

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18



UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

| | | |
|---|---|---|
| GIBSON BRANDS INC., a Delaware corporation, |) | Case No. CV 12-10870 DDP (AJWx) |
| |) | |
| Plaintiff, |) | ORDER DENYING PLAINTIFF'S MOTION FOR SANCTIONS |
| |) | |
| v. |) | [Dkt. No. 88] |
| |) | |
| VIACOM INTERNATIONAL INC., Delaware corporation; JOHN HORNBY SKEWES & CO., LTD., United Kingdom corporation, |) | |
| |) | |
| Defendants. |) | |
| |) | |
| _____ |) | |

19 Presently before the court is Plaintiff Gibson Brands, Inc.'s
20 ("Gibson") Motion for Sanctions Under the Court's Inherent Powers.
21 (Dkt. No. 88.) Having considered the parties' submissions, the
22 court denies Plaintiff's Motion.

23 The litigation history of this case is familiar to the parties
24 and set forth in this Court's prior Order granting Defendants'
25 Motion to Dismiss (Dkt. No. 70.) In brief, Plaintiff Gibson brought
26 suit against Defendant John Hornby Skewes & Co. Ltd.'s ("JHS")
27 alleging that JHS sold products in violation of Gibson's Flying V
28 trademarks. (First Amended Complaint ¶24.) In particular, Gibson's

1 complaint concerns the SpongeBob SquarePants Flying V Ukulele. (FAC
2 Ex. D, E.) Gibson also named as defendant Viacom International Inc.
3 (Viacom), a corporation that owns trademarks for SpongeBob
4 Squarepants. This Court dismissed Gibson's claims against Viacom
5 for failure to state a claim upon which relief could be granted.
6 (Dkt. No. 36.) It later dismissed claims against JHS for lack of
7 subject matter jurisdiction under Rule 12(b)(1). Of particular
8 importance to the prior order was this Court's conclusion that,
9 because all allegedly infringing activity occurred outside of the
10 United States, the weight of the evidence counseled against
11 exercising extraterritorial jurisdiction under the Lanham Act.

12 On appeal, the Ninth Circuit reversed in part and remanded the
13 case to the district court to determine whether Gibson's complaint
14 survives under Rule 12(b)(6). Gibson Brands, Inc. v. Viacom Int'l,
15 Inc., No. 13-57050, 2016 WL 685026 (9th Cir. Feb. 19, 2016). JHS
16 then filed a new Motion to Dismiss at the direction of this court.
17 (Dkt. Nos. 82 & 83.) In its Opposition to the Motion to Dismiss,
18 Gibson drew the court's attention to newly uncovered evidence that
19 it believes would have altered the course of earlier proceedings
20 and proves JHS made material misrepresentations to the court. (Dkt.
21 No. 84.) JHS then withdrew its Motion to Dismiss. (Dkt. No. 85.)
22 Gibson now files this Motion for Sanctions.

23 At the heart of Gibson's motion is a newly discovered
24 licensing agreement between JHS and MTV, a division of Viacom (the
25 "Canada License"). (Gibson's Motion for Sanctions 2.) In prior
26 proceedings, the parties and this Court focused primarily on a
27 separate licensing agreement between JHS and Viacom that authorized
28 JHS to use the SpongeBob trademark on musical instruments in a

1 number of jurisdictions across Europe, Asia, Africa, and South
2 America. (Declaration of Dennis Drumm ¶5.) As part of its earlier
3 decision, the court found: "JHS's license from Viacom to use the
4 SpongeBob trademark on ukuleles specifically excludes sales in the
5 United States, indicating an intent to avoid U.S. commerce." (Dkt.
6 No. 70 at 11-12.) However, this newly produced licensing agreement
7 between JHS and MTV states that JHS was also authorized to
8 distribute the ukulele in Canada. (Declaration of Brent Davis, Ex.
9 B, C.)

10 According to Gibson, JHS intentionally withheld this agreement
11 to obscure the fact that JHS had sold the allegedly infringing
12 product in North America. (Mot. 7-13.) Gibson also argues that
13 representatives of JHS made material misrepresentations to the
14 court in an effort to evade disclosure of the Canada License.
15 Specifically, it notes a statement by JHS's Managing Director that
16 "JHS marketed and offered the Ukulele for sale solely in the
17 Licensed Territory-principally in the United Kingdom and Europe,
18 and never in the United States." (Drumm Decl. ¶7.) After finding
19 the Canada License, Gibson has also identified a previously
20 undisclosed distributor, M.I.D.C., that JHS worked with to
21 distribute the ukuleles in North America. (Dkt. 84.) Gibson now
22 submits additional evidence related to M.I.D.C.'s marketing efforts
23 that it believes controverts JHS's previous assertion that it never
24 marketed the ukuleles in the United States. (Declaration of Kurt
25 Schuettinger, Exs. 5-12.) In particular, Gibson points to an
26 advertisement for the SpongeBob Ukulele placed in a trade
27 publication in 2008 contrary to Mr. Drumm's statement that the

28

1 SpongeBob Ukulele was not distributed until 2012. (Schuettinger
2 Decl., Ex. 9; Drum Decl. ¶8.)

3 In its opposition, JHS denies that it engaged in a conspiracy
4 to withhold evidence or make material misrepresentations to the
5 court. (JHS's Opposition to Plaintiff's Motion for Sanctions 1.) It
6 notes that counsel for JHS first learned of the existence of
7 M.I.D.C. when Gibson filed its opposition papers to the renewed
8 Motion to Dismiss. (Davis Decl. ¶15.) JHS also explained that it
9 believed the licensing agreement with Viacom, the other named
10 defendant, was the relevant licensing agreement and that there was
11 no bad faith effort to hide the Canada License from the court.
12 (Opp. 11.) Finally, JHS argues that existence of the Canada License
13 is immaterial because it does not affect JHS's central claim that
14 it never marketed or sold the SpongeBob Ukulele in the United
15 States. (Id.)

16 This Court has inherent authority to "fashion an appropriate
17 sanction for conduct which abuses the judicial process." Chambers
18 v. NASCO, Inc., 501 U.S. 32 at 44-45 (1991). "Before awarding
19 sanctions under its inherent powers, however, the court must make
20 an explicit finding that [the] conduct 'constituted or was
21 tantamount to bad faith.'" Primus Auto. Fin. Servs., Inc. V.
22 Batarse, 115 F.3d 644, 648 (9th Cir. 1997) (quoting Roadway Exp.,
23 Inc. v. Piper, 447 U.S. 752, 767 (1980)).

24 Based on the facts before it, this Court cannot conclude that
25 JHS's actions rise to the level of bad faith. The court
26 acknowledges, and indeed shares, some of Gibson's concerns
27 regarding the newly discovered evidence. In particular, the failure
28 to disclose a related licensing agreement—whether or not it altered

1 JHS's defense that it did not sell the allegedly infringing
2 products in the United States-or to ensure the accuracy of dates in
3 a sworn declaration is of concern. The court also acknowledges,
4 however, counsel for JHS's explanation that they were not aware of
5 these facts prior to Gibson's most recent filings. While sanctions
6 are not merited at this time, the court expects full compliance
7 with discovery obligations. The court also notes that, without
8 prejudging admissibility in this case, parties may be able to refer
9 to and argue about alleged discovery abuses as such abuses may be
10 relevant to credibility or other issues in the trial.

11

12 IT IS SO ORDERED.

13

14

15 Dated: June 21, 2016



16

DEAN D. PREGERSON
United States District Judge

17

18

19

20

21

22

23

24

25

26

27

28