as appellee points out, de minimus evidence of confusion may be discounted.").

Nicholas Bianchi's affidavit is just as ineffectual. He states that he called defendant REI in 1996 and "was informed that REI was selling a STEALTH athletic shoe with a rubber sole." He then claims to have called Stoller and asked whether SI was the supplier. Besides the fact that Bianchi never saw the shoes at REI and the REI representative never identified them as Five Ten's products, Bianchi's testimony is inherently unreliable and insufficient as a matter of law to support confusion. Bianchi's name has surfaced in several SI cases as a consumer who was "confused" about whether SI was the source of various products, including bug zappers, garage door openers, and radios. See Affidavit of Joseph Krieger (attaching Stoller Deposition excerpts from *S Indus. v. Ecolab, Inc.* and *S Indus. v. JL Audio, Inc. et al.*; and the court's opinion in *S Indus. v. GMI Holdings, Inc.*). We could not agree more with defendants' observation that "no matter what the product at issue, Mr. Bianchi is [\*\*75] allegedly confused." Even if we credited Bianchi's statements, they constitute inadequate, de minimus evidence of confusion. See *Door Sys.*, 83 F.3d at 173 ("The plaintiff's evidence that two consumers (out of how many thousands?) may have been misled cannot by itself be thought to create a contestable issue of likelihood of confusion . . .").

We also conclude that the parties' alleged concurrent use of STEALTH since 1988 without any instances of actual confusion weighs heavily against finding any likelihood of confusion. *Aktiebolaget Electrolux v. Armatron Int'l. Inc.*, 999 F.2d 1, 4 (1st Cir. 1993) ("An ab-

sence of actual confusion, or a negligible amount of it, between the two products after a long period of coexistence on the market is highly probative in showing that little likelihood of confusion exists."); *Falcon Rice Mill, Inc. v. Community Rice [\*\*819] Mill, Inc.*, 725 F.2d 336, 347 n.13 (5th Cir. 1984) ("Concurrent use of two marks over a substantial length of time without actual confusion strongly suggests that there is no likelihood of confusion.").

#### F. Intent to Palm Off

Finally, we reach the last factor, intent to palm off, which is defined as "trying to get [\*\*76] sales from a competitor by making consumers think that they are dealing with that competitor, when actually they are buying from the passer off." *G. Heileman Brewing*, 873 F.2d at 1000. There is no evidence that Five Ten intended to "palm off" its products as those of SI or its licensees. Any suggestion to the contrary is plainly frivolous.

Our application of the seven-factor test for the likelihood of confusion thus reveals that every single one weighs in the defendants' favor. Not one factor presents even a close call. This is clearly a case in which "the evidence is so one-sided that there can be no doubt about how the question should be answered." *Door Sys.*, 83 F.3d at 171. Therefore, summary judgment on SI's Lanham Act claims -- all of which require a likelihood of confusion -- is appropriate. n33

n33 SI raises several spurious arguments for the first time in its reply brief. Apart from the fact that these arguments are so lacking in merit that they deserve no mention, SI's failure to raise them until its reply constitutes a waiver. See *Strehl v. Case Corp.*, 1997 U.S. Dist. LEXIS 17681, 1997 WL 695729, at \*2 (N.D. Ill. Nov. 4, 1997) ("A litigant who fails to raise an argument until his reply brief will be deemed to have waived that argument.") (quoting *Highsmith v. Chrysler Credit Corp.*, 18 F.3d 434, 439 (7th Cir.1994)).

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#### III. SI's State-law Claims Fail Because They Track the Federal Claims

SI's Illinois Consumer Fraud and Deceptive Trade Practices Act and Illinois Uniform Deceptive Trade Practices Act claims are resolved in the same manner as Lanham Act claims. *D 56, Inc. v. Berry's Inc.*, 955 F. Supp. 908, 920 (N.D. Ill. 1997). To prevail on them, SI must show that it has a protectable mark and that defendants' use of that mark is likely to cause confusion. *Thompson v. Spring-Green Lawn Care Corp.*, 126 Ill.

*App. 3d 99, 104, 466 N.E.2d 1004, 1010, 81 Ill. Dec. 202 (1st Dist. 1984).* For the reasons above, we grant defendants summary judgment on these claims as well.

#### IV. Defendants are Entitled to Attorneys' Fees and Defense Costs

Both the Lanham Act and the Illinois Consumer Fraud and Deceptive Business Practices Act ("Consumer Act") permit the court to award attorneys' fees to "prevailing parties." See 15 U.S.C. § 1117(a); 815 ILCS 505/10a(c). The Lanham Act adds that the case must be "exceptional," while Illinois courts and the Seventh Circuit have interpreted the Consumer Act to allow fees if "special circumstances" exist. See *Door Sys., Inc. v. Pro-Line Door Sys.*, 126 F.3d 1028, 1030-32 (7th Cir. 1997) (discussing Illinois law). The Seventh Circuit recently elaborated on what a prevailing defendant must show to obtain fees under both statutes: that the plaintiff's suit was "oppressive." See *id.* at 1031-32.

By way of example, the *Door Systems* court explained that "a suit can be oppressive because of lack of merit and cost of defending even though the plaintiff honestly though mistakenly believes that he has a good case and is not trying merely to extract a settlement based on the suit's nuisance value." *Id.* at 1032 (citations omitted). The court warned that the standard is not bad faith, but rather "malicious, fraudulent, deliberate, or willful" conduct. *Id.* at 1031 (internal quotations and citations omitted).

This suit clearly rises to that level, if not above it. In support of its claims, SI offered highly questionable (and perhaps fabricated) documents; testimony from its principal that was inconsistent, uncorroborated, and in some cases, demonstrably false; affidavits from career SI witnesses; and otherwise utterly inadequate evidence. The shocking fact remains that SI has no proof that the Stoller companies ever [\*879] made or sold a STEALTH shoe -- the very subject of the alleged infringement.

SI also tried repeatedly to misdirect the court by focusing on federal registrations for [\*820] goods or marks not at issue in this case, irrelevant PTO proceedings, and license agreements to use STEALTH on goods totally unrelated to the defendants' products. It is as if SI thought that the sheer paper weight of its submissions would magically mutate into probative proof. To respond to this paper storm of dubious evidence, defendants had to conduct a broad and, no doubt, expensive investigation. In addition, SI tried to inject bogus fact issues (despite having moved for summary judgment), misstated the evidence, and made frivolous legal arguments. This Court can think of few suits more oppressive, or few

cases more exceptional, than this. As such, we award the defendants attorneys' fees and defense costs under both the Lanham Act and the Illinois Consumer Fraud and Deceptive Business Practices Act.

#### CONCLUSION

It is our hope that this opinion curbs Stoller and his attorney's desire to continue their vexations litigation trek. SI's pattern of receiving four adverse judgments that point out the questionable nature [\*880] of its evidence and triggering two orders to pay attorneys' fees, see *S Indus., Inc. v. Diamond Multimedia Sys., Inc.*, 991 F. Supp. 1012, 1023-24 (N.D. Ill. 1998), in the last six months leads us reluctantly to conclude that sanctions beyond awarding the defendants their attorneys' fees might be in order here.

For the foregoing reasons, we grant the defendants' motion for summary judgment in its entirety, and deny the plaintiffs' motion for summary judgment. Defendants are ordered to submit a petition for attorneys' fees and a bill of costs by July 29, 1998. The Clerk of Court is directed to enter judgment for the defendants and against the plaintiffs under *Fed. R. Civ. P.* 58. The Court will retain post-judgment jurisdiction to resolve the issues of appropriate attorneys' fees and costs.

ENTER:

Ruben Castillo

United States District Judge

June 23, 1998

#### JUDGMENT IN A CIVIL CASE

Decision by Court. This action came to trial or hearing before the Court. The issues have been tried or heard and a decision has been rendered.

IT IS HEREBY ORDERED AND ADJUDGED that Judgment is entered in favor of the defendants, Stone Age Equipment, Inc., d/b/a Five Ten, d/b/a 5.10; [\*881] Recreational Equipment, Inc., d/b/a REI; and Erewhon Mountain Outfitters, Inc. and against the plaintiff, S Industries, Inc.

This cause of action is dismissed in its entirety. There being no just reason for delay, this is a final and appealable order.

This court will retain jurisdiction to resolve the issue of attorneys' fees and costs.

Date: 6/23/1998

**Exhibit**

**R-6**

**S INDUSTRIES, INC., Plaintiff, v. ECOLAB INC., Defendant. ECOLAB INC.,  
Counter-Plaintiff, v. S INDUSTRIES INC., et al., Counter-Defendants.**

**No. 96 C 4140**

**UNITED STATES DISTRICT COURT FOR THE NORTHERN DISTRICT OF  
ILLINOIS, EASTERN DIVISION**

*1999 U.S. Dist. LEXIS 3484*

**March 12, 1999, Decided  
March 16, 1999, Docketed**

**DISPOSITION:** [\*1] Ecolab's motion for summary judgment granted and SI's cross-motion for summary judgment denied.

**COUNSEL:** For S INDUSTRIES, INC., plaintiff Douglas Kent Morrison, Morrison & Mix, Chicago, IL.

For S INDUSTRIES, INC., plaintiff John C. Valas, Attorney at Law, Chicago, IL.

For ECOLAB INC, defendant: Michael R. Levinson, Christopher Eric Paetsch, Seyfarth, Shaw, Fairweather & Geraldson, Chicago, IL.

For ECOLAB INC, defendant: D Randall King, Merchant, Gould, Smith, Edell, Welter & Schmidt, P.A., Minneapolis, MN.

For ECOLAB INC, defendant: Janice Levy Block, Microsoft Corporation, Chicago, IL.

For ECOLAB INC, counter-claimant: Michael R. Levinson, Seyfarth, Shaw, Fairweather & Geraldson, Chicago, IL.

For ECOLAB INC, counter-claimant: D Randall King, Merchant, Gould, Smith, Edell, Welter & Schmidt, P.A., Minneapolis, MN.

For ECOLAB INC, counter-claimant: Janice Levy Block, Microsoft Corporation, Chicago, IL.

For S INDUSTRIES, INC., counter-defendant: Douglas Kent Morrison, Morrison & Mix, Chicago, IL.

For S INDUSTRIES, INC., counter-defendant: John C. Valas, Attorney at Law, Chicago, IL.

**JUDGES:** JOAN B. GOTTSCHALL, United States District Judge.

**OPINIONBY:** JOAN [\*2] B. GOTTSCHALL

**OPINION:**

**MEMORANDUM OPINION AND ORDER**

Plaintiff S Industries (SI) is no stranger to the Northern District of Illinois. It filed at least 33 trademark infringement lawsuits in this Court from 1995 to 1997, all involving the mark STEALTH. In the past year alone, judges in this district have granted summary judgment against SI in five different cases. *See S Indus., Inc. v. JL Audio, Inc.*, 29 F. Supp. 2d 878 (N.D. Ill. 1995) (Coar, J.); *S Indus., Inc. v. Stone Age Equip., Inc.*, 12 F. Supp. 2d 796 (N.D. Ill. 1998) (Castillo, J.); *S Indus., Inc. v. Centra 2000, Inc.*, 1998 U.S. Dist. LEXIS 4682, 96 C 3524, 1998 WL 157067 (N.D. Ill. March 31, 1998) (Lindberg, J.); *S Indus., Inc. v. GMI Holdings, Inc.*, 1998 U.S. Dist. LEXIS 1780, 96 C 2232, 1998 WL 67627 (N.D. Ill. Jan. 30, 1998) (Kocoras, J.); *S Indus., Inc. v. Diamond Multimedia Sys., Inc.*, 991 F. Supp. 1012 (N.D. Ill. 1998) (Andersen, J.). Now before the court are cross-motions for summary judgment arising from SI's allegations that yet one more company's use of the word STEALTH infringes its trademark. For the reasons set forth below, the court grants summary judgment against SI.

**I. BACKGROUND**

Leo Stoller is the sole shareholder and sole [\*3] employee of SI as well as of a number of other entities, including Stealth Industries, Stealth Brand Products, and Sentra Sporting Goods. Through these businesses, Stoller owns or is the assignee or exclusive licensee of seven

federal registrations for the trademark STEALTH for the following items: sporting goods; bicycles, motorcycles, and boats; microwave-absorbing automobile paint; billiard and darts equipment; metal alloys for use in sporting goods; auto locks, and window locks; comic books; and lawn sprinklers. SI also claims to have been using STEALTH in connection with its sale of pest elimination devices and services since the mid-1980s.

Ecolab, the defendant in this action, has been using the mark STEALTH on pest elimination devices and services since 1993. That year Ecolab filed an application to register the mark STEALTH FLY SYSTEMS in connection with its flying insect electronic/light traps, and later it also filed an application to register STEALTH in connection with its pest elimination services. After both of Ecolab's registration applications were published for third-party opposition, SI opposed them and filed applications to register STEALTH for use in connection [\*4] with its own pest elimination products and services. SI also filed this lawsuit, seeking both injunctive and monetary relief, and the Patent and Trademark Office suspended the trademark registration proceedings pending the outcome of this action.

SI has called to the court's attention the following evidence that it has used the mark STEALTH in connection with its provision of pest elimination products: one invoice dated October 8, 1986, for the sale of 42 bug zappers -- 18 are described as STEALTH bug killers and 24 as STEALTH SENTRA bug killers -- to one retailer; one invoice dated January 11, 1987, for the sale of two STEALTH bug zappers to another retailer; three invoices dated January 10, 1992, for the sale of one STEALTH 2001 bug killer each to three other retailers; an undated ledger sheet, handwritten by Stoller, which he claims is a chart of his total sales of "STEALTH Bug Killers" from 1991 through 1995; seventy-eight letters dated October 10, 1992 addressed to "Hardware Dept." or "Buyer, Hardware" at various stores and corporate offices "quoting . . . Stealth's 1992 line of electronic insect control products"; three invoices dated February 11, 1994, for the sale of one STEALTH [\*5] 2001 ADVANCED bug killer each to "Buyer, Hardware" at three different locations; sixty-nine letters dated January 20, 1997 addressed to "Buyer, Hardware" or "Coordinator" which claimed to "present . . . Stealth's 1997 line of bug killers;" one "advertisement" dated 1995, promoting plaintiff's line of 14 different bug killers, two of which are named STEALTH; and three representative samples of the pest elimination devices imported by SI from Asia. According to Stoller's deposition testimony, SI markets its "bug zappers," which range in price from \$ 9.95 to \$ 99, to three types of customers: "mass merchandisers," individuals, and "people who are in the pest elimination service business." He also stated that he charges \$ 100 to

spray "bug-killing juice" in people's homes, although he admitted that he does not have a license to engage in such activity, and he has no record of any customers for his extermination services.

Ecolab claims that its products and services are so different from those offered by SI that its use of the word "Stealth" is not likely to confuse customers and thus is not infringing. In particular, the "Ecolab Stealth Maxima" and "Ecolab Stealth Decora" flying insect [\*6] traps are intended to provide insect control in areas where traditional "bug zappers" that electrocute insects upon impact are illegal or impractical. According to Ecolab, conventional "bug zappers" tend to disburse dead insect particles into the air, so they cannot be used in areas like restaurant kitchens, and their noisiness and identifiable nature make them undesirable in heavily trafficked areas like hotel lobbies. Ecolab's traps, by contrast, operate by silently emitting a soft ultra-violet light that attracts insects into and captures them in the base of the trap. Designed to be unobtrusive, they are available in many different shapes and colors to blend into the surrounding decor. Ecolab offers its products as part of a comprehensive pest elimination services package.

Ecolab's products are not offered for retail sale and are available only for lease. Typically the company offers lease contracts for at least one year, charging a monthly fee for "on-site" service visits and reassessment of the premises of \$ 25 per trap during the six to eight month fly season. Over ninety percent of the sales of Ecolab's pest elimination division is from these contractual relationships, the [\*7] average length of which is 7.7 years. Ecolab concentrates solely on the commercial and institutional (as opposed to residential) markets -- its typical clients being institutions with large-scale sanitation concerns, such as hospitals and schools, restaurants, hotels, and industrial plants -- due to the customized nature of its products and services as well as the long-term costs inherent in its large-scale pest control approach. Ecolab has not offered its products or services to retailers, individuals, or service providers in the pest elimination industry. In fiscal year 1996, the year that this lawsuit was filed, it appears that Ecolab's pest elimination division generated approximately \$ 99.6 million in net sales of STEALTH products and services.

## II. DISCUSSION

### A. Trademark Infringement

SI first alleges that Ecolab's use of STEALTH infringes its registered trademarks. While SI did not register STEALTH in connection with pest elimination products or services of any kind, "modern trademark law prohibits use of a senior user's mark not only on products that are in direct competition with those of the senior

user but also on products that are considered to [\*8] be 'closely related' to the senior user's." *Sands, Taylor & Wood Co. v. Quaker Oats Co.*, 978 F.2d 947, 938 (7th Cir. 1992). The Seventh Circuit has defined a "closely related product" as one "which would reasonably be thought by the buying public to come from the same source, or thought to be affiliated with, connected with, or sponsored by, the trademark owner." *Id.* (citations omitted); see also *International Kennel Club of Chicago, Inc. v. Mighty Star, Inc.*, 846 F.2d 1079, 1089-1090 (7th Cir. 1988) (finding the INTERNATIONAL KENNEL CLUB mark for toy dogs likely to be confused with International Kennel Club of Chicago's use of the mark for sponsoring dog shows); *James Burrough Ltd. v. Sign of the Beekeeper, Inc.*, 540 F.2d 266, 273 (7th Cir. 1976) (finding that SIGN OF THE BEEFEATER restaurants are likely to be confused with BEEFEATER mark for gin). By preventing the use of a confusingly similar mark on closely related goods, the law enables a senior user to enter markets in which it does not now trade but into which it might reasonably be expected to expand in the future. See *Sands*, 978 F.2d at 958.

SI has registered STEALTH in connection with sporting goods, [\*9] bicycles, motorcycles, boats, automobile paint, billiard and darts equipment, metal alloys, comic books, and lawn sprinklers -- none of which are even slightly related to the pest elimination business. SI claims that its use of STEALTH for its pest control devices and services is protected anyway because they are a part of the same "hardware industry and market" as the products for which he has registered STEALTH, but the court finds this argument unpersuasive. "Hardware" is an extremely broad label, and even though a number of the products for which SI has registered STEALTH might be sold at a hardware store, these products are so different from pest control devices that a consumer could not expect them to come from the same source, just as dishwasher liquid and raw beef are not closely related simply because grocery stores sell both. Ecolab's use of STEALTH does not infringe SI's registered trademarks.

#### ***B. Unfair Competition and False Designation of Origin***

SI also claims that Ecolab's use of STEALTH constitutes false designation of origin and unfair competition in violation of § 43 of the Lanham Act, 15 U.S.C. § 1125. In order to prevail on these claims, SI must prove [\*10] that: (1) it owns the rights to use STEALTH in connection with pest control devices and services; and (2) Ecolab's use of STEALTH to identify its own products and services creates a likelihood of customer confusion. See *Rust Env't & Infrastructure v. Teunissen*, 131 F.3d 1210, 1214 (7th Cir. 1997).

Instead of registering a trademark, a party may establish its rights to a mark by showing its "use in commerce" of the mark. The Lanham Act provides that "'use in commerce' means the bona fide use of a mark in the ordinary course of trade, and not made merely to reserve a right in a mark." 15 U.S.C. § 1127. Commercial utilization must be both bona fide and continuous, not just "de minimis sales, a few shipments, or pre-marketing tactics that attempt to 'reserve' the mark." *Stone Age Equip., 12 F. Supp. 2d at 805*. While the amount of activity sufficient to constitute "use" can vary, "the guiding principle is that the activity [must] be 'sufficiently public to identify or distinguish the marked goods in an appropriate segment of the public mind as those of the adopter of the mark.'" *Id.* at 805 (quoting *Blue Bell, Inc. v. Farah Manuf. Co.*, 508 F.2d 1260, 1266 (5th Cir. 1975)). [\*11] This enables consumers "to associate a mark with particular goods and notifies other firms that the mark is so associated," so that others will know "not [to] invest resources to develop a mark similar to one already used in the trade." *Zazu Designs v. L'Oreal*, 979 F.2d 499, 503 (7th Cir. 1992) (finding "[a] few bottles sold over the counter in Hinsdale, and a few more mailed to friends in Texas and Florida" insufficient as a matter of law to constitute use because they "neither link the [plaintiff's] mark with [its] product in the minds of customers nor put other producers on notice").

SI has the burden of proving that its sales and marketing activity using STEALTH was sufficient to constitute "use" under the Lanham Act, thereby establishing SI's national trademark rights before Ecolab began its use. See *Rust Env't*, 131 F.3d at 1214. For purposes of Ecolab's summary judgment motion, of course, we look at the evidence in the light most favorable to SI and assume that SI made the sales for which it provided admissible proof, although -- as we discuss below -- the evasive and inconclusive nature of Stoller's deposition testimony gives us great doubt as to the veracity [\*12] of his documentation.

Stoller's earliest invoice dates back to 1986, reporting the sale of 42 items whose description includes the word STEALTH. Eighteen of the bug killers were priced at \$ 22 each, for a total of \$ 396, and 24 of the bug killers were priced at \$ 15 each, for a total of \$ 360. So SI's total sales in 1986 amounted to \$ 756. Stoller's next invoice is from 1987, recording the shipment of two units at \$ 14 each, for a total of \$ 28. There is no further documentary evidence of pest control device sales until 1992, for which SI has three invoices, each for the sale of one bug killer for \$ 14.95 to three different hardware stores, for a total of \$ 44.85. In sum, SI made 47 documented sales of STEALTH bug zappers prior to 1993 n1, for a total of \$ 828.85. n2

n1 The court need only consider SI's evidence of its use of STEALTH prior to 1993, when Ecolab began using the mark and filed its application for registration, since SI has no evidence to dispute Ecolab's asserted date of first use. *See Stone Age Equip., 12 F. Supp. 2d at 811* (finding SI's evidence of use after 1988 irrelevant since the defendant began using STEALTH in 1988).

[\*13]

n2 Stoller claims that he does not have more documents in his possession accounting for his customers' purchase of bug zappers because he had a dispute with his family that caused him to leave his family's business and he was not given the option of taking his documents with him. *See 9/24/97 Dep. Tr. of Leo D. Stoller at 153-54*. This cannot excuse the lack of documentation. Stoller has the burden of producing evidence in support of his claims. Also, Stoller testified that he broke off from his family's business and started on his own in 1990, yet oddly he has more invoices for his 1980s sales than he does for his 1990s sales.

SI also submitted an undated handwritten chart, which Stoller says he made in 1995, purporting to show SI's total dollar sales of STEALTH bug zappers from 1991 to 1995. The chart does not indicate which models were sold, how many units were sold, to whom they were sold, or at what price. Stoller was unable to explain where he got the figures for each year, what underlying data he relied on, or where that data might be now. His explanation was simply that he "had the [\*14] total figures" for each year down on separate pieces of paper, and then put those numbers down on the chart when he made it in 1995. *See Stoller Dep. at 298-307*. When asked whether he relied on cash receipts, invoices, checks, or purchase orders to compile those figures, he said, "I don't know if I maintained those." *Id.* at 302. He said that if he did have any cash receipts, "I probably disposed of them, I guess." *Id.* at 304. Stoller testified that during the years in question he had no "normal business practice" with regard to business records because he was so busy litigating his trademark infringement suits. *Id.*

This chart is not admissible evidence. It is hearsay -- an out of court statement offered for its truth -- and does not fall within any hearsay exception. The only possibly relevant exception is the one for ordinary business records, *see F.R.E. 803(6)*, but Stoller's testimony that he did not keep such records makes the exception inapplicable. And because "the source of information or the method or circumstances of [its] preparation indicate

lack of trustworthiness," *id.*, the court declines to consider the chart here. *See JL Audio, 29 F. Supp. [\*15] 2d at 886, n.9* (finding a remarkably similar "Sales Report" handwritten by Stoller to be inadmissible hearsay).

Even beyond discrediting his own chart, Stoller's deposition testimony is a great obstacle to SI in meeting its burden of proving active and continuous "use" of STEALTH in connection with pest elimination products. When asked "Do you know how many bug zappers you have ever sold?" Stoller's reply was "I don't know." *Id.* at 148. The attorney deposing Stoller continued to ask him questions to "test the bounds" of his memory. She asked whether he had, in his lifetime, sold more than five bug zappers, to which he replied "yes, I can say that." *Id.* When asked whether he had sold more than ten bug zappers, he replied "Yes, I think I've sold more than ten." *Id.*, an incredible answer given that he has invoices for 50 sales and his chart purports to account for more than that. As she raised the number by increments of five -- 15, 20, 25 -- Stoller's answers became less confident; his only response to each was "Probably, yes." *Id.* When asked whether he had sold more than 5,000 of them, he said "I don't know if I've sold more, I may have sold more but I'm not sure." [\*16] *Id.* at 149. Immediately thereafter, in response to the question "Have you sold more than a hundred bug zappers?" he said "Yes." *Id.* Later, when asked how many sales of bug zappers he has made in the 1990s, Stoller replied, "I don't know . . . I don't recall the exact amount." *Id.* at 167. He refused to give the attorney an estimate, saying "I can't and I'm not going to speculate." *Id.* When pressed as to whether or not it was more than 50 bug zappers, he said "I believe I've sold more than 50, okay? Right." *Id.*

As a result, Stoller's deposition testimony about SI's sales is "not significantly probative" with respect to SI's prior use. *Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 249-50, 91 L. Ed. 2d 202, 106 S. Ct. 2505 (1986)*, raising at most "some metaphysical doubt as to the material facts." *Matsushita Elec. Indus. v. Zenith Radio Corp., 475 U.S. 574, 586, 89 L. Ed. 2d 538, 106 S. Ct. 1348 (1986)*; *see also Unterreiner v. Volkswagen of America, Inc., 8 F.3d 1206, 1211-12 (7th Cir. 1993)* ("it would not be an abuse of discretion if a district court deemed a person to be an unworthy witness because he previously manifested an insufficient recollection [\*17] of events"). The confusing, evasive, and ultimately inconclusive nature of Stoller's deposition testimony suggests that Stoller lacks the knowledge necessary to testify regarding SI's sales of bug zappers. Stoller repeatedly indicated that he had no idea how many bug zapper sales SI had made, and his testimony shows even that he was ignorant of the "hard" evidence he offered -- the invoices and the chart. For this reason, no reasonable jury could find Stoller's deposition testimony to make SI's sales any more or less

probable than they would be otherwise; it is therefore stricken as irrelevant and thus inadmissible. *See F.R.E. 401.*

The invoices are therefore the only admissible evidence of SI's bug zapper sales under the STEALTH mark. This evidence is insufficient to establish "use in commerce" under the Lanham Act. Even before the Trademark Act was amended in 1988 to require a higher degree of activity to establish and maintain rights in a trademark, the Second Circuit found eighty-nine sales of perfume over a twenty-year period to be "a meager trickle of business," and to constitute only a "token sales program" that was "by its very nature inconsistent with a present plan of [\*18] commercial exploitation." *La Societe Anonyme des Parfums Le Galion v. Jean Patou, Inc.*, 495 F.2d 1265, 1272-73 (2d Cir. 1974) (noting courts' "reluctance to consider usage sufficient when it is obviously contrived solely for trademark maintenance purposes"). SI has admissible evidence only of de minimis sales (47 bug zappers for a total of \$ 828.85), 89% of which took place in 1986, ten years before this lawsuit was filed. After the sale of two additional bug zappers in 1987, there is no evidence of any sales activity until five years later, when SI sold only three more. This does not support SI's assertion that it has continuously engaged in *bona fide* use of the STEALTH mark since the mid-1980s in an effort to sell pest elimination devices. Rather, the minimal number and sporadic pattern of SI's sales demonstrate a concerted effort only to establish rights in the STEALTH mark for future licensing opportunities.

This conclusion is buttressed by other evidence: one of SI's exhibits in particular -- a 1985 internal strategy memoranda written by Stoller and entitled "1985-86 National Brand awareness marketing plan"-- suggests that SI was primarily engaged in a trademark maintenance [\*19] program and that SI's pest control device marketing and sales efforts were intended merely to reserve rights in the mark for later exploitation. The memo states: "It is the company's main marketing plan to build all of its [sic] trademarks . . . as national brands in all categories of merchandise," so that "we will eventually be able to start licensing the companies [sic] trademarks," and continues: "As the company grows, it is our goal to become one of the largest trademark licensing companies in the world." Pl. Ex. C25. In addition, during his deposition Stoller repeatedly referred to his extensive trademark litigation activity as the justification for the minimal and infrequent nature of SI's commercial activity with respect to pest control products. *See, e.g.* Stoller Dep. at 62 ("I just now have been engaged in licensing the intellectual properties, and in a great deal of policing efforts on behalf of my company, and I am in this deposition and I'm in other depositions, and unfortunately

because of the policing efforts I have to engage in, and I'm a sole proprietor, doesn't give me the luxury of time to sell as much as I would like"); *id.* at 134 ("I've been engaged [\*20] in a tremendous amount of litigation and I've not been able to -- to exert, have the time or energy to spend on the products or services end of my business"). As the Second Circuit noted, however, such activity does not exempt a producer from having to show use in commerce: "A trademark maintenance program obviously cannot in itself justify a minimal sales effort, or the requirement of good faith commercial use would be read out of trademark law altogether." *La Societe*, 495 F.2d at 1273, n.10.

With such scant evidence of actual sales, Stoller's seventy-eight promotional letters -- dated October 10, 1992, and addressed to "Hardware Dept." or "Buyer, Hardware" at various stores and corporate offices "quoting . . . Stealth's 1992 line of electronic insect control products" -- do not get SI over the "use in commerce" hurdle. Evidence that Stoller sent letters introducing his STEALTH line of bug zappers to a tiny fraction of the country's countless hardware retailers does not prove that the consuming public came to associate the STEALTH mark with SI's pest elimination goods prior to Ecolab's entry into the market, nor that rival producers of pest control devices were put on notice [\*21] of SI's use. Also, the letters were written a full six years after the bulk of SI's bug zapper sales, not as part of a continuous stream of promotional activities since the mid-1980s. And SI has no evidence that the letters generated any sales to the retailers contacted, or established any ongoing business relationships with them.

As for SI's use of STEALTH in connection with its provision of extermination services, Stoller did not submit any documentary evidence to establish the sale of such services, and his testimony confirms that he does not possess any such evidence. *See* Stoller Dep. at 89. Stoller said that he charged \$ 100 an hour for these services, but admitted that he cannot remember where he has offered them, how many customers he has had, how much money he has earned, *see id.* at 85 ("I don't know if I have it written down anywhere offhand right now"), or the size of his current customer base, *see id.* at 88-89. Even in response to questions about the number of customers he has currently, like "Is it less than five?" and "Is it less than three?" he said "I don't know." *Id.* at 89. In reference to the handwritten chart that he submitted listing the dollar amounts [\*22] of STEALTH "bug zapper" sales he made for each of the years 1991 through 1995, Stoller admitted that the figures do not include proceeds from his extermination business, which "I haven't reduced . . . to paper yet." *Id.* at 307. Absent any evidence proving his use of STEALTH in connection with the provision of extermination services, no reasonable jury



could find that SI has ownership rights in the mark as applied to those services. n3

n3 Furthermore, Stoller testified that he does not have and has never had any sort of exterminator's or pesticide license, *see* Stoller Dep. at 115-16, and that he uses a secret "bug-killing juice" formula that he created himself, *see id.* at 76, though under Illinois law only licensed professionals, using pesticides registered with the Illinois Department of Agriculture, may provide such services. *See 415 ILCS 60/4, 60/6, 60/10, 60/11.* This means that even if Stoller did provide pest elimination services, it was not lawful use and therefore cannot be the basis for enforcing trademark ownership rights. *See Universal Mamef. Co. v. Douglas Press, Inc., 1992 U.S. Dist. LEXIS 7231, No. 89 C 3354, 1992 WL 106822, at \*2 (N.D. Ill. 1992).*

[\*23]

Finding that there is no genuine issue of material fact for a jury to consider regarding SI's prior use of STEALTH in connection with pest elimination products or services, the court grants Ecolab's motion for summary judgment on SI's Lanham Act claims.

#### C. State Law Claims

Finally, Stoller claims that Ecolab violated the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/1, and the Illinois Deceptive Trade Practices Act, 815 ILCS 510/1. Although SI's federal claim is gone and the parties are not diverse, the court retains supplemental jurisdiction over the pendent state law claims since "the correct disposition of the supplemental claim[s] is so clear as a matter of state law that [they] can be determined without a trial and without entanglement in difficult issues of state law." *Khan v. State Oil Co., 93 F.3d 1358, 1366 (7th Cir. 1996)* (citing *Brazinski v. Amoco Petroleum Additives Co., 6 F.3d 1176, 1182 (7th Cir. 1993)*). SI's state law claims mirror its federal claims, and the same analysis applies. *See Diamond Multimedia, 991 F. Supp. at 1022* (citing *Thompson v. Spring-Green Lawn Care Corp., 126 Ill. App. 3d 99, 466 N.E.2d [\*24], 1004, 1010, 81 Ill. Dec. 202 (Ill. 1984)*). For the reasons stated above, the court grants summary judgment to Ecolab on SI's state law claims as well.

#### D. Attorneys' Fees

Under the Lanham Act, courts have discretion to award attorneys' fees to prevailing parties "in exceptional cases." 15 U.S.C. § 1117(a). Courts are also authorized to award attorneys' fees to prevailing parties under the

Illinois Consumer Fraud and Deceptive Business Practices Act. 815 ILCS 505/10a(c). The standard for determining whether a case is "exceptional" is not whether the suit was filed in bad faith, but whether it "so lacked merit and was so burdensome to defend against that it could fairly be described as oppressive." *Centra 2000, 1998 WL 395161, at \*1.* As the Seventh Circuit has noted, "a suit can be oppressive because of lack of merit and cost of defending even though the plaintiff honestly though mistakenly believes that he has a good case and is not trying merely to extract a settlement based on the suit's nuisance value." *Door Systems, Inc. v. Pro-Line Door Systems, Inc., 126 F.3d 1028, 1032 (7th Cir. 1997).*

SI's claim that Ecolab's use of STEALTH infringed its federally registered [\*25] trademark was one that SI "at the outset of the litigation . . . should have known utterly lacked merit." *Centra 2000, 1998 WL 395161, at \*2* (finding another of SI's suits to have been needlessly costly and burdensome to the defendants). SI's argument that its pest elimination products are "closely related" to the products for which it has registered STEALTH was fanciful. SI's other claims -- federal and state unfair competition -- were also frivolous, as they "were not grounded on a plausible theory of ownership, let alone one even remotely supported by the law or the scant evidence presented by S Industries." *Diamond Multimedia, 17 F. Supp. 2d 775, 777* (finding SI's unfair competition claims oppressive and awarding attorneys' fees to defendant).

Unfortunately, such frivolous arguments are not the end of the similarities between this case and SI's other cases in this district. For example, Judge Lindberg found that SI's conduct -- such as its failure to respond to repeated discovery requests, forcing the defendant to file a motion to compel -- multiplied the expenses of that case, *Centra 2000, 1998 WL 395161, at \*2-3*, and SI did the same thing here. *See Ecolab's 4/28/97 [\*26] Motion to Compel; Minute Order of 7/18/97 by Hon. Joan B. Gotschall, granting in part Ecolab's Motion to Dismiss as Sanction for Discovery Abuses.* And, as in the case before Judge Castillo, "SI also tried repeatedly to misdirect the court by focusing on federal registrations for goods or marks not at issue in this case, irrelevant PTO proceedings, and license agreements to use STEALTH on goods totally unrelated to the defendants' products. It is as if SI thought that the sheer paper weight of its submissions would magically mutate into probative proof." *Stone Age Equip., 12 F. Supp. 2d at 819-20.*

Stoller presented remarkably little admissible evidence, most of it highly suspect, of SI's sales of STEALTH pest control products since the mid-1980s, and he did not have a shred of admissible evidence to prove SI's provision of pest extermination services under the mark. Furthermore, as observed above, Stoller's

deposition testimony demonstrated that he had absolutely no idea how many STEALTH pest control products SI has sold, nor how many extermination customers SI has had, though as the sole proprietor and employee of SI, he would be the only individual qualified to testify as to [\*27] these matters. The court concludes that requiring Ecolab to spend time and money defending itself against such baseless claims was "oppressive," and therefore concludes that Ecolab is entitled to recover the reasonable attorneys' fees and costs incurred in its defense. Accordingly, Ecolab may submit a petition for the fees and costs associated with defending itself against this lawsuit.

### III. CONCLUSION

For the foregoing reasons, Ecolab's motion for summary judgment is granted and SI's cross-motion for summary judgment is denied. Ecolab is to file its bill of fees and costs within 90 days of the entry of this judgment. *See* Local Rule 46(A). It is so ordered.

ENTER:

JOAN B. GOTTSCHALL

United States District Judge

DATED: March 12, 1999

**Exhibit**

**R-7**

LEXSEE 2003 TTAB LEXIS 512

Central Mfg. Inc. v. Astec Industries, Inc.

Opposition No. 91/116,821 to application Serial No. 75/564,303 filed on October 5, 1998

Trademark Trial and Appeal Board

2003 TTAB LEXIS 512

July 23, 2003, Hearing  
September 30, 2003, Decided

[\*1]

Before Walters, Ducher and Rogers, Administrative Trademark Judges

**COUNSEL:**

Central Mfg. Inc., Pro se.

David J. Hill and Alicia Brown Oliver of Chambliss, Bahner & Stophel, P.C. for Astec Industries, Inc.

**OPINIONBY: ROGERS**

**OPINION:**

**This Opinion is Not Citable as Precedent of the TTAB**

Opinion by Rogers, Administrative Trademark Judge:

Astec Industries, Inc. [applicant] has applied to register the mark STEALTH for goods identified as an "asphalt paving machine," in International Class 7. The application is based on applicant's allegations that it first used the mark "no later than April 30, 1998," first used the mark "in interstate commerce [in connection with the goods] no later than August 31, 1998" and, as of the October 5, 1998 filing date, was using the mark in commerce through an wholly-owned subsidiary. After the mark was published for opposition, Central Mfg. Inc. [opposer] filed a notice of opposition.

The case was tried, although as will be discussed infra, this trial resulted in a thin record. The parties fully briefed the case, including in their briefs various motions. Oral arguments were presented.

***Construing the Pleadings***

The notice of opposition includes a preamble, numbered paragraphs [\*2] and footnotes, all of which we have considered to be a part of the notice of opposition. Although we have liberally construed the notice of opposition, we note that it includes many allegations bearing no relation to legally cognizable bases for opposition and no references to any specific provisions of the Lanham Act.

We find opposer to have asserted that it uses the mark STEALTH as a "trade name, corporate name, service mark and trademark"; that opposer has used STEALTH as a trademark and trade name since 1981 and as a trademark for "rakes and shovels used for asphalt paving, since at least as early as 1986"; n1 and that its use of STEALTH as a mark for products or services in numerous classes of goods and services has been valid and continuous since 1981 and has not been abandoned.

n1 In paragraph 4 of the notice of opposition, opposer actually asserts "priority of use, as early as 1986, on the same and/or similar goods." However, the only goods specified in the notice appear in opposer's claim of use of STEALTH on or in connection with "rakes and shovels used for asphalt paving."

Opposer also alleges that it "holds rights in" a number of "well-known STEALTH trademark registrations [\*3] [and applications]" and that it has a "family" of STEALTH registrations. n2 In regard to the listed applications and registrations, opposer apparently is attempting to assert in paragraph 3 of the notice of opposition that it has attached to the pleading two copies of each registration and that it relies upon each registration. n3 No such copies, however, were attached to the notice of opposition.

n2 In this regard paragraph 3 of the notice of opposition lists the mark and the registration number for seven registrations and 16 applications. Set forth in a table, are two columns of dates, so that two different dates are associated with each listed application or registration, and one column of mere numbers (e.g., 2, 6, 12, etc.). Opposer has not explained the significance of the dates or numbers in the table.

n3 Cryptically, paragraph 3 also asserts that the registrations "are incorporated herein by reference as if fully copied and attached." Incorporating a registration "by reference as if [but not actually] fully copied and attached" does not make the registration of record in the absence of some sort of admission by the defendant. Attachment of copies of registrations certified by the USPTO and showing current status and title would serve to make the registrations of record. As previously stated, no copies were made of record with the notice of opposition.

[\*4]

Opposer asserts that it has been "aggressive" in licensing its trademark and that applicant is aware of this.

We construe paragraph 5 of the opposition as asserting only a claim of likelihood of confusion, mistake or deception among consumers. The paragraph also asserts that use of STEALTH by applicant would "blur the distinctiveness" of opposer's "well known STEALTH trademarks." We do not view this phrase alone, contained as it is within a paragraph that alleges likelihood of confusion, mistake or deception, as alleging a claim of dilution. Opposer nowhere alleges that its mark is famous or when, if at all, it became famous; nor does opposer refer to the dilution section of the Lanham Act or even use the word dilution.

Paragraphs 8 through 11 of the notice are viewed as elaborating on opposer's view of why confusion will be likely and why opposer has standing to bring the opposition (e.g., asserted "loss of sales" by opposer and "damage" to opposer's licensing program).

Paragraph 12 asserts that applicant signed the involved application "with the knowledge that another party had a right to use the mark in commerce." Paragraph 24 is less comprehensible than paragraph 12; but it appears [\*5] only to repeat the essential allegation of paragraph 12. Neither paragraph alone states a claim upon which relief can be granted; nor do the paragraphs considered together. Finally, though we have read each of these paragraphs in conjunction with other paragraphs, neither paragraph presents or is reasonably part of a legally cognizable claim. n4 Thus, we have given paragraphs 12 and 24 no consideration.

n4 Specifically, although the opposition includes allegations that applicant made certain deliberate misstatements in its application and that applicant intended the USPTO to rely on these statements, the allegations in paragraphs 12 and/or 24 do not constitute all or part of a fraud claim. Nowhere is there an allegation that applicant knew the right of another to be superior to applicant's right, so that the application could not have been filed in good faith; and mere knowledge of another's right to use the identical mark does not state a claim. Similarly, the allegations related to applicant's asserted knowledge of another's right and applicant's asserted knowledge of opposer's aggressive licensing program do not state a claim of fraud.

Similarly, we have given no consideration [\*6] to paragraphs 13 and 14, which discuss a purported attempt by applicant to register a mark not involved herein, i.e., STEALTH FORCE, and opposer's asserted success in opposing that mark in another opposition proceeding. These paragraphs are not relevant to this proceeding and do not state any cognizable claim, either alone or with other paragraphs in the notice of opposition.

Likewise, we have not considered paragraphs 16 and 18, which assert that applicant's mark is a mere design which does not function as a mark and which is a functional configuration. This does not properly state a legally cognizable claim, either alone or with other paragraphs in the notice of opposition.

Paragraph 15 asserts that applicant's mark is descriptive or deceptively misdescriptive of applicant's paving machines. Having been properly pleaded, we have considered this claim.

Paragraph 17 asserts that applicant made no bona fide use of its mark in commerce prior to the filing of the application, so that the application is void ab initio. n5 However, we also view paragraph 17 as intended to be read in conjunction with paragraphs 20 and 21, so that, together, they present the first of three theories of fraud [\*7] that opposer is asserting. Under the first theoretical fraud claim, opposer is asserting that applicant knew it had not made bona fide use in commerce and fraudulently induced the USPTO to rely on the statement of use in commerce to obtain approval of the mark for publication and eventual registration.

n5 We do not consider this construction of paragraph 17 as approval of opposer's attempt, during the proceeding, to amend its notice of opposition to assert that the application is void because it fails to state dates of use with requisite specificity, which would be a different claim. And a claim, we might add, that would be barred because the issue is an ex parte examination question. See *Century 21 Real Estate Corp. v. Century Life of America*, 10 USPQ2d 2034, 2035 (TTAB 1989) ("fairness dictates that the ex parte question of the sufficiency of the specimens not be the basis for sustaining an opposition").

We also view opposer as asserting, in paragraph 22, that applicant's statement of its date of first use, as opposed to its date of first use in commerce, was known to be false and was part of an attempt to perpetrate a fraud on the USPTO. Finally, [\*8] we view opposer as asserting its third theory for a fraud claim in paragraph 23. Specifically, opposer is asserting by this paragraph that the specimens of use submitted by applicant do not show the actual method of use of the mark by applicant, that applicant knew this and, notwithstanding such knowledge, made the statement to secure approval of its application.

Finally, opposer has asserted that applicant is not, and was not, at the time of filing of the application, the rightful owner of the mark.

As a result, we find opposer to have pleaded alternative claims under Section 2(d): a claim that STEALTH is descriptive or deceptively misdescriptive of applicant's goods; a claim of lack of bona fide use in commerce prior to the filing date of the involved application; alternative claims of fraud; and a claim that applicant is not the rightful owner of the mark.

Applicant, in its answer, has admitted that it filed its application and that its mark was published for opposition. Applicant denied that opposer has used the mark STEALTH in interstate commerce in connection with paying machines "or in any other way that is likely to cause confusion with respect to [applicant's] use of its mark." [\*9]

In regard to opposer's purported applications and registrations, applicant admits only that the applications have been filed and that the registrations "exist." Applicant denies "opposer is the applicant or owner of the registrations." As we also construe the answer liberally, we construe this paragraph in the answer as admitting that applications with the specified serial numbers are on file with the USPTO and that registrations with the specified registration numbers have issued, but we view applicant as having denied that opposer is owner of any of these, thus leaving opposer to prove its title in these registrations. We construe applicant's statement that "the registrations listed in Paragraph 3 exist" as an admission that the seven pleaded registrations issued and have not been cancelled.

Applicant has otherwise denied, expressly or effectively, all other allegations in the notice of opposition. Titled as affirmative defenses are allegations by applicant that opposer has not pleaded fraud with particularity and that opposer's paragraphs 15 through 24 fail to state claims upon which relief can be granted. Finally, applicant asserts that paragraphs 15 through 24 of the notice of [\*10] opposition violate Rule 11 of the Federal Rules of Civil Procedure.

Applicant asserted in its answer that if this Board did not dismiss the claims set forth by such paragraphs, applicant would pursue a separate motion for Rule 11 sanctions. Applicant did not, however, ever file a separate motion to dismiss any particular claims, or strike any particular claims, and did not file a Rule 11 motion regarding the contents of the notice of opposition. Therefore, the claims we have already discussed remain in this proceeding.

#### ***Opposer's Motion to Amend Under Fed. R. Civ. P. 15(b)***

During the pendency of this proceeding, opposer made numerous attempts to amend its pleading. On more than one occasion, it moved to amend its pleading "to conform to [the] evidence" notwithstanding that the parties had not yet gone through trial. Other motions to amend sought to expand the list of applications and registrations on which opposer could rely in this proceeding. Each of the motions, whether filed under Federal Rule 15(a) or Federal Rule 15(b), was denied as inappropriate and/or denied on its merits. Opposer, in its brief and reply brief, does not revisit any of these

interlocutory rulings [\*11] or seek reconsideration of those rulings. However, in its brief, opposer requests that the Board amend the notice of opposition to conform to the evidence, which we construe as a Rule 15(b) motion.

Opposer seeks to add "an abandonment claim and to deny registration to the Applicant based on the fact that the Applicant has presented no evidence of valid trademark use and thus [the] application should be denied based upon abandonment." Reply brief, p. 6; see also, opposer's main brief, pages 26-27. Applicant has argued against granting this motion, essentially asserting that the evidence does not support the motion because testimony from applicant's witness attests to applicant's continued use of the mark in commerce and that applicant has never abandoned the mark.

As applicant clearly has not consented to trial of an unpleaded claim of abandonment n6, opposer must show that it has tried the claim with the implied consent of applicant. See Fed. R. Civ. P. 15(b); see also, authorities collected in TBMP § 507.03(b) (2d ed. 2003).

n6 Nor did applicant, by anything in its answer, assume the burden of proving prior and continuous use of its mark in commerce. Had applicant asserted, as an affirmative defense, that it had made use of STEALTH prior to opposer, then the abandonment claim opposer seeks to add might be relevant. Applicant did not, however, assert such a defense.

[\*12]

We note that the only proffered evidence is opposer's single notice of reliance and applicant's single testimony deposition. We see nothing in the submissions made with the notice of reliance n7 or in opposer's cross-examination of applicant's witness n8, that would suffice to put applicant on notice that opposer was pursuing a claim of abandonment, notwithstanding the irrelevance of such a claim (for reasons already noted). See *Colony Foods, Inc. v. Sagemark, Ltd.*, 735 F.2d 1336, 222 USPQ 185 (Fed. Cir. 1984); *Riveland Foods Inc. v. Pacific Eastern Trading Corp.*, 26 USPQ2d 1883 (TTAB 1993). Accordingly, we deny opposer's motion under Federal Rule 15(b).

n7 At this point in our decision, we consider the notice of reliance only in regard to opposer's motion under Rule 15(b). We decide, *infra*, applicant's motion to strike many of the submissions made by that notice of reliance.

n8 As applicant has noted, on direct examination its witness testified that applicant has never abandoned its mark. On cross-examination, opposer did not inquire into or seek to undermine this testimony.

#### *Motions Relating to the* [\*13] *Evidence*

What little evidence has been offered is the subject of various motions, which is not surprising for a case that appears to have featured much more involvement in procedural wrangling than in pursuit of the merits.

Applicant has moved to strike many of the submissions made with opposer's notice of reliance; and, in this regard, the parties do not simply debate the propriety of that request vis a vis the particular items proposed to be stricken, but also debate whether an interlocutory ruling on June 18, 2002 precludes consideration of applicant's motion.

Opposer has moved to strike the entirety of applicant's testimony deposition--an interesting prospect, because opposer relies on much of that testimony in its brief, in arguing for judgment on some of its pleaded claims. n9 Opposer asserts that the deposition was taken on insufficient notice. Opposer also essentially moves, in the alternative, to strike exhibit 3 to the testimony, on the ground that it was not produced during discovery. Thus, we view opposer as asking us to strike applicant's testimony and exhibits in their entirety but, if we do not, to at least strike exhibit 3.

n9 In fact, in its reply brief, opposer argues that the testimony deposition should be stricken, "with the exception of Applicant's damning admission" regarding control of the quality of applicant's goods by its subsidiary.

[\*14]

Applicant's Motion to Strike

First, we consider applicant's motion to strike portions of opposer's notice of reliance. A preliminary matter that must be considered is the parties' difference of opinion about whether the question of the admissibility of these items has already been ruled on in this case in the interlocutory order of June 18, 2002. After opposer filed its notice of reliance, applicant filed its objections to certain submissions made therewith. Opposer asserts that the Board's order of June 18, 2002 includes a denial of applicant's attempt to have the disputed items stricken. Applicant, on the other hand, views the order as directing applicant to raise its objections by a separate motion to strike; and applicant argues that it followed this instruction by including its motion to strike in its brief.

We have reviewed the disputed order and find the two sentences dealing with applicant's previously filed objections to the notice of reliance to be confusing and inconclusive. n10 Moreover, because a panel at final hearing may not only review an interlocutory ruling but also may, if appropriate, reverse it, see *Harley-Davidson Motor Co. v. Pierce Foods Corp.*, 231 USPQ 857, 859 n.13 (TTAB 1986), [\*15] we are not bound by either party's interpretation of the June 18, 2002 order, or the order itself.

n10 The Board attorney simply noted the filing of the objections, that they were not "in the form of a motion to strike," and "declined to so construe the objections." There was no instruction regarding whether the objections were being deferred for consideration at final hearing or whether they would have to be raised by motion to strike to be considered; and there was no instruction regarding when any such motion, if required, would have to be filed.

By its motion to strike, applicant seeks to bar consideration of certain materials which it asserts cannot be made of record by notice of reliance. Moreover, for each of these items, applicant also has asserted substantive objections. When parties have procedural objections of a technical nature relative to a notice of reliance, they are encouraged to raise them promptly by a motion to strike. See TBMP § § 532 and 707.02(h)(2)(2d ed. 2003). Substantive objections, however, may be reserved to final hearing and raised in a party's brief. In this case, applicant has done both, i.e., it has moved to strike and it has asserted substantive [\*16] objections regarding the various subjects of its motion.

Because the holding of the interlocutory order is unclear, we have reconsidered the issues therein and we find applicant's filing of its motion to strike in its brief to meet the promptness requirement for procedural objections, e.g., whether a particular item may permissibly be made of record by notice of reliance. *Boyd's Collection Ltd. v. Herrington & Co.*, 65 USPQ2d 2017, 2019 (TTAB 2003). Moreover, even if we were to have found the interlocutory order to have had the effect of requiring applicant to file a motion to strike at an earlier point in the proceeding, applicant's failure to do so would not have prevented applicant from raising at final hearing any substantive objections to the material attached to opposer's notice of reliance. In other words, the probative value to be accorded evidence submitted by notice of reliance, and not excluded by grant of a motion to strike, may always be argued at final hearing.

Applicant seeks to strike exhibits A, C, H, I and J to opposer's notice of reliance.

Exhibit A to opposer's notice of reliance is a list of registrations and applications purportedly owned [\*17] by opposer. First, we note that the list improperly includes many more registrations and applications than those listed in the notice of opposition. Further, a plaintiff relying on registrations cannot make those registrations of record by a list alone, even when, as with this notice of reliance, the list is referenced in a declaration n11 also accompanying the notice of reliance. See *Boyd's Collection*, *supra*, 65 USPQ2d at 2020 (TTAB 2003) (in the absence of a stipulation, parties may not present evidence by affidavit or declaration), and procedures described in TBMP § 704.03(b). We agree with applicant that the list of opposer's purported registrations and the declaration referencing it are an inappropriate means for making pleaded registrations of record, and we have not considered this list.

n11 The declaration is signed by Leo Stoller, as president of Central Manufacturing Co., not Central Manufacturing Inc. While we choose in this instance to treat the difference in company names as an inadvertent discrepancy, and to assume that the declaration is from the president of opposer, opposer should not take this statement as indicating that there is no legal significance to the distinction.

Also, although the declaration states that a copy of each listed registration is attached, plainly, no such copies were submitted.

[\*18]



Exhibit C is a copy only of opposer's second request for admissions by applicant, but not the responses thereto. Since applicant, in its motion to strike, clearly is arguing against opposer's attempt to introduce the responses, we construe the motion to strike to also target Exhibit E to opposer's notice of reliance, i.e., the responses to the requests that are contained in Exhibit C. Applicant argues that, insofar as its responses contained objections, opposer never sought to test the sufficiency or propriety of those objections and should not, therefore, be permitted to put the responses into the record. We disagree; the responses show that applicant admitted the authenticity of certain documents and objected to certain requests. Because the Trademark Rules allow introduction of responses to requests for admission by notice of reliance, and because applicant cites to no authority that requires objections to such requests to first be made the subject of a motion to test the sufficiency of the responses, we find no basis for seeking to strike the responses opposer has introduced. Accordingly, we have considered applicant's responses and objections to opposer's requests for admission. [\*19]

Exhibits H and I are copies of opposer's responses to applicant's discovery requests. Applicant is entirely correct that a party may not make its own discovery responses of record by notice of reliance, except in certain circumstances, none of which apply in this case. Therefore, these two exhibits have not been considered.

Finally, Exhibit J is a list of assertedly successful policing activities conducted by opposer to protect its assertedly registered marks. The previously referenced declaration by opposer's president also states "that Opposer's victories list is a true and correct copy." For the reasons outlined above in regard to the list of opposer's asserted registrations, we also find the "victories list" an inappropriate item for submission by notice of reliance, and we have not considered this exhibit.

In conclusion, applicant's motion to strike is granted as to exhibits A, H, I and J, and the declaration that refers thereto. These items are considered stricken from the record. The motion is denied as to Exhibit C and, to the extent the motion was also intended to cover Exhibit E, it is also denied as to that exhibit. These exhibits have been considered. We note, however, [\*20] that even if we did not strike exhibits A, H, I and J, we would find applicant's substantive objections to the exhibits, on the grounds that they contain hearsay and are unauthenticated, to be well taken. Thus, the exhibits would, in any event, be of little, if any, probative value.

#### Opposer's Motion to Strike

Prior to the commencement of its testimony period, applicant informed opposer of applicant's plan to take the testimony deposition of Jeff Richmond, and opposer acknowledged, by fax, receipt of the letter setting forth applicant's plan. In its acknowledgment, opposer informed applicant it would participate in the deposition by telephone. Next, approximately 10 days into the testimony period, on September 25, 2002, applicant forwarded, by both mail and fax, notice that the deposition would take place on October 7, 2002. Opposer, in arguing the unreasonableness of its actual notice, ignores the fax and focuses on its asserted receipt on October 1, 2002 of applicant's letter. Opposer does not, however, deny receipt of the fax. In arguing why the testimony should be stricken, opposer asserts "courts have consistently held" that 7 days notice of a deposition is insufficient, it [\*21] being "normally considered that any notice under 15 days is inadequate notice." Opposer does not, however, cite to any authority for these statements.

Another argument raised by opposer is that, because this was a testimony deposition, rather than a discovery deposition, opposer needed more time to prepare. We take this argument as an attempt by opposer to show prejudice suffered because of the assertedly insufficient notice. In regard to this argument, we note that opposer, prior to the deposition, was presented with copies of the exhibits that applicant proposed to introduce through the testimony of its witness. There were only four exhibits. Further, being limited in its cross-examination to the scope of direct examination, and applicant having obtained scarcely two dozen pages of direct testimony, this clearly was a deposition that did not require extensive preparation by opposer.

We deny opposer's motion to strike the testimony deposition of Jeff Richmond for inadequate notice. Compare *Hamilton Burr Publishing Co. v. E.W. Communications, Inc.*, 216 USPQ 802, 804 n.6 (TTAB 1982) (testimony considered despite only two days notice, because no significant [\*22] travel involved to attend and no prejudice shown by objecting party) with *Jean Patou Inc. v. Theon Inc.*, 18 USPQ2d 1072, 1074 (TTAB 1990) (twenty-four hours notice held insufficient).

Having denied opposer's motion to strike the deposition in its entirety, we now consider opposer's alternative motion to strike applicant's exhibit 3 to the deposition. In essence, opposer is arguing for application of the estoppel sanction, discussed in TBMP § 527.01(e) (2d ed. 2003) on the ground that the exhibit was not produced during discovery. We deny the motion. Applicant's failure to produce the exhibit during discovery was an oversight, now adequately ex-

plained by applicant's counsel. This is not a case where applicant refused to produce material so as to lead opposer to believe that it would not take testimony on a particular subject, specifically, applicant's first use. Cf. *Weiner King, Inc. v. Weiner King Corp.*, 615 F.2d 512, 204 USPQ 820 (CCPA 1980). Other exhibits to the Richmond testimony that were produced during discovery clearly allude to the first use. We note, however, that even if the motion were granted and the [\*23] exhibit were not considered, it would not make any difference to the ultimate result herein, which, as discussed *infra*, is premised on opposer's failure to bear its burden of proof as to opposer's pleaded claims.

### *The Merits of Opposer's Various Claims*

Earlier, we reviewed opposer's notice of opposition at length. Now, in conjunction with our consideration of what little evidence there is, we review the claims one by one.

#### *Likelihood of Confusion*

Opposer made a variety of factual assertions in connection with its claim, under Section 2(d), of likelihood of confusion among consumers. First, opposer has asserted that it owns various STEALTH registrations. Second, opposer has asserted that it has actually used STEALTH as a trademark in commerce for rakes and shovels used for asphalt paving, i.e., goods which opposer argues are complementary to applicant's paving machines. Third, opposer has asserted that it has a family of STEALTH marks.

The first of these Section 2(d) allegations fails because, although applicant has admitted that the seven pleaded registrations "exist," it specifically denied that opposer is the owner of them. In the face of this denial, opposer has not [\*24] proved its ownership. Opposer, of course, attempted to do so by submitting a list of its asserted registrations with a declaration. We have stricken those exhibits to the notice of reliance. We also note that, even had we not stricken those exhibits, and had we accepted the declaration and list as proof of applicant's ownership of the seven listed registrations that were also listed in the notice of opposition, we would find no likelihood of confusion because, though the involved marks are identical, the goods are vastly different. n12 *In re E.I. du Pont de Nemours & Co.*, 476 F.2d 1357, 1361, 177 USPQ 563, 567 (CCPA 1973).

n12 Applicant's goods are asphalt paving machines. The goods listed in opposer's seven pleaded registrations cover various sporting goods in class 28; bicycles, motorcycles and boats in class 12; microwave absorbing automobile paint in class 2, various items for playing pool or billiards, in class 28; comic books in class 16; lawn sprinklers in class 21; and metal alloys for use in sporting goods and transportation and window locks in class 6. Opposer has put in no evidence to show the relation of any of these items to asphalt paving machines, nor is any relationship apparent on its face.

[\*25]

The second of opposer's Section 2(d) allegations fails because opposer has not established its use of the STEALTH mark on or in conjunction with rakes and shovels used for asphalt paving. Opposer did discuss its asserted use of the mark for these items in its responses to applicant's interrogatories, but we have stricken these as improper items to submit by opposer's own notice of reliance. Even if we had not stricken them, we would not give the interrogatory responses any significant probative value in the absence of any corroborating testimony or evidence, for a party's response to an interrogatory generally is viewed as "self-serving." *General Electric Co. v. Graham Magnetics Inc.*, 197 USPQ 690, 692 n.5 (TTAB 1977) citing *Grace & Co. v. City of Los Angeles*, 278 F.2d 771, 776 (9th Cir. 1960), and *Beecham Inc. v. Helene Curtis Industries, Inc.*, 189 USPQ 647 (TTAB 1976).

The third of the Section 2(d) allegations, i.e., opposer's claim that it has a family of marks, fails because it has not established the existence of the family or that it has promoted the members of the family in a way such that [\*26] they would be recognized as a family. *Colony Foods, supra*, 222 USPQ at 186-87 (Fed. Cir. 1984).

#### *Descriptiveness/Misdescriptiveness*

As to opposer's claim that applicant's mark is descriptive or deceptively misdescriptive, opposer has not submitted any evidence to support the claim and did not pursue the claim in its brief. There appears to have been an attempt by opposer's president, during cross-examination of applicant's witness, to obtain an admission from the witness that STEALTH is descriptive of applicant's asphalt paving machine. We agree with applicant's counsel, however, who objected during the deposition, that opposer was mischaracterizing the testimony, and that no such admission was made.

### Bona Fide Use of Mark Prior to Filing Date

In regard to opposer's claim that applicant did not make bona fide use of the mark in commerce prior to its filing date, we find the testimony of applicant's witness to establish just the opposite. The testimony describes the first shipment of an asphalt paving machine bearing the mark and subsequent payment for the machine by the receiving party. The exhibits to the testimony corroborate the [\*27] testimony. Opposer attempts to make much of the fact that the first shipment is not listed on the list of sales of STEALTH paving machines produced during discovery by applicant. However, the Richmond testimony explains that the shipment was made as of August 24, 1998 but the sale of this particular machine appears on the list of sales as of December 31, 1998, for accounting reasons, because that was when the final invoice issued. Because the application was not filed until October 5, 1998, the August 24, 1998 shipment was a bona fide use of the mark in commerce prior to the filing date of the application.

### Fraud

As we have found that applicant made bona fide use of the mark in commerce prior to the filing date of the application, opposer's claim of fraud, based as it is on the lack of such use, also fails. Even if we had found that applicant's first shipment was not a bona fide use in commerce, we would still dismiss the related fraud claim, as opposer has not established that applicant intended to commit fraud on the USPTO.

Opposer's alternative fraud claim, specifically, that the date of first use asserted in the application, as opposed to the date of first use in commerce, [\*28] is false and was known to applicant to be false, also must fail. Opposer has failed to submit any evidence to establish that the date asserted in the application is false, and has failed to prove that applicant intended to commit fraud on the USPTO. More importantly, the date of first use is not material to the office's examination of the application and decision whether to approve the mark for publication.

Opposer's additional alternative fraud claim, specifically, that applicant has not used the mark on the goods in the manner shown by the application specimens, also fails for lack of proof. Opposer has offered no evidence whatsoever to support the claim.

### Ownership

The only remaining claim is opposer's claim that applicant is not the owner of the mark. This is based on opposer's argument that Roadtec, a wholly-owned subsidiary of applicant Astec Industries, and a division of applicant, is the true owner of the mark and should have been listed in the application instead of Astec. Notwithstanding the evidence that indicates that Roadtec controls the quality of the STEALTH asphalt paving machine, there is nothing improper or unlawful about having a parent corporation apply to register [\*29] a mark based on its subsidiary's use of the mark.

In sum, opposer has failed to prove any of its claims. Moreover, because opposer has not proved ownership of any of the pleaded registrations, or common law rights in STEALTH based on use for rakes and shovels, it has not established its standing to pursue the opposition. *Ritchie v. Simpson*, 170 F.3d 1092, 50 USPQ2d 1023, 1029 (Fed. Cir. 1999) (allegations alone do not establish standing and, if challenged, must be proved as part of the plaintiff's case). Accordingly, judgment is entered against opposer on all claims and the opposition is dismissed.

### *The Cross-Motions Under Federal Rule 11*

Though we have dismissed the opposition, we briefly address the parties' cross-motions under Rule 11 of the Federal Rules of Civil Procedure, for the sake of judicial efficiency. Applicant asserted in its brief that opposer had not proven its standing. Opposer took umbrage at the assertion and argued that applicant's arguments were sanctionable. In particular, opposer noted that it has been involved in numerous cases in the courts and before this Board and has never been held not to have standing. [\*30]

Applicant responded to opposer's motion and filed a cross motion of its own, arguing that an improper motion under Rule 11 is itself sanctionable. In its response to Rule 11 motions, Applicant did nothing improper in arguing in its brief that opposer had not proved its pleaded allegations relating to standing. Likewise, applicant did nothing improper in cross-moving for Rule 11 sanctions after opposer refused to withdraw its first Rule 11 motion.

We deny opposer's motions and grant applicant's cross-motion. Accordingly, we also enter judgment against opposer as a sanction for its abuse of the Rule 11 process.

**Exhibit**

**R-8**

LEXSEE 45 USPQ 2D 1293

S. Industries, Inc. v. Lamb-Weston, Inc.

Cancellation Nos. 25,580, 25,603

Trademark Trial and Appeal Board

*1997 TTAB LEXIS 50; 45 U.S.P.Q.2D (BNA) 1293*

September 19, 1997, Decided

[\*1]

Before Naras, Seecherman and Hairston, Administrative Trademark Judges.

#### **OPINION BY: BOARD**

#### **OPINION:**

#### **THIS OPINION IS CITABLE AS PRECEDENT OF THE T.T.A.B.**

By the Board:

This case now comes up for consideration of the following matters: (1) respondent's motion to vacate judgment under Fed. R. Civ. P. 60(b); (2) petitioner's motion to extend under Fed. R. Civ. P. 6(b); (3) petitioner's motion for summary judgment; (4) respondent's motion for sanctions; (5) respondent's motion to consolidate; (6) respondent's request for 56(f) discovery; (7) petitioner's motion to amend the pleadings; (8) respondent's motion to compel petitioner to appear for a Fed. R. Civ. P. 30(b) (6) deposition; and (9) petitioner's combined cross-motion to quash the deposition and motion to extend the discovery and testimony periods.

#### **MOTION TO EXTEND & MOTION FOR SANCTIONS**

On July 18, 1997, with a certificate of mailing dated July 3, 1997, petitioner filed a motion to extend its time in which to file a brief in opposition to respondent's motion to vacate. Petitioner claims that its president, Leo Stoller, is involved in numerous other proceedings before the Board and that more time is needed in order to respond to the pending motion. [\*2]

Respondent, on the other hand, contends that petitioner's motion to extend should be denied as untimely and fraudulent. Respondent maintains that petitioner's response to the motion to vacate was due on or before July 3, 1997. According to respondent, there is a substantial discrepancy between the certificate of mailing and/or service date and actual mailing date of petitioner's motion. Respondent asserts that the envelope in which petitioner's motion was served bears a postage meter date-stamp of July 9, 1997 and a Chicago Post Office date-stamp of July 15, 1997. Respondent concludes that petitioner's motion to extend was actually mailed between July 9, 1997 and July 15, 1997, several days after the due date. Respondent argues, among other things, that appropriate sanctions should be entered against petitioner for fraud on the Patent and Trademark Office. n1

1. In support of its position, respondent submitted a copy of the envelope showing a postage meter date-stamp of July 9, 1997, a Chicago Post Office date-stamp of July 15, 1997 and their office receipt date-stamp of July 18, 1997.

Petitioner has filed a verified reply brief which attests that its motion to extend was deposited [\*3] with the U.S. Postal Service Station known as 60707 at 6:00P.M. on July 3, 1997. Petitioner asserts that the postage meter date-stamp on the envelope attached as an exhibit to respondent's motion for sanctions is dated July 3, 1997, not July 9, 1997, as respondent contends. Petitioner contends that its president, Leo Stoller, contacted the manager for the U.S. Postal Station in Chicago, Illinois, Mr. Matthew Brand, to inquire how mail deposited on July 3, 1997 at station 60707 received a

cancellation date on the envelope marked July 15, 1997. According to petitioner, Mr. Brand acknowledged that it was "poor service" and that the envelope was "out of the flow."

Under Trademark Rules 1.8 and 2.119, the Board considers the mailing date of the paper to be the date when the paper is deposited with the United States Postal Service, i.e., the date when custody of the paper passes to the Postal Service. The Board ordinarily accepts, as *prima facie* proof of the date of mailing, the statement signed by the filing party, or by its attorney or other authorized representative, as to the date and manner of service. However, where the *prima facie* proof of the certificate of service or certificate [\*4] of mailing is rebutted by other evidence, the person who signed the certificate must submit an affidavit specifying the date when the paper was actually deposited with the United States Postal Service.

Respondent has presented compelling evidence to rebut petitioner's *prima facie* certificate of mailing and/or certificate of service date. See Trademark Rule 2.119. The envelope for the service copy of petitioner's motion clearly shows a postage meter date-stamp of July 9, 1997, and not July 3, 1997, as petitioner contends. While the mail delay from July 9, 1997 to July 15, 1997 may be explained by "poor service" on the part of the U.S. Postal Service, petitioner has failed to provide any reasonable explanation for the July 9, 1997 postage meter date-stamp or the significant discrepancy and delay between the July 3, 1997 date asserted in the certificate of service and the July 9, 1997 postage meter date-stamp.

Moreover, petitioner's motion to extend was not received by the Patent and Trademark Office until July 18, 1997, more than two weeks after the July 3, 1997 date given in the certificate of mailing. Petitioner has given no reason for the substantial delay between those dates. [\*5] In short, the evidence of record convinces the Board that petitioner's July 3, 1997 certificate of mailing and certificate of service dates on the motion to extend are fraudulent and incorrect.

Accordingly, the motion to extend is denied, and petitioner's brief in opposition to the motion to vacate will not be considered. Notwithstanding the above, the Board does not view respondent's motion to vacate as conceded and we will consider the motion on the merits.

Moreover, respondent's motion for sanctions is hereby granted. Petitioner is hereby prohibited from using or relying upon the certificate of mailing procedure described in Trademark Rule 1.8 for all papers henceforth filed in this proceeding. From this date forward and for purposes of determining timeliness, the Board will only consider papers filed as of the date set forth under the "Express Mail" procedure described in Trademark Rule 1.10 or the actual date of receipt by the Trademark Office described in Trademark Rule 1.6 and Section 109 of the Trademark Trial and Appeal Board Manual of Procedure (TBMP). Additionally, petitioner is hereby ordered to serve all papers on respondent, as required by Trademark Rule 2.119, by the [\*6] "Express Mail" procedure described in Trademark Rule 1.10, including a sworn certificate of service by "Express Mail."

#### MOTION TO VACATE

Respondent moves to set aside the Board's order granting petitioner's motion for summary judgment as uncontested. Respondent argues that its failure to contest the motion for summary judgment was the result of mistake, inadvertence and/or excusable neglect under Fed. R. Civ. P. 60(b). In particular, respondent contends that it was unaware that the parties were involved in two similar, but separate proceedings (Cancellation Nos. 25,580 and 25,603). According to respondent, it mistakenly believed that the two proceedings were, in fact, one because they involve substantially the same marks and the same filings. Consequently, respondent only filed a brief in opposition to the motion for summary judgment in Cancellation No. 25,603. Respondent also maintains that petitioner perpetuated the misunderstanding by serving communications which reference both registration numbers and either no cancellation proceeding number or only Cancellation No. 25,603.

In support of its motion, respondent submitted the declaration of Andrew S. Brassington, corporate [\*7] counsel and assistant secretary for respondent, and accompanying exhibits. Mr. Brassington avers that in early 1996, he received a number of papers from petitioner concerning respondent's STEALTH FRIES mark, and that he forwarded the papers to outside counsel. Mr. Brassington attests that he first learned of the second cancellation proceeding when he received a copy of two separate decisions from the Board -- one granting petitioner's motion for summary judgment as uncontested in Cancellation No. 25,580 and the other denying petitioner's motion for summary judgment in Cancellation No. 25,603.

Fed. R. Civ. P. 60(b) provides, in part, that a party may be relieved from judgment upon a showing of "mistake, inadvertence, surprise, or excusable neglect" or for "any other reasons justifying relief from the operation of judgment." The issue presented in this case is whether respondent's failure to respond to the motion for summary judgment resulted

from "excusable neglect" as defined in the Supreme Court's 1993 decision in *Pioneer Investment Services Company v. Brunswick Associates Limited Partnership*, 507 U.S. 380 (1993), and followed by the Board in *Pumpkin, Ltd. v. The Seed Corps*, 42 USPQ2d 1582 (TTAB 1997). [\*8] Determination of a Rule 60(b) motion and excusable neglect are matters committed to the discretion of the Board. See TBMP § 545, citing *General Motors Corp. v. Cadillac Club Fashions Inc.*, 22 USPQ2d 1933 (TTAB 1992), and *Djerredjian v. Kashi Co.*, 21 USPQ2d 1613 (TTAB 1991).

In *Pioneer*, *supra*, the Supreme Court clarified the meaning and scope of "excusable neglect," as used in the Federal Rules of Civil Procedure and elsewhere. The Court held that the determination of whether a party's neglect is excusable is:

at bottom an equitable one, taking account of all relevant circumstances surrounding the party's omission. These include . . . [1] the danger of prejudice to the [nonmovant], [2] the length of the delay and its potential impact on judicial proceedings, [3] the reason for the delay, including whether it was within the reasonable control of the movant, and [4] whether the movant acted in good faith.

*Pioneer*, 507 U.S. at 393. In subsequent applications of this test, several courts have stated that the third *Pioneer* factor, namely the reason for [\*9] the delay and whether it was within the reasonable control of the movant, might be considered the most important factor in a particular case. See *Pumpkin, supra*.

We will first consider the third *Pioneer* factor, i.e. the reason for the delay and whether it was within respondent's control. It is true that respondent's in-house counsel failed to notice that some of the papers received by him pertained to a second cancellation proceeding. Moreover, the mere existence of and subject matter similarity of two proceedings before the Board, and any resulting confusion by the parties, does not in and of itself excuse respondent's inaction or counsel's careless inattention. Cf. *Regatta Sport Ltd. v. Telix-Pioneer Inc.*, 20 USPQ2d 1154 (TTAB 1991) and cases cited therein. In this case, however, the Board is persuaded that respondent's counsel was not solely responsible for the delay. There is no doubt that petitioner significantly contributed to respondent's confusion by serving communications which prominently referenced both registration numbers, but which failed to reference any cancellation proceeding number or only referenced [\*10] Cancellation No. 25,603. These unusual circumstances weigh the third *Pioneer* factor in respondent's favor.

With respect to the first *Pioneer* factor, there does not appear to be any measurable prejudice to petitioner under the first factor should the Board reopen the proceeding. Petitioner has made no showing of lost evidence or unavailable witnesses. See *Pratt v. Philbrook*, 109 F.3d 18, 22 (1st Cir. 1997); *Puolo Associates Ltd. Partnership v. Bodo*, 21 USPQ2d 1899, 1904 (Comm'r 1990). Indeed, the only prejudice to petitioner, albeit insignificant, is that its motion for summary judgment would face testing on the merits.

As for the second *Pioneer* factor, i.e. the length of the delay and its potential impact on judicial proceedings, we acknowledge that there has been some delay. However, the Board is of the view that the delay does not unduly impact our proceedings under the present circumstances. Furthermore, under the fourth *Pioneer* factor, there is no evidence of bad faith on the part of respondent.

After careful consideration of all four *Pioneer* factors, respondent has shown excusable neglect. n2

n2 Even if we considered petitioner's brief in opposition to respondent's motion to vacate, we would reach the same result under *Pioneer, supra*.

[\*11]

Accordingly, respondent's motion to vacate is granted and the Board's order of May 20, 1997 is hereby discharged.

#### MOTION FOR SUMMARY JUDGMENT

Turning to petitioner's motion for summary judgment, we note that the pleadings, motion and accompanying evidence in Cancellation No. 25,580 are virtually identical to those filed in Cancellation No. 25,603.

On May 20, 1997, the Board denied petitioner's motion for summary judgment in Cancellation No. 25,603 on the ground that petitioner failed to carry its burden of proving the absence of a genuine issue of material fact as to the likelihood of confusion claim. In particular, the Board found

genuine issues of material fact as to, at a minimum, priority of use; the relatedness of the parties' goods; the parties' respective channels of trade; the purchasers of the parties' respective goods; the length of time during and conditions under which there has been concurrent use without actual confusion; and the extent to which respondent has the right to exclude other from use of its mark on its goods.

*S Industries, Inc. v. Lamb-Weston, Inc.*, Cancellation No. 25,603 (TTAB May 20, 1997).

For the reasons set forth in Cancellation No. [\*12] 25,603, petitioner's motion for summary judgment on the likelihood of confusion claim is denied herein. Petitioner's motion for summary judgment on the issue of mere descriptiveness is also denied. Petitioner has not pleaded mere descriptiveness as a grounds for cancellation in this case, and a party may not obtain summary judgment on an issue which has not been pleaded. *See* Fed. R. Civ. P. 56(a) and 56(b); TBMP § 528.07 (a) and cases cited therein. n3

n3 The Board will not entertain a renewed motion for summary judgment or a request for reconsideration of the Board's decision thereon. *See Opticians Ass'n of America v. Independent Opticians of America Inc.*, 734 F.Supp. 1171, 14 USPQ2d 2021 (D.N.J. 1990).

In view thereof, respondent's request for 56(f) discovery is considered moot.

#### MOTION TO CONSOLIDATE

Turning next to respondent's motion to consolidate, Fed. R. Civ. P. 42(a), as made applicable by Trademark Rule 2.116(a), provides with respect to consolidation of proceedings that when actions involving a common question of law and fact are pending before the Board, it may order a joint hearing or trial of any or all of the [\*13] matters in issue in the actions; it may order all the actions consolidated, and it may make such orders concerning proceedings therein as may tend to avoid unnecessary costs or delay.

In the present case, there would appear to be sufficient commonality of factual issues in the proceedings that consolidation is appropriate. Both proceedings involve respondent's STEALTH FRIES mark and contain virtually identical pleadings. Consolidation will avoid duplication of effort concerning the factual issues in common and will thereby avoid unnecessary costs and delays.

Accordingly, Cancellation Nos. 25,580 and 25,603 are hereby consolidated and may be presented on the same record and briefs. n4

n4 From this date forward, **Cancellation No. 25,580** will be designated the "parent" case in which all papers shall be filed. However, every paper filed must henceforth reference both proceeding numbers as shown in the caption of this order.

#### MOTION TO AMEND PLEADINGS

Petitioner's motion to amend the petition to cancel in Cancellation No. 25,603 is hereby denied without prejudice. The time for petitioner to amend its pleading as a matter of course has passed, and petitioner has failed to file [\*14] a proper motion to amend. *See* Fed. R. Civ. P. 15(a). Every motion must embody or be accompanied by a brief. *See* Trademark Rule 2.127(a). In this case, petitioner's motion to amend consists of one sentence request to amend and an accompanying amended petition for cancellation. However, petitioner has failed to indicate what new allegations it seeks to add to the pleadings, and failed to cite any case law or authority in support of its motion. It is not incumbent upon the Board to determine the nature of the proposed amendments.



**MOTION TO COMPEL & CROSS-MOTION TO QUASH**

On September 18, 1997, respondent filed a motion to compel petitioner (Mr. Leo Stoller, president) to appear for a Fed. R. Civ. P. 30(b) (6) discovery deposition scheduled for September 22, 1997. n5 According to respondent, a timely notice of deposition was served on September 12, 1997. Respondent argues that petitioner has expressly refused to attend the deposition because Leo Stoller, petitioner's president, is attending another deposition during the week of September 22, 1997. Apparently, respondent offered to schedule the deposition on another mutually agreeable date, but Mr. Stoller states that he is [\*15] unavailable for several months.

n5 Respondent's request for an expedited decision is granted in view of the time sensitive nature of the motion to compel and the motion to quash. A copy of this decision has been sent to the parties by facsimile transmission and by first class mail on September 19, 1997. The parties have been notified of the facsimile transmission by telephone.

In response, petitioner moves to quash the deposition. Petitioner argues that it must appear for another deposition during the week of September 22, 1997 before the Northern District Court of Illinois (*S Industries, Inc. v. Ecolab Inc.*, Civil Action No. 96 C 414C). Petitioner also maintains that the civil action deposition was scheduled long prior to respondent's deposition herein. Also, petitioner argues that it has been ordered to file a brief in yet another pending civil action before the Northern District Court for Illinois (*S Industries, Inc. v. Diamond Multimedia Systems, Inc.*, Civil Action No. 96 C 3389), and that it is therefore unable to attend respondent's deposition. Lastly, petitioner contends that the parties have not entered into a protective order to cover the confidential information [\*16] sought by respondent in the deposition.

In reply, respondent filed a copy of the notice of deposition from the civil action cited by petitioner. The notice indicates that the deposition is, in fact, scheduled for September 24, 1997.

A party to an *inter partes* proceeding before the Board may, after proper notice and a good faith effort to resolve the matter, file a motion to compel a party to attend a deposition. See Trademark Rule 2.110(e). Similarly, the party to be deposed may file a motion, prior to the taking of a noticed discovery deposition, to quash the notice of deposition. A motion to quash may be filed on the grounds of timeliness or harassment. See *Marshall Field & Co. v. Mrs. Field's Cookies*, 17 USPQ2d 1652 (TTAB 1990); *Smith International, Inc. v. Olin Corp.*, 201 USPQ 250 (TTAB 1978); *Rhone-Poulenc Industries v. Gulf Oil Corp.*, 198 USPQ 372, 373 (TTAB 1978).

Respondent's notice of deposition was reasonable and timely under the applicable rules. Moreover, respondent has shown a good faith effort to resolve the matter with petitioner before bringing this motion. In fact, [\*17] respondent offered to reschedule the deposition to another mutually agreeable date. Petitioner, on the other hand, has been wholly uncooperative. It is obvious from the record that respondent has made every attempt to accommodate petitioner. However, petitioner has refused to reschedule the deposition within a reasonable time period. As a result, we must decide whether petitioner should be ordered to attend the deposition in light of the reasons given.

We reject petitioner's contention that it is unable to attend the deposition because of the scheduled civil action deposition. The deposition herein is scheduled for September 22, 1997, and the civil action deposition is scheduled for September 24, 1997. Moreover, petitioner will not be excused from the deposition merely because it is preparing a brief to be filed in yet another civil action. n6 Petitioner has provided no evidence that the civil action brief is due on or before September 22, 1997. Also, we will not quash the deposition merely because the parties have not entered into a protective order. The Board will not rule, in advance of the deposition, as to whether the information sought is confidential or otherwise objectionable. [\*18] If a party believes that the information sought is confidential or objectionable under Fed. R. Civ. P. 26, then a proper objection should be made on the record at the time of the deposition.

n6 It is the petitioner who brought this action in the first instance, and who brought every other civil action cited. Under the circumstances, the Board is reluctant to allow petitioner to now claim that it is overburdened by pending matters brought by it.

Accordingly, respondent's motion to compel petitioner's appearance at the deposition scheduled for September 22, 1997 is hereby granted and petitioner's motion to quash is denied. In the event that petitioner fails to comply with this

Board order compelling discovery, a formal motion for sanctions will be entertained by the Board. *See* Trademark Rule 2.120(g).

**ANSWER DUE**

Respondent is allowed **THIRTY DAYS** from the mailing date of this order in which to file an answer in Cancellation No. 25,580. Upon receipt of the answer, consolidated discovery and trial dates will be reset. The parties may, of course, continue with discovery. n7 Except for the answer ordered above, all papers filed must henceforth reference both proceeding [\*19] numbers as shown in the caption of this order.

n7 Petitioner's motion (filed September 18, 1997) for an extension of the discovery and trial periods is granted to the extent that consolidated dates will be reset in due course.

**Exhibit**

**R-9**

LEXSEE 1999 TTAB LEXIS 700

S Industries, Inc. v. S & W Sign Company, Inc. d/b/a Westview Instruments

Opposition No. 102,907

Trademark Trial and Appeal Board

*1999 TTAB LEXIS 700*

December 16, 1999, Decided

OPINIONBY: [\*1]

ROGERS

OPINION:

**THIS DISPOSITION IS NOT CITABLE AS PRECEDENT OF THE T.T.A.B.**

Opinion by Rogers, Administrative Trademark Judge:

Opposer has responded to the Board's order to show cause why opposer should not be sanctioned for violation of Fed. R. Civ. P. 11. Opposer's response includes a request that the Board reset "all appropriate dates and allow this matter to proceed on its [sic] merits." The question of which, if any, dates should be reset will be determined after review of the circumstances leading to the order to show cause, opposer's response to the order, and the Board's determination of an appropriate sanction.

Applicant, in early February 1997, filed a change of its address with the Board and included a "cc" designation indicating that it had forwarded a copy, by certified mail, to opposer at its then correct address. n1

n1 Opposer, by its own report, did not switch to its current address until April, 1997.

Thirteen months later, in mid-March 1998, opposer filed a request for suspension reporting that opposer had "submitted a settlement proposal to the applicant". The certificate of service, however, listed applicant's former address. Another seven months later, in October [\*2] 1998, opposer filed a request for substitution of an assignee and reported that the "parties have not concluded their settlement negotiations. . ." (emphasis opposer's). The certificate of service for this filing, too, listed applicant's former address.

The Board contacted applicant's in-house counsel and asked whether applicant had received service copies of these two filings and whether there were any ongoing settlement negotiations. Counsel answered each question negatively.

In view of the absence of any settlement negotiations, the Board proceeded to consider opposer's pending motion for summary judgment. In the July 16, 1999 order that denied that motion [hereafter, "the warning order"], the Board castigated opposer for its failure to forward service copies to applicant's correct address and for lack of candor in reporting the existence of settlement negotiations when none in fact existed. The Board also noted that it might order opposer to show cause why it should not be sanctioned under Rule 11 if another such report were filed.

In early October 1999, opposer filed another report that the "parties have not concluded their settlement negotiations. . ." (emphasis opposer's). [\*3] As with opposer's two earlier reports regarding purported efforts to settle this case, this third report lists applicant's former address in the certificate of service. Again, applicant's in-house counsel was contacted by phone to determine whether he had received the service copy. n2 After counsel denied receipt of the service copy and denied the existence of settlement negotiations, the Board issued the order to show cause.

n2 Opposer complains that the Board contacted applicant to inquire about its receipt of service copies of opposer's filings but the Board did not contact opposer to confirm opposer's receipt of the warning order. Opposer's complaint is unfounded.

The Board would not have had to contact applicant had opposer used a proper address when forwarding service copies of its filings; opposer's use of an improper address for applicant dictated that applicant be contacted. In contrast, no copy of any order sent by the Board to opposer has been returned as undeliverable and the orders have, in each instance, been sent to the address of record for opposer. In short, there is nothing in the record to suggest that opposer should have been contacted at any time.

Opposer's [\*4] president, Leo Stoller, responded by denying receipt of the warning order and by asserting that the Board's order to show cause resulted from (1) the Board's misunderstanding as to opposer's change of address, and (2) opposer's not learning of applicant's change of address until November 16, 1999. Mr. Stoller's explanation is unbelievable. More importantly, even if it were believable, it fails to explain his lack of candor in reporting non-existent settlement negotiations.

In regard to the Board's knowledge of opposer's address, the Board took note of the change when opposer made its March 1998 report regarding settlement. n3 Both the warning order and the order to show cause were sent to opposer's new address; neither was returned as undeliverable. Thus, the Board has not suffered from any misunderstanding as to opposer's address and has never mailed any order in this case to an out of date address for opposer.

n3 The March 1998 filing was made some eleven months after opposer apparently changed its address. Opposer did not file a change of address at the time its address changed. Indeed, opposer did not even note, in its March, 1998 filing, that its address had changed. Nonetheless, an alert Board legal assistant noted that the address on the March, 1998 filing was different from opposer's original address.

[\*5]

In regard to opposer's claimed lack of knowledge of applicant's address, Mr. Stoller should have been aware, before November 16, 1999, that applicant had changed its address. Since he denies awareness, Mr. Stoller's explanation of events requires the Board to accept the following:

1. that opposer did not receive its service copy of applicant's change of address, which was forwarded to opposer's correct address by certified mail; *and, either*
2. that opposer's settlement proposal and the service copies of all three of his filings regarding purported efforts to settle this case were lost or mishandled by the Postal Service n4, *or*
3. that the Postal Service somehow delivered each of these items to applicant, despite opposer's use of an address that was out of date by more than a year before even the first item purportedly was mailed, and that applicant's counsel lied to the Board each time he denied receipt of any of the service copies.

n4 If even one of these items was returned to opposer as undeliverable, then Mr. Stoller's claim that he was not aware of applicant's change of address until November 16, 1999 is untenable.

This is not the first case [\*6] before the Board in which Mr. Stoller has blamed the Postal Service for one or more of his ills. Nor is it the first case in which an adversary has reported not receiving service copies which Mr. Stoller has declared sent. Nor is it the first case in which Mr. Stoller's reports regarding the existence of settlement negotiations have been denied.

The Board cannot accept that each of four items mailed by Mr. Stoller to applicant was lost or mishandled by the Postal Service. Thus, the question becomes whether Mr. Stoller or applicant's counsel is more credible.

The lack of credibility of Mr. Stoller is a matter of public record. *See, e.g., S Industries, Inc. v. JI. Audio, Inc. et al.*, 29 F.Supp.2d 878 (N.D. Ill. 1998) (court found Mr. Stoller's "Sales Report does not include the indicia of trustworthiness traditionally required for admissibility of a hearsay statement."); *S Industries, Inc. v. Diamond Multimedia Sys-*

*tems, Inc., et al.*, 17 F.Supp.2d 775 (N.D. Ill. 1998) (S Industries and its counsel held to have filed frivolous claims and to have deliberately thwarted defendants' attempt to serve a deposition subpoena); [\*7] *S Industries, Inc. v. Stone Age Equipment, Inc., d/b/a Five Ten, et al.*, 12 F.Supp.2d 796 (N.D. Ill. 1998) (S Industries found to have made "frequent misrepresentations of the evidence"; court also found defendants' argument that S Industries and Mr. Stoller fabricated evidence persuasive and found Mr. Stoller's explanation of the creation of the evidence "convoluted" n5; the court labeled Mr. Stoller's deposition testimony "internally inconsistent, flatly contradicted by documentary and physical evidence, and uncorroborated"; finally, the court noted S Industries' attempt to paint its own allegations in another case as the factual finding of a court and held attempt "nothing short of dishonest"); *S Industries, Inc. v. Hobbico, Inc.*, 940 F.Supp. 210 (N.D. Ill. 1996) (court found S Industries' complaint to contain apparent misleading allegations); *S Industries, Inc. v. Lamb-Weston, Inc.*, 45 USPQ2d 1293 (TTAB 1997) (Board found certificate of mailing signed by Mr. Stoller fraudulent).

n5 Court stopped short of making explicit finding of fabrication, because of forensic document expert's inability to conclusively date presumptively fabricated document.

[\*8]

In short, the Board finds both Mr. Stoller's reported unawareness of applicant's correct address and his claim of non-receipt of the warning order utterly lacking in credibility. Equally lacking in credibility, and *even more troubling*, are Mr. Stoller's reports that the parties have been involved in settlement negotiations.

Even if Mr. Stoller's initial report that he forwarded a settlement proposal to applicant is accepted, his response to the order to show cause reveals that there have been no subsequent contacts between the parties during the 21 months since tender of the proposal. Under these circumstances, for Mr. Stoller to report the existence of settlement *negotiations* is fraudulent. In the context used by Mr. Stoller, the term unequivocally means that the parties are dealing with each other, bargaining, or involved in some bilateral activity designed to further the possibility of settlement. Since Mr. Stoller has not engaged in such conduct, his reports of settlement negotiations are patently false.

Making false reports to the Board is sanctionable. The Board is not required to warn against continuation of sanctionable conduct before issuing an order to show [\*9] cause under Federal Rule 11. Thus, even if the Board found Mr. Stoller's denial of receipt of the warning order credible, non-receipt would not excuse his conduct. Before sanctioning a party under Rule 11, the Board is required to issue an order to show cause and entertain a response. This has been done. The response, as noted, is lacking. Determination of the appropriate sanction is next.

One of the predominant purposes for entering a Rule 11 sanction is to deter further wrongdoing; but the Board may also consider measures that may be punitive in nature. *See* Wright & Miller, *Federal Practice and Procedure: Civil* 2d § 1336 (1990). The Board has inherent discretion to tailor sanctions to the violations and may consider any appropriate measure designed to serve these purposes. *Id.*; *See also, Electronic Industries Association v. Potega*, 50 USPQ2d 1773 (TTAB 1999); and authorities discussed in Alan S. Cooper, *Managing the Board's Increasing Workload: The Creative Use of Sanctions*, 88 Trademark Rep. 43 (1998).

Opposer's claims in this case appear as frivolous as those raised in other cases. *See, e.g., S Industries, Inc. v. JL Audio, Inc. et al. supra* [\*10] ("Much about this case is troubling. Plaintiff's actions in this case and in the several other cases filed throughout this district raise doubts as to the good faith of Plaintiff and its counsel."); *S Industries, Inc. v. Diamond Multimedia Systems, Inc., et al. supra* ("To bring a cause of action based on evidence of this sort, and to require Defendants to defend such a claim, is not only oppressive, but also inappropriate, frivolous, and, sanctionable."); *S Industries, Inc. v. Diamond Multimedia Systems, Inc., et al.*, 991 F.Supp. 1012 (N.D. Ill. 1998) ("S Industries' claim of actual infringement of its registered marks, Count I, crosses the border of legal frivolousness, as its § 1114 claim utterly lacks merit on its face."); *S Industries, Inc. v. Stone Age Equipment, Inc., d/b/a Five Ten, et al. supra* (court found opposer engaged in "litigation lacking in merit and approaching harassment"); and, *S Industries, Inc. v. Hobbico, Inc., supra* (court found complaint to suffer from "disturbing deficiency" and apparent misleading allegations).

As noted in the Board's denial of opposer's [\*11] motion for summary judgment, opposer came forward with no evidence to support his claim of use or registration of opposer's mark for products remotely like those of applicant; and there is a substantial question whether opposer can in good faith argue, given the apparent lack of such evidence, that consumers are likely to be confused by the parties' concurrent use of their respective marks, SENTRA and SONICSENTRY. n6 Accordingly, part of the Board's sanction requires this case to be drawn to a conclusion as quickly

as possible. The other parts are designed to ensure that Mr. Stoller is aware of applicable rules; to halt the filing of improper motions by opposer; and to ensure that there are no further problems with forwarding of service copies to applicant.

n6 When there are obvious differences in the sight, sound and meaning of parties' marks, a plaintiff's burden to show relatedness of goods, classes of consumers and channels of trade is heightened. *Compare* authorities collected in J. McCarthy, *Trademarks and Unfair Competition*, § 23:20.1 (4th ed. 1996).

**It is ordered that:**

1. Mr. Stoller copy, by hand, sections 2.18, 2.20, 2.116, 2.119, 2.127, 10.1, 10.14, 10.18, [\*12] 10.20, 10.23, and 10.89 from Title 37 of the Code of Federal Regulations, and Rule 11 of the Federal Rules of Civil Procedure, to demonstrate that he has read them and, hopefully, to help him appreciate their applicability to this case. He must sign and date the handwritten transcription and file it with the Board.
2. Discovery is now closed in this case. Opposer is barred from further pre-trial motion practice and is required to either withdraw the opposition or go forward with trial. There will be no extensions or suspensions of opposer's testimony period, in the absence of applicant's consent.
3. If the parties agree to any extensions or suspensions, of any kind, for any reason, the Board must be informed by written stipulation signed by both parties.
4. In view of opposer's failure to properly serve applicant with service copies of opposer's earlier filings, opposer is directed to serve any subsequent filing regarding this case on applicant prior to forwarding the paper to the Board. Applicant is directed to provide opposer with written confirmation of receipt. Opposer is further directed to include the original of applicant's confirmation when opposer makes its [\*13] filing with the Board. The Board will not consider any filing by opposer filed without written confirmation by applicant of prior receipt of a service copy.

All that remains to be decided is opposer's request, tucked into the closing sentence of its response to the order to show cause, that all dates established by the July 16, 1999 order be reset. This request should have been the subject of a separate motion. n7 See Trademark Rule 2.127(a). In any event, for reasons already discussed, the request is denied. Discovery is closed; testimony dates remain as set.

n7 Applicant was not expected to respond to opposer's response to the Rule 11 order to show cause why opposer should not be sanctioned, for that is a matter between opposer and the Board. In contrast, applicant is entitled to be heard on any motion by opposer for resetting of dates. Opposer may be viewed as having tried to slip the motion past applicant.

Gerard F. Rogers

Administrative Trademark

Judge, Trademark Trial and Appeal Board

**Exhibit**

**R-10**



LEXSEE 61 USPQ 2D 1210

Central Mfg. Inc. v. Third Millenium Technology, Inc.

Opposition No. 115,931

Trademark Trial and Appeal Board

2001 TTAB LEXIS 836; 61 U.S.P.Q.2D (BNA) 1210

December 7, 2001, Decided

[\*1]

Before Cissel, Quinn, and Rogers, Administrative Trademark Judges.

#### **OPINION:**

#### **THIS OPINION IS CITABLE AS PRECEDENT OF THE T.T.A.B.**

#### **By the Board.**

This case now comes up for consideration of applicant's March 20, 2000 motion to dismiss on the ground that opposer improperly obtained extensions of the opposition period and, therefore, the notice of opposition should not be considered timely filed. Opposer has not filed any response to applicant's motion to dismiss. Trademark Rule 2.127(a) provides that when a party fails to file a brief in response to a motion, the motion may be treated as conceded. Accordingly, in this case it is appropriate to treat applicant's motion to dismiss as conceded. However, insofar as the motion alleges that "opposer made material misrepresentations" to the Board when requesting extension of the opposition period, we also find it appropriate to consider the question whether opposer should be subjected to a sanction under Rule 11 of the Federal Rules of Civil Procedure and/or the Board's inherent authority. It is in regard to this latter consideration that we shall briefly review the history of this proceeding.

#### ***Procedural Background***

The involved [\*2] application was published for opposition on June 29, 1999. Opposer Central Mfg. Inc., a Delaware corporation acting through its president, Leo Stoller, filed four requests to extend its time to oppose the involved application. n1 In the motion to dismiss, applicant does not dispute the Board's approval of opposer's first two extension requests, which resulted in extension of the opposition period until October 27, 1999. Rather, applicant focuses on opposer's third and fourth extension requests.

n1 Application Serial No. 74/492,793. Opposer's requests to extend time to oppose were filed on July 20, 1999; July 26, 1999; August 3, 1999; and November 15, 1999.

The Board approved the third and fourth extension requests in accordance with Trademark Rule 2.102(c), because opposer stated in the caption of each request that applicant "agreed" to the proposed extension of time and because opposer affirmatively represented in each request that the parties were engaged in settlement discussions. n2

n2 On September 1, 1999, the Board issued an action that expressly approved the third extension request, notified opposer that the Board would not extend the time for filing a notice of opposition for an inordinate period, allowed opposer until November 26, 1999 to file its notice of opposition, and indicated that opposer could file a further request to extend time if settlement had not concluded by that date. The fourth extension request,

filed within the time permitted by the Board's September 1, 1999 action, was separately granted by the Board on November 18, 1999, and extended the deadline for opposition until February 24, 2000.

[\*3]

On January 6, 2000, opposer Central Mfg. Inc. filed its notice of opposition to the registration of applicant's mark, which commenced this proceeding within the extended opposition period. Consequently, the Board issued an order, on February 7, 2000, formally instituting this opposition and naming Central Mfg. Inc. as the opposer [plaintiff].

Presumably before applicant received its copies of the Board's institution order and the notice of opposition, applicant on February 22, 2000 filed a request that the Board refuse to grant any further extensions of time to oppose. n3 In this request, applicant contends that:

"... the assertions concerning settlement negotiations made by the potential opposer have no basis in fact, and appear to be made solely for the purpose of delaying registration of applicant's mark.

In fact, there are no negotiations of any kind or discussions between the applicant herein and the potential opposer, Central Mfg. [sic]; to the contrary, the applicant has refused and continues to refuse to enter into any negotiations or discussions with the potential opposer."

n3 Because applicant's February 22, 2000 filing does not include proof of service of a copy thereof on opposer, a copy is forwarded to opposer with its copy of this order.

[\*4]

Inasmuch as opposer filed its last extension request on November 15, 1999, the February 22, 2000 request to deny additional extensions of time to oppose is moot. n4

n4 Had applicant promptly filed written objections, the Board might have been able to consider such objections prior to institution of this proceeding. See TBMP § § 210 and 211.01.

On January 31, 2000, opposer's president filed a proposed amended notice of opposition in his own name, specifically listing "Leo Stoller dba Central Mfg." as opposer. Because it was not associated with the Board's file for this proceeding until after issuance of the institution order, the proposed pleading was not previously considered. The proposed amended notice of opposition is nearly identical to the original notice of opposition and appears to be nothing more than an attempt to substitute "Leo Stoller dba Central Mfg." for "Central Mfg. Inc." as party plaintiff herein. Therefore, the "amended" notice is, in essence, a motion to substitute. The motion is moot, however, because we are dismissing this proceeding. n5

n5 Also moot is applicant's request for issuance of an expedited registration. Moreover, since applicant's application is based on the intent-to-use provisions of the Lanham Act, a Notice of Allowance, not a registration, will issue in due course, following dismissal of this proceeding.

[\*5]

#### *Opposer's Alleged Misconduct*

We now turn to the specific allegations regarding opposer's conduct made in applicant's motion to dismiss and/or the accompanying affidavit of applicant's vice president of finance, James Busby. Applicant maintains that opposer's third and fourth extension requests were based on false allegations and material misrepresentations of fact. Applicant rejects as untrue the representation made in opposer's third and fourth extension requests that applicant "agreed" to each, denies that the parties were ever engaged in bilateral settlement negotiations, and denies the allegation in each request that applicant invited opposer to proffer a settlement proposal. n6 Further, applicant asserts that, rather than engage in legitimate settlement negotiations, "opposer was engaged in delaying issuance of applicant's registration to force applicant to pay money to opposer in exchange for allowing applicant's registration to issue."

n6 To support these contentions, applicant relies on the Busby affidavit, with exhibits.

Applicant has shown that opposer sent three letters to applicant--two prior to opposer's filing of the notice of opposition and one shortly [\*6] thereafter--and applicant maintains that opposer, through these letters, attempted to coerce applicant into taking a license or abandoning applicant's application. Moreover, applicant contends that opposer's third letter contains a number of exaggerations, threatens that the opposition proceeding will be prolonged and costly, and threatens that applicant's business will be financially ruined if applicant does not capitulate. These letters, applicant contends, support applicant's assertion that the parties were not engaged in bilateral settlement negotiations. n7 Finally, applicant asserts that it did not respond to any of opposer's letters. Opposer, not having responded to the motion to dismiss, has not contested any of applicant's contentions.

n7 The letters are on opposer's letterhead, signed by "Leo Stoller, Agent."

Inasmuch as applicant has shown that it was not discussing settlement with opposer and did not agree to the proposed extensions, applicant has refuted the representations of fact made by opposer in its third and fourth requests to extend the opposition period. Thus, it is clear that these two extension requests were based on untruths and were filed in bad faith for [\*7] the improper purpose of obtaining a benefit from the Board to which opposer was not entitled.

Rule 11 of the Federal Rules of Civil Procedure states, in pertinent part, as follows:

**(b) Representations to Court.** By presenting to the court (whether by signing, filing, submitting, or later advocating) a pleading, written motion, or other paper, an attorney or unrepresented party is certifying that to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances,--

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

...

**(c) Sanctions.** If, after notice and a reasonable opportunity to respond, the court determines that subdivision (b) has been violated, the court may, subject to the conditions stated below, impose an appropriate sanction upon the . . . parties that have violated subdivision (b) or are responsible for the violation.

**(1) How Initiated. . .**

**(B) On Court's Initiative.** On its own initiative, the court may enter an order describing the specific conduct that appears to violate subdivision [\*8] (b) and directing [a] . . . party to show cause why it has not violated subdivision (b) with respect thereto.

The quoted provisions of Federal Rule 11 apply to pleadings, motions, and other papers filed in inter partes proceedings before the Board. See Trademark Rule 2.116(a) and authorities cited in TBMP § 529.01. Moreover, in considering whether the conduct of a party relating to the filing of a notice of opposition is sanctionable, either under Rule 11 or the Board's inherent authority, the Board will consider not only the notice of opposition itself, but also the requests to extend the time to oppose, which obviously affect the timeliness of the notice of opposition. n8

n8 The Supreme Court has held that bad faith is not limited to instances in which a complaint is filed in bad faith, but that conduct in the course of litigation may also constitute bad faith. *Hall v. Cole*, 412 U.S. 1, 15, 93 S.Ct. 1943, 36 L.Ed.2d 702 (1973).

When sanctionable conduct is found, although the Board does not impose monetary sanctions or award attorneys' fees or other expenses, n9 the Board has authority to enter other appropriate [\*9] sanctions, up to and including the entry of judgment. See Trademark Rule § 2.116(a) and authorities cited in TBMP § 529.01. If the Board finds that a party has violated Rule 11, the Board may impose an appropriate sanction. See Fed. R. Civ. P. 11, and *Giant Food, Inc. v. Standard Terry Mills, Inc.*, 231 USPQ 626 (TTAB 1986). Further, it is clear that Rule 11 does not displace the Board's inherent authority to sanction bad-faith conduct. See *Chambers v. NASCO, Inc.*, 501 U.S. 32, 111 S.Ct. 2123, 115 L.Ed.2d 27, rehearing denied, 501 U.S. 1269, 112 S.Ct. 12, 113 L.Ed.2d 1097 (1991). See also, *United States v. International Brotherhood of Teamsters*, 948 F.2d 1338, 1345 (2d Cir. 1991), citing *Chambers*, 501 U.S. at 49 (A court's inherent power to sanction those before it "stems from the very nature of courts and their need to be able to manage their own affairs so as to achieve the orderly and expeditious disposition of the cases.").

n9 See Trademark Rules 2.120(f), 2.120(g)(1), 2.120(h) and 2.127(f), and TBMP § 502.06.

[\*10]

One of the predominant purposes for entering a Rule 11 sanction is to deter further wrongdoing. See authorities collected in Wright & Miller, *Federal Practice and Procedure: Civil* 2d § 1336 (1990; 2001 supplement). The Board has discretion to tailor sanctions appropriate to the violations and may consider any measure designed to serve this purpose. *Id.*; See also, *Electronic Industries Association v. Potega*, 50 USPQ2d 1775 (TTAB 1999); and authorities discussed in Alan S. Cooper, *Managing the Board's Increasing Workload: The Creative Use of Sanctions*, 88 Trademark Rep. 43 (1998). These principles are equally applicable when the Board employs its inherent authority to sanction bad-faith conduct.

The authority to sanction a pro se party is manifestly clear, and the Supreme Court has held that the Rule 11 certification standard for a party is the same as that for an attorney. *Business Guides, Inc. v. Chromatic Communications Enterprises, Inc.*, 498 U.S. 533, 547, 111 S.Ct. 922, 112 L.Ed.2d 1140 (1991); see also, Patent and Trademark Rule 10.18(b). Moreover, [\*11] the drafters of Rule 11 clearly stated that any "sanction should be imposed on the persons--whether attorneys, law firms, or parties--who have violated the rule or who may be determined to be responsible for the violation." Fed. R. Civ. P. 11 advisory committee's note on 1993 revisions to subdivisions (b) and (c). See also, *Business Guides*, 498 U.S. at 546-47.

We held in *Pavelic & LeFlore* that Rule 11 contemplates sanctions against the particular individual who signs his or her name, not against the law firm of which that individual is a member, because "the purpose of Rule 11 as a whole is to bring home to the individual signer his personal, nondelegable responsibility . . . to validate the truth and legal reasonableness of the papers filed." 493 U.S. at 126. This is entirely consistent with our decision here that a represented party who signs his or her name bears a personal, nondelegable responsibility to certify the truth and reasonableness of the document.

The Supreme Court, however, did not squarely address the question whether, when an officer of a corporation signs a paper on behalf [\*12] of the corporation, both the corporate party and the individual officer that signs the document may be held jointly or severally liable for any violation of Rule 11. See *Business Guides*, 498 U.S. at 547-48, wherein the dissent criticized the majority for treating the signature of the president of a corporation as made by the party rather than the individual; the majority pointed out that question was not raised in the proceeding below.

At least one court has held that, under Rule 11, an individual who is not himself a party but signs a document as an officer of a corporation cannot himself be held liable, because Rule 11 applies only to parties and attorneys of record, and that such a proposition does not run counter to *Business Guides*. See *Leventhal v. New Valley Corp.*, 148 F.R.D. 109, 112 (S.D.N.Y. 1993).

The *Leventhal* court's distinction regarding Rule 11 does not, however, mean that an individual officer of a corporate party can avoid any personal liability for deliberate misrepresentations. The *Leventhal* court recognized the Supreme Court's reaffirmation of the inherent power [\*13] to sanction bad-faith conduct:

The Supreme Court has recently said that the trial court's inherent power to impose sanctions for bad-faith conduct is 'broader and narrower than other means of imposing sanctions,' and 'must continue to exist to fill the interstices.' *Chambers v. NASCO* [citations omitted].

*Leventhal*, 148 F.R.D. at 111.

In *Chambers*, the Supreme Court also stated:

There is . . . nothing in the other sanctioning mechanisms or prior cases interpreting them that warrants a conclusion that a federal court may not, as a matter of law, resort to its inherent power to impose attorney's fees as a sanction for bad-faith conduct. This is plainly the case where the conduct at issue is not covered by one of the sanctioning provisions. . . . If in the informed discretion of the court, neither the statute nor the Rules are up to the task, the court may safely rely on its inherent power.

*Chambers*, 501 U.S. at 50.

In this case, Leo Stoller, as the only individual to sign any paper on behalf of opposer Central Mfg. Inc., is solely responsible for the misrepresentations included [\*14] in the requests to extend the opposition period. While it is unclear under *Business Guides* whether Leo Stoller, as an individual, is subject to sanction under Rule 11, we need not decide the question. It is clear that he is subject to sanction under the Board's inherent authority to sanction bad-faith conduct.

By signing and filing the August 3, 1999 and November 15, 1999 extension requests for opposer, with their included misrepresentations, Leo Stoller acted in bad faith and for improper purposes, i.e., to obtain additional time to harass applicant, to obtain unwarranted extensions of the opposition period, and to waste resources of applicant and the Board. Furthermore, we note that this Board has previously sanctioned another corporation headed by Leo Stoller for precisely this type of conduct, i.e., for making misrepresentations regarding the existence of settlement negotiations between one of his corporations and an applicant. n10 See *S Industries, Inc. v. S & W Sign Company, Inc. d/b/a Westview Instruments* (Opposition No. 102,907, Dec. 16, 1999). See also, *S. Industries Inc. v. Lamb-Weston Inc.*, 45 USPQ2d 1293 (TTAB 1997), wherein petitioner's [\*15] certificate of mailing on a motion to extend was found to be fraudulent. The Board cannot ignore its past experience with Leo Stoller and considers the bad-faith actions taken in this case against that backdrop. See *In re Iel Securities Litigation*, 596 F.Supp. 226, 235 (D.C.Cal. 1984), affirmed 791 F.2d 672 (9th Cir. 1986) (District court considered offending counsel's "history in this type of litigation"). See also, *U.S. v. Barker*, 182 F.R.D. 661 (D.C.Ga. 1998).

n10 Leo Stoller and his various corporations are regularly before the Board and courts. See *S Industries Inc. v. Lamb-Weston, Inc.*, 45 USPQ2d 1293 (TTAB 1997) (petitioner's motion to extend based on report that its president, i.e., Leo Stoller, was involved in numerous other proceedings before the Board). See also *S Industries, Inc. v. Hobbico, Inc.*, 940 F. Supp. 210 (N.D.Ill. 1996) ("S Industries, Inc. ('S') appears to have entered into a new industry - that of instituting federal litigation. . . . And this court has had occasion to note a proliferation of other actions brought by S. . .").

[\*16]

One district court, in explaining why it would, upon submission of any further improper filings, sanction an individual appearing without counsel, stated that a court's "opinions cannot only be perceived as decisions adjudicating legal problems but must also be recognized as instructive orders, that, if followed, will assist a party in future situations. A parent does not necessarily mediate arguments between his or her young children to simply quell them, but also to teach the children in the hope that they will gain a life lesson." *Mponnas v. U.S.*, 28 F.Supp.2d 856, 860-61 (S.D.N.Y. 1998). The *Mponnas* court also noted that the petitioner had not benefited from the instruction the court had provided in prior opinions, noted that pro se litigants have a greater capacity than others to disrupt the fair allocation of judicial resources, and observed that the court could utilize its "inherent powers to protect its jurisdiction from such vexatious conduct." *Mponnas*, 28 F.Supp.2d at 861.

We find that Leo Stoller has, in this case, twice filed papers based on false statements and material misrepresentations and, moreover, [\*17] that he has engaged in a pattern of submitting such filings to this Board. We are not optimistic that Leo Stoller can be discouraged from submitting further bad-faith filings unless we impose a sanction. Regardless of whether Leo Stoller can be sanctioned under Rule 11, this is precisely the type of situation in which the exercise of inherent authority to sanction is appropriate. *Chambers*, 501 U.S. at 50.

Accordingly, we find it appropriate to sanction Leo Stoller under the Board's inherent authority. So as to tailor the sanction to the type of bad-faith conduct evidenced in this case, the sanction we impose is related to the filing of requests to extend the time to oppose a mark in a published application. Leo Stoller is hereby required, for any request for an extension of an opposition period in which it is alleged that the requested extension is on consent or has been agreed to or in which there is any allegation of any type of settlement discussion, to include written agreement from the applicant to the truth of the allegation. Such agreement shall be evidenced by the signature of the relevant applicant or, if represented, [\*18] of its counsel. "The Supreme Court and numerous courts of appeals have recognized that courts may resort to restrictive measures that except from normally available procedures litigants who have abused their litigation opportunities." *In re Martin-Trigona*, 9 F.3d 226, 228 (2d Cir. 1993). The sanction applies whenever Leo Stoller signs a covered extension request n11, whether on his own behalf or as officer of one of his corporations. The sanction is effective for one year from the date of this order.

n11 Any such extension request that does not include an allegation that it is on consent or has been agreed to or does not include a report of settlement negotiations would not be covered by this order. However, any extension request that does include any one of these allegations is a covered request, and is subject to this order, regardless of whether it is the first or a subsequent request. In other words, it is the content of the request and not the time of filing that makes it subject to the sanction.

As noted at the outset of this order, applicant's motion to dismiss is granted as conceded and the opposition is dismissed with prejudice. The application, [\*19] based on the intent-to-use provisions of the Trademark Act, shall be released for further appropriate processing and a Notice of Allowance shall issue in due course.