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UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

LIFESCAN, INC., et al.,
Plaintiffs,
v.
SHASTA TECHNOLOGIES, LLC, et al.,
Defendants.

Case No. 12-cv-06360-JST

**ORDER MODIFYING INJUNCTION;
DENYING MOTION TO STAY;
SETTING BOND; GRANTING
MOTIONS TO SEAL**

Re: ECF Nos. 99, 100, 104, 106

In this action for violations of the Lanham Act and related claims, Defendants move under Federal Rule of Civil Procedure 62(c) for a stay of the preliminary injunction that the Court issued on May 21, 2013. For the reasons set forth below, the motion to stay the injunction is DENIED. Additionally, Plaintiffs' request to modify the injunction to permit Defendants to use their logos and trade dress in ways that fall within the scope of the nominative fair use doctrine, as described below, is GRANTED. The modified injunction will become effective when Plaintiffs post a bond in the amount of \$3,681,776.

I. BACKGROUND

Plaintiffs Johnson & Johnson and LifeScan, a subsidiary of Johnson & Johnson, bring this action for violations of the Lanham Act and California's Business and Professions Code against Defendants Shasta Technologies, Decision Diagnostics, PharmaTech Solutions, and Conductive Technologies. The gravamen of the complaint is that Defendants' unauthorized use of Plaintiffs' logos and trade dress on the packaging and advertisements for Defendants' GenStrip creates the impression that LifeScan endorses or sponsors that product.

On May 21, 2013, the Court granted Plaintiffs' motion for a preliminary injunction barring Defendants from (1) using any image of Plaintiffs' OneTouch meters on the packaging, labels, or advertisements for the GenStrip, whether online or not; (2) using Plaintiffs' OneTouch logos or

1 stylized font on the packaging, labels, or advertisements for the GenStrip, whether online or not;
2 and (3) shipping to consumers the 60,000 GenStrip units that they have sold without first
3 removing the packaging containing Plaintiffs’ logos and trade dress (“the injunction”). ECF No.
4 94 at 21-22.

5 Defendants filed a notice of appeal on May 23, 2013. ECF No. 98. They now move to
6 stay the injunction pending the appeal. ECF No. 106.

7 II. LEGAL STANDARD

8 A district court may stay an injunction while an appeal from the order granting the
9 issuance of the injunction is pending. Fed. R. Civ. P. 62(c). The factors regulating the issuance of
10 a stay under Rule 62(c) are: “(1) whether the stay applicant has made a strong showing that he is
11 likely to succeed on the merits; (2) whether the applicant will be irreparably injured absent a stay;
12 (3) whether issuance of the stay will substantially injure the other parties interested in the
13 proceeding; and (4) where the public interest lies.” Hilton v. Braunskill, 481 U.S. 770, 776
14 (1987). “The first two factors of [this] standard are the most critical.” Nken v. Holder, 556 U.S.
15 418, 434 (2009).

16 “A stay is not a matter of right, even if irreparable injury might otherwise result. It is
17 instead an exercise of judicial discretion, and [t]he propriety of its issue is dependent upon the
18 circumstances of the particular case.” Id. at 420. “The party requesting a stay bears the burden of
19 showing that the circumstances justify an exercise of that discretion.” Id. at 433-34.

20 III. DISCUSSION

21 A. A Stay is Not Warranted

22 The Court concludes that a stay is not warranted. The four factors that the Court must
23 consider in determining whether a stay of the injunction is appropriate track the four factors that
24 the Court considered in granting the injunction. See Nken v. Holder, 556 U.S. 418, 434 (2009)
25 (noting that “[t]here is substantial overlap” between the factors relevant to the issuance of a stay
26 pending appeal and “the factors governing preliminary injunctions”). The Court therefore denies
27 Defendants’ motion for a stay pending appeal for the same reasons articulated in the order
28 granting the injunction and for the additional reason that Defendants will be adequately protected

1 from any injury resulting from the injunction by the bond that Plaintiffs are required to post, as
2 discussed below.

3 **B. The Preliminary Injunction Is Modified**

4 While an appeal from an order issuing an injunction is pending, a district court “may
5 suspend, modify, restore, or grant an injunction on terms for bond or other terms that secure the
6 opposing party’s rights.” Fed. R. Civ. P. 62(c).

7 Defendants contend that the injunction is not narrowly tailored because it bars them from
8 using Plaintiffs’ OneTouch logos and trade dress on the instruction manual for the GenStrip and
9 from otherwise instructing consumers on how to use the GenStrip. Mot. at 9-10, ECF No. 106. In
10 response to these contentions, Plaintiffs request that the Court modify the injunction to explicitly
11 permit the use of their logos or trade dress so long as any such use complies with the nominative
12 fair use test.

13 In light of these arguments, the Court modifies the injunction as follows:

- 14 1. Defendants shall not use any image of Plaintiffs’ OneTouch meters, or Plaintiffs’
15 OneTouch logos or stylized font, on the packaging or labels for the GenStrip. Defendants
16 may continue to use the current FDA-approved GenStrip package insert, which includes
17 images of the OneTouch UltraMini meter.
- 18 2. Defendants shall not use any image of Plaintiffs’ OneTouch meters, or use
19 Plaintiffs’ OneTouch logos or stylized font, in advertisements for the GenStrip, whether
20 online or not, except that Defendants may use images of Plaintiffs’ OneTouch Ultra, Ultra
21 II, and UltraMini meters in their advertisements if they: (i) use no more than is reasonably
22 necessary to demonstrate the correct manner of use of the GenStrip, and (ii) do nothing in
23 conjunction with the use that suggests sponsorship or endorsement by LifeScan or Johnson
24 & Johnson.
- 25 3. In any advertisement in which Defendants use any image of any OneTouch meter,
26 Defendants must include, immediately adjacent to the image of the meter (or part of a
27 meter), a prominent disclaimer of endorsement by or affiliation with LifeScan and Johnson
28 & Johnson. If the image is used in a print advertisement or on a web page, the disclaimer

1 must be clear and conspicuous and must be in the same type (with respect to size and
2 boldness) as is used generally in the advertisement. If the image is used in a television or
3 online video advertisement, Defendants must include both a clear, conspicuous text
4 disclaimer that is displayed for at least four seconds, and a voiceover in which the text of
5 the disclaimer is read at the same speed and volume as other speech in the advertisement.

6 4. Additionally, Defendants are enjoined from shipping to consumers the 60,000
7 GenStrip units that they have sold without first removing the packaging containing
8 Plaintiffs' logos and trade dress.

9 **C. Plaintiffs Must Post a Bond of \$3,681,776**

10 Federal Rule of Civil Procedure 65(c) requires a party in whose favor a preliminary
11 injunction is granted to post a bond to provide "for the payment of such costs and damages as may
12 be incurred or suffered by any party who is found to have been wrongfully enjoined or restrained."
13 Fed. R. Civ. P. 65(c). "Despite the seemingly mandatory language, Rule 65(c) invests the district
14 court with discretion as to the amount of security required, if any." Johnson v. Couturier, 572
15 F.3d 1067, 1086 (9th Cir. 2009) (citation and internal quotation marks omitted).

16 Here, Plaintiffs argue that a bond of \$650,000 would be sufficient to cover Defendants'
17 expenses in changing the packaging of the GenStrip and that, because Defendants are not barred
18 from selling the GenStrip, any bond amount need not include potential lost sales and lost profits.¹
19 ECF No. 100.

20 On the other hand, Defendants argue that a bond in the amount of \$3,681,776 is justified
21 because that amount would cover the expenses associated with changing the packaging and
22 advertisements at issue in addition to covering potential lost profits of 20% from June 2013 to
23 May 2014.² ECF No. 103.

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27 ¹ Plaintiffs move to file under seal portions of their motion for a bond and Exhibits 4, 5, and 6 of
28 the declaration of Catherine Williams. ECF No. 99. Because the material that Plaintiffs seek to
seal contains highly confidential business information, the motion is GRANTED.

² No trial date has been set in this case. Defendants estimate that trial will be set for May 2014.

