

UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

SOARING HELMET CORPORATION, a
Washington corporation,

Plaintiff,

v.

NANAL, INC., d/b/a LEATHERUP.COM, a
Nevada corporation,

Defendant.

No. C09-0789-JLR

PLAINTIFF'S RESPONSE TO
DEFENDANT'S MOTION FOR
SUMMARY JUDGMENT

I. INTRODUCTION

Defendant not only blatantly incorporated Soaring Helmet's VEGA® trademark into an egregiously false advertisement for motorcycle helmets, it also sold leather jackets which infringed on that same trademark. Defendant has not shown it is entitled to judgment as a matter of law, nor has it met its burden of showing no genuinely disputed issues of material fact. In fact, Soaring Helmet has introduced probative evidence of numerous disputed issues of fact, including Defendant's intent in using the mark, the relatedness of the parties'

1 products and marketing channels, and the evidence of actual confusion. Thus, the Court
2 should deny Defendant's Motion for Summary Judgment.

3 II. EVIDENCE RELIED UPON

4 Soaring Helmet relies on the Declarations of Jeanne DeMund, Claudia Mallard,
5 Wayne Layman, Stacie Foster, Joy Loga, and Heather Morado, the respective exhibits
6 thereto, and the pleadings submitted herein.

7 III. STATEMENT OF FACTS

8 Since 1994, Plaintiff Soaring Helmet Corporation ("Soaring Helmet") has used the
9 trademark VEGA in connection with the marketing and sale of motorcycle helmets and
10 related motorcycle gear. See Declaration of Jeanne DeMund ("DeMund Dec."), ¶ 4. Soaring
11 Helmet owns federally registered trademarks for VEGA (Registration No. 2087637) for
12 "motorcycle helmets" and VEGA TECHNICAL GEAR (Registration No. 3639490) for
13 "motorcycle helmets and protective clothing." DeMund Dec., ¶¶ 4, 5. In addition to
14 motorcycle helmets, Soaring Helmet also sells a variety of motorcycle-related apparel and
15 accessories, such as motorcycle jackets, vests, pants, boots, goggles, chest protectors, gear
16 bags, and head wraps. DeMund Dec., ¶ 3.

17 Soaring Helmet sells exclusively through authorized distributors of its products.
18 DeMund Dec., ¶ 7. Soaring Helmet only sells through legitimate, reputable retailers.
19 Potential dealers are required to provide proof of legitimacy including copies of their
20 business licenses, sales tax permits, business telephone listing information, as well as photos
21 of their store interior and exterior. *Id.* Prospective dealers are screened carefully, either
22 through on-site sales calls by sales representatives, or by independent confirmation of store
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1 location via internet mapping and satellite photo technology, specifically, Google Earth.
2 DeMund Dec., ¶ 11. Soaring Helmet rejects applications from dealers that cannot confirm to
3 its satisfaction that they meet the criteria. *Id.*

4 While Soaring Helmet's distributors may have an online presence, they must also
5 operate a brick-and-mortar store in order carry VEGA® products. DeMund Dec., ¶ 11.
6 Soaring Helmet refuses to associate with online-only dealers, as these retailers are viewed as
7 carrying brands of a lesser quality and prestige. DeMund Dec., ¶ 10. As a matter of
8 corporate policy, Soaring Helmet also requires its dealers to sell VEGA® products at no less
9 than Soaring Helmet's manufacturer's suggested retail price. DeMund Decl., ¶ 8. Soaring
10 Helmet terminates relationships with dealers who violate this policy by discounting VEGA®
11 products. *Id.*

12 Dealers in the motorcycle industry are very sensitive to discounting, particularly on
13 the internet. DeMund Dec., ¶ 13. VEGA's corporate policies were developed because
14 internet sales and particularly internet discounting is such a critical issue for these dealers.
15 *Id.* The motorcycle industry at the retail level is composed overwhelmingly of individually-
16 owned stores, or small chains with few outlets, who perceive internet discounting as harmful
17 to their interests. *Id.*, Declaration of Claudia Mallard ("Mallard Dec.") ¶¶ 5,6, Declaration of
18 Wayne Layman ("Layman Dec."), ¶ 5. Motorcycle industry retailers watch carefully for
19 unfair discounting, and brands that allow this are quickly tainted. DeMund Dec., ¶ 13.
20 Soaring Helmet has expended considerable effort in developing the favorable goodwill and
21 cachet of the VEGA® mark, and any perception that VEGA® products are offered at a deep-
22 discount severely tarnishes the reputation of Soaring Helmet. DeMund Dec., ¶ 15.
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1 **A. Defendant's initial infringement**

2 Defendant Nanal, Inc. ("Nanal") also sells motorcycle helmets and related apparel
3 and accessories. See Declaration of Heather M. Morado ("Morado Dec."), ¶ 2, Exh. A.
4 Nanal sells its products directly to consumers through its website, Leatherup.com. Morado
5 Dec., ¶ 3, Exh. B. The president of Nanal, Albert Bootesaz, also operates many other
6 companies, which he guesses to be as many as a "hundred." Morado Dec., ¶ 4, Exh. C.
7 Although Mr. Bootesaz is involved with such a large number of companies, he claims to not
8 know whether he is an officer in many of these companies, nor whether they have annual
9 meetings. Morado Dec., ¶ 5, Exh. D.

10 On September 1, 2008, Nanal purchased Soaring Helmet's VEGA® mark as an
11 advertising keyword from Google. Morado Dec., ¶ 6, Exh. E. Thus, when consumers
12 performed Google searches using the query "Vega helmets," an advertisement for Leatherup
13 appeared stating that it offered "50% off Vega helmets." The advertisement was facially and
14 literally false because Leatherup is not now and has never been a dealer of Soaring Helmet's
15 VEGA® products. DeMund Dec., ¶ 14.

16 Soaring Helmet learned of the false advertisement in April 2009, through two of its
17 sales representatives. DeMund Dec., ¶ 17. The representatives were rejected by a potential
18 large retailer, Holiday Powersports, because the owner of the store performed a Google
19 search of the query "Vega helmets" and wrongly believed that Soaring Helmet sold its
20 products to deep-discount online retailers, as the Leatherup ad falsely claimed. Mallard Dec.,
21 ¶ 16, Layman Dec., ¶ 13. The distributor refused to be associated with Soaring Helmet
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1 because of the “taint” of the putative online discounter, accusing Soaring Helmet of being a
2 “price whore”. Mallard Dec., ¶ 14.

3 After learning of the infringement, Soaring Helmet’s owner repeatedly tried
4 contacting Defendant, through phone calls and the internet “contact us” function of the
5 Leatherup website, but Defendant refused to respond. DeMund Dec., ¶¶ 17, 18. Defendant
6 finally stopped using the VEGA® mark in Google advertisements, but not before
7 Defendant’s infringing use of VEGA® triggered 40,209 advertisements for the Leatherup
8 website. Morado Dec., ¶ 7, Exh. F. The advertisements resulted in 2,457 clicks through to
9 the Leatherup website. *Id.* In other words, 40,209 potential VEGA® helmet purchasers,
10 *searching specifically for VEGA helmets*, viewed the false advertisement. Each viewer,
11 including the owner of Holiday Powersports, saw the false information that VEGA® helmets
12 were sold online, at a deep discount. Furthermore, 2,457 potential customers were intrigued
13 enough by the Google false advertisement to “click through” to the Leatherup website, lured
14 in by the false promise of cheap helmets, and possibly diverted to purchase other helmets.

15 Soaring Helmet filed suit on June 8, 2009. Soaring Helmet initially named the wrong
16 defendant, Bill Me, Inc., because the Leatherup website falsely stated in its terms and
17 conditions that Bill Me, Inc. owned Leatherup.com. Morado Dec., ¶ 8, Exh. G. After weeks
18 of further investigative research, Soaring Helmet discovered that Nanal, Inc. owned
19 Leatherup.com, and Soaring Helmet re-served its complaint accordingly. *Id.* Nanal refused
20 to answer Soaring Helmet’s complaint, and Soaring Helmet was forced to move for entry of
21 default judgment against Nanal, which was entered on October 2, 2009. The Court set aside
22 the default judgment on November 4, 2009.
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1 **B. Defendants' second infringement**

2 In approximately December 2009, during the pendency of this litigation, Soaring
3 Helmet discovered that the Leatherup.com website was offering motorcycle jackets for sale
4 under the designation, "XElement Extreme Vega." See DeMund Dec., ¶¶ 20, 21, 22.
5 Soaring Helmet discovered the infringement when one of its sales representatives received a
6 call from one of its top customers, inquiring as to whether Soaring Helmet was the
7 manufacturer of the jacket. See Declaration of Joy Loga, DeMund Dec., ¶¶ 20, 21. After
8 confirming that Nanal was the manufacturer of the XElement Vega jacket, Soaring Helmet
9 moved to amend its complaint to add trademark infringement claims related to Nanal's sale
10 of Vega-branded motorcycle jackets. The Court granted Soaring Helmet's request on May
11 11, 2010.

12 Defendant denies that it ever used the VEGA® mark in connection with motorcycle
13 jackets. Morado Dec., ¶ 9, Exh. H. In his deposition, Mr. Bootesaz claimed that the printout
14 from the Leatherup website showing the "XElement Extreme Vega" jacket was "doctored"
15 by "that Chinese guy in Seattle," - presumably a reference to Luo Xu, one of the owners of
16 Soaring Helmet. Morado Dec., ¶ 10, Exh. I. Defendant maintained this contention despite
17 the fact that to this day, the term "Vega" still appears in the Leatherup website URL for the
18 page offering the jacket for sale.¹ Morado Dec., ¶ 11, Exh. J. The XElement Extreme Vega
19 jacket also continues to be sold on other websites, such as eBay.com and Cobragear.com.
20 DeMund Dec., ¶ 23. Because Defendant denies that its website ever promoted the XElement

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23 ¹ (See <http://www.leatherup.com/p/Mens-Motorcycle-Jackets/Xelement-Extreme-Vega-Black-and-Gray-Tri-Tex%E2%84%A2-Fabric-Jacket-with-Breathable-3-Way-Lining-with-Level-3-Advanced-Armor/56912.html>)

1 Vega jacket, Defendant has not turned over sales information related exclusively to
2 XElement Extreme Vega jackets.

3 V. ARGUMENT AND AUTHORITY

4 A. Questions of fact prevent dismissal of plaintiff's trademark infringement claims.

5 Because of the intensely factual nature of trademark disputes, summary judgment is
6 generally disfavored in the trademark arena. *Interstellar Starship Services, Ltd. v. Epix, Inc.*,
7 184 F.3d 1107, 1109 (9th Cir. 1999), *cert. denied*, 528 U.S. 1155 (2000). To establish a claim
8 for trademark infringement under the Lanham Act, Soaring Helmet must show: 1) that it
9 owned a valid trademark; 2) Defendant used the mark in commerce without Soaring
10 Helmet's permission; 3) Defendant's use was "likely to cause confusion, or to cause mistake,
11 or to deceive as to the affiliation, connection, or association" of Soaring Helmet with
12 Defendant; and 4) that Soaring Helmet sustained damage as a result of the confusion. 15
13 U.S.C. § 1125(a)(1). Issues of fact remain as to all but the first element, making this case
14 inappropriate for summary judgment.²

15 1. **Nanal used Soaring Helmet's VEGA® mark both as an advertising keyword 16 and in connection with the marketing and sale of motorcycle jackets.**

17 a. Nanal used VEGA® as a Google advertising keyword.

18 Under the Lanham Act, "[A] mark shall be deemed to be in use in commerce...on
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20 For ease of reference, the following URL will immediately redirect to the above web page:
21 <http://tinyurl.com/27e9euh>.

22 ² It is undisputed that Soaring Helmet owns the valid trademark VEGA for "motorcycle helmets" and VEGA
23 TECHNICAL GEAR for "motorcycle helmets and protective clothing." Further, Soaring Helmet's VEGA
mark has become incontestable. Thus, the registration provides conclusive evidence of the validity of the
VEGA mark and of the Soaring Helmet's exclusive right to use the mark in connection with motorcycle
helmets. 15 U.S.C. § 1115(b).

1 services when it is used or displayed in the sale or advertising of services.” 15 U.S.C. §
2 1127. Defendant incorrectly states that there is a “split in authority” regarding whether the
3 purchase of a competitor’s trademark to trigger internet advertising constitutes a “use in
4 commerce” under the Lanham Act.³ To the contrary, Federal Courts have consistently held
5 that such use satisfies the “use in commerce” requirement under the plain meaning of the
6 Lanham Act. See *Playboy Enterprises, Inc. v. Netscape Communications Corp.*, 354 F.3d
7 1020 (9th Cir. 2004) (There was “no dispute” that defendant used plaintiff’s marks in
8 connection with keyed banner advertisements); *800-JR Cigar, Inc. v. GoTo.com, Inc.*, 437
9 F.Supp.2d 273, 285, 81 U.S.P.Q.2d 1939 (D.N.J. 2006) (“[B]y accepting bids from those
10 competitors of [Plaintiff] desiring to pay for prominence in search results...[Defendant] is
11 making trademark use of [Plaintiff’s] trademarks”). Defendant purchased Soaring Helmet’s
12 VEGA mark from Google’s AdWord program, and Google searches for the VEGA® mark
13 triggered advertisements for Leatherup on 40,209 occasions. Defendant clearly used Soaring
14 Helmet’s VEGA® mark in false advertisements.

15 b. Nanal used VEGA® in connection with motorcycle jackets.

16 Defendant contends that it did not make “trademark use” of VEGA® because it is “an
17 existing word separate and apart from Plaintiff’s trademark registration.” This argument is
18 specious. The fact that the term “Vega” is an existing word that has no intrinsic relation to
19 motorcycle helmets and protective gear means that the trademark VEGA® is an arbitrary and
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22 ³ Defendant cites to *Hearts on Fire Company, LLC v. Blue Nile, Inc.*, which stated that “the Second Circuit
23 stands alone in holding that the purchase of a competitor’s trademark to trigger internet advertising does not
constitute a use for purposes of the Lanham Act.” 603 F.Supp.2d 274, 281 (D. Mass. 2009). However, *Hearts
on Fire* was decided prior to the 2nd Circuit’s decision in *Rescuecom Corp. v. Google Inc.*, which held that
Google’s sale of trademarks as part of its advertising program satisfied the “use in commerce” requirement of

1 inherently strong mark. Trademarks are classified on a scale of increasing strength, as
2 generic, descriptive, suggestive, arbitrary or fanciful. See *Brookfield Communications, Inc.*
3 *v. W. Coast Entm't Corp.*, 174 F.3d 1036, 1067 (9th Cir. 1999). Arbitrary terms that have no
4 intrinsic connection to the product, such as VEGA®, are considered to be strong and
5 inherently distinctive marks. *Id.*

6 Further, Defendant fails to provide any evidence that shows how its argument that the
7 term “Vega” is a “star” in a “constellation” would make the word in any way descriptive of
8 motorcycle jackets. Finally, it is clear that the term “Vega” is used in a trademark sense to
9 distinguish the brand of the jacket while the descriptive terms “black and gray” modify the
10 word “jacket.” Thus, Defendant has failed to show that it used Soaring Helmet’s VEGA®
11 mark as a descriptive term, rather than as a trademark.

12 **2. Questions of fact prevent entry of summary judgment on the issue of**
13 **likelihood of confusion.**

14 The likelihood of confusion is an inherently factual determination, inappropriate for
15 summary judgment. *Levi Strauss & Co. v. Blue Bell, Inc.*, 778 F.2d 1352, 1356 n. 5 (9th Cir.
16 1985). Careful assessment of the likelihood of confusion factors usually requires a full
17 record. *Thane Intern., Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 901-02 (9th Cir. 2002). In
18 determining whether a likelihood of confusion exists, courts consider the following factors:
19 (1) the strength of plaintiff’s mark; (2) the similarity of the marks; (3) the proximity or
20 relatedness of the goods or services; (4) defendant’s intent in selecting its mark; (5) evidence
21 of actual confusion; (6) the marketing channels used; (7) the likelihood of expansion into
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23 the Lanham Act. 562 F.3d 123, 129 (2nd Cir. 2009). Thus, there is no support for the contention that a “split of
authority” currently exists among the Circuit Courts.

1 other markets; and (8) the degree of care purchasers are likely to exercise. *AMF Inc. v.*
2 *Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir.1979).

3 (1) The strength of plaintiff's mark: The strength of a trademark is evaluated in terms
4 of both its conceptual strength and commercial strength. *GoTo.com, Inc. v. Walt Disney Co.*,
5 202 F.3d 1199, 1207 (9th Cir. 2000). Conceptually, VEGA® is an arbitrary and inherently
6 distinctive mark. Commercially, Soaring Helmet's VEGA® mark is also extremely strong,
7 as shown by Soaring Helmet's continuous use of the mark since 1994 and advertising
8 expenditures of over \$600,000. DeMund Dec., ¶ 24.

9 (2) The similarity of the marks: The similarity of the marks is "a critical question in
10 the likelihood-of-confusion analysis. *eAcceleration Corp. v. Trend Micro, Inc.*, 408
11 F.Supp.2d 1110, 1117 (W.D. Wash 2006). Where, as here, the products are competitive, a
12 smaller degree of similarity is required. *Nautilus Group v. ICON Health and Fitness*, 372
13 F.3d 1330, 1335 (Fed Cir. 2004).

14 Nanal's use of VEGA® as a Google advertising keyword is identical to Soaring
15 Helmet's VEGA® mark, as Defendant admits in its motion. See Defendant's Motion for
16 Summary Judgment, p. 12, lines 25-26. Further, Nanal has incorporated the VEGA® mark
17 in its entirety into the designation, "XElement Extreme Vega." Nanal's addition of its mark
18 "XElement" prior to the term "Vega" in connection with motorcycle jackets does not prevent
19 a likelihood of confusion. To the contrary, Nanal's use of its own mark combined with
20 Soaring Helmet's mark increases confusion because it links "XElement" with "Vega," falsely
21 suggesting that Soaring Helmet licensed its mark to Nanal. See *Banff, Ltd. v. Federated*
22 *Dep't Stores*, 638 F.Supp. 652, 656, 231 U.S.P.Q. 55 (S.D.N.Y. 1986), *aff'd in part and*
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1 rev'd in part, remanded, 841 F.2d 486, 6 U.S.P.Q.2d 1187 (2nd Cir. 1988) (defendant's use of
2 its company name does not generally excuse infringement and might even increase confusion
3 by linking defendant's mark to plaintiff's goodwill, since consumers might think that there
4 was a licensing agreement between the parties); *International Kennel Club, Inc., v. Mighty*
5 *Star, Inc.*, 846 F.2d 1079, 1088 6 U.S.P.Q.2d 1977 (7th Cir. 1988) (argument that addition of
6 defendant's mark prevents likely confusion is a "smoke screen" and a "poor excuse" for
7 blatant infringement because customers are likely to think that the plaintiff had licensed,
8 approved or otherwise authorized the defendant's use of the mark). At a minimum, the
9 degree of similarity of the marks presents an issue of fact that is inappropriate for disposition
10 on summary judgment.

11 (3) The proximity or relatedness of the goods or services: Related goods are
12 generally more likely than unrelated goods to confuse the public as to the producers of the
13 goods. *Brookfield*, 174 F.3d at 1056. If virtually identical marks are used with identical
14 products and services, then likelihood of confusion generally follows as a matter of course.
15 *Id.*, citing *Lindy Pen Co. v. Bic Pen Corp.*, 796 F.2d 254, 256-57 (9th Cir. 1986).

16 Soaring Helmet and Nanal are direct competitors, as both parties sell motorcycle
17 helmets, jackets, and related motorcycle gear. Although Defendant asserts that "motorcycle
18 helmets and motorcycle jackets are not the same products," this does not relieve Defendant
19 from liability, as Soaring Helmet is not required to show the products are identical, only that
20 they are related. Further, Soaring Helmet's trademark registration for VEGA TECHNICAL
21 GEAR® includes "protective clothing," which encompasses motorcycle jackets. In any case,
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1 the issue of whether the goods are related is a factual determination that prevents entry of
2 summary judgment.

3 (4) Defendant's intent in selecting its mark: Wrongful intent is not a prerequisite to a
4 finding of likelihood of confusion. *Fleischmann Distilling Corp. v. Maier Brewing Co.*, 314
5 F.2d 149, 157-58 (9th Cir. 1963). Even if defendant disclaims knowledge of plaintiff's mark
6 as 'of the time of defendants' initial adoption, such lack of knowledge may be rejected as
7 unlikely if plaintiff's mark was well-known and strong. See *Kiki Undies Corp. v. Promenade*
8 *Hosiery Mills, Inc.*, 411 F.2d 1097, 1101 (2nd Cir. 1969).

9 Although Nanal claims to have had no knowledge of the VEGA® mark prior to
10 purchasing it as an advertising keyword, this is highly unlikely given that the parties are
11 direct competitors. Mr. Bootesaz's claim, in his deposition, that he chose Vega as an
12 advertising keyword because he thought it was a "solar system" and because he believes in
13 "astrological signs" is absurd. Morado Dec., ¶ 12, Exh. K.

14 Equally absurd is Bootesaz's claim that the website printout of the "XElement
15 Extreme Vega" jacket was "doctored" and "manipulated" by Soaring Helmet. Morado Dec.,
16 ¶ 13, Exh. L. Despite the fact that Nanal claims to have no knowledge of Soaring Helmet,
17 Mr. Bootesaz tellingly refers to one of the owners of Soaring Helmet, Luo Xu, as "that
18 Chinese guy in Seattle." Morado Dec., ¶ 14, Exh. M. Nanal's claim of no prior knowledge
19 of VEGA® and Soaring Helmet should be rejected as unlikely. At the very least, sufficient
20 evidence of wrongful intent exists to raise issues of material fact and defeat summary
21 judgment.
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1 (5) Evidence of actual confusion: Evidence of actual confusion is not necessary to
2 find a likelihood of confusion. *New West Corp. v. NYM Co.*, 595 F.2d 1194, 1201 (C.A. Cal.
3 1979). However, evidence of actual confusion constitutes persuasive proof that future
4 confusion is likely. *Thane*, 305 F.3d at 902. Even a single incident of actual confusion can
5 substantiate a finding of likelihood of confusion. See *Varitronics Sys. V. Merlin Equip.*, 682
6 F.Supp. 1203, 1210, 6 U.S.P.Q.2d 1789 (S.D. Fla. 1988).

7 a) Soaring Helmet's evidence of actual confusion is not hearsay.

8 The testimony of plaintiff's employees as to confused customers is not hearsay
9 because it is not offered to prove the truth of any customer's assertion that there is a
10 connection or affiliation between the parties, but only to prove the confused state of mind of
11 the customer. See *Mustang Motels, Inc. v. Patel*, 226 U.S.P.Q. 526, 527, n.1, 1985 WL
12 72659 (C.D. Cal. 1985) (testimony of plaintiff's employees that customers phoned plaintiff
13 asking for information about defendant held not inadmissible as hearsay, the evidence was
14 offered to prove that callers made the assertions, not to prove the truth of their statements);
15 *Conversive, Inc. v. Conversagent, Inc.*, 433 F.Supp.2d 1079, 1092, 79 U.S.P.Q.2d 1284 (C.D.
16 Cal. 2006) (plaintiff's employees' testimony as to what their customers told them is
17 admissible evidence and is not barred by the hearsay rule).

18 Soaring Helmet encountered three separate instances of actual confusion arising out
19 of Nanal's infringement: 1) the confused Michigan distributor who refused to carry VEGA®
20 products after viewing the false Google advertisement; and 2) the confused representative
21 who believed Soaring Helmet licensed VEGA® to Defendant; and 3) the confused customer
22 of Soaring Helmet that mistakenly thought Soaring Helmet had manufactured (or licensed)
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1 the “XELEMENT Extreme Vega” motorcycle jacket. Soaring Helmet’s evidence of actual
2 confusion is not hearsay because the statements are not offered for the truth of the matter
3 asserted. i.e., that Nanal sold VEGA® products. See Fed.R.Evid. 801(c). Further, the
4 statements are also admissible under an exception to the hearsay rule because they are
5 offered to show the then-existing state of mind of the declarant. See Fed.R.Evid. 803(3); See
6 *Conversive, Inc. v. Conversagent, Inc.*, 433 F. Supp. 2d at 1091. These instances of actual
7 confusion are strong evidence that confusion among consumers is likely, and are issues of
8 fact that remain for trial.

9 b) Non-purchaser confusion is probative of purchaser confusion.

10 The instance of actual confusion from Soaring Helmet’s representative is also
11 relevant to the issue of likelihood of confusion, notwithstanding the fact that the
12 representative was not a direct purchaser of Soaring Helmet’s products. Injury from
13 confusion can occur not just from loss of sales, but also through damage to reputation and
14 goodwill. Damage to reputation and goodwill can be triggered by confusion among non-
15 purchasers. See *Beacon Mut. Ins. Co. v. One Beacon Ins. Group*, 376 F.3d 8, 10 (1st Cir.
16 2004) (Confusion among non-purchasers probative because it “presents a significant risk to
17 the sales, goodwill, or reputation of the trademark owner”).

18 In this case, the confusion of Soaring Helmet’s representative is relevant because
19 although Ms. Loga was not a direct purchaser of VEGA products, she was in a position to
20 damage Soaring Helmet’s reputation and goodwill by influencing purchasers of Soaring
21 Helmet’s products. Although different from damage incurred through direct lost sales, this
22 type of damage to goodwill and reputation is cognizable under the Lanham Act. See 4
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1 McCarthy on Trademarks, § 23:5 (“[A]ctionable confusion need not be limited to potential
2 purchasers whose confusion could cause a direct loss of sales . . . damage to reputation and
3 goodwill can be triggered by confusion among non-purchasers”).

4 (6) The marketing channels used: Convergent marketing channels of products bearing
5 similar marks increases the likelihood of confusion. See *Nutri/System, Inc. v. Con-Stan*
6 *Industries*, 809 F.2d 601, 606 (9th Cir.1987). Here, the parties sell the same goods, bearing
7 identical marks, via the same marketing channels: the internet and trade shows. Both parties
8 attend the Advanstar Dealernews Powersports Expo. DeMund Dec., ¶ 25, Declaration of
9 Stacie Foster (“Foster Dec.”), ¶ 3, Exh. B. Further, both parties use the internet and their
10 websites as significant tools of marketing and advertising. These convergent marketing
11 channels weigh in favor of finding a likelihood of confusion.

12 (7) The likelihood of expansion into other markets: The likelihood of expansion in
13 product lines factor is relatively unimportant where two companies already compete to a
14 significant extent. *Brookfield*, 174 F.3d at 1060. Here both parties already compete for the
15 same customers in the motorcycle industry. Thus, this factor does not influence the
16 likelihood of confusion analysis.

17 (8) The degree of care purchasers are likely to exercise: Both parties sell motorcycle
18 helmets and accessories, which are not big-ticket items. Thus, consumers do not exercise
19 exceptional care in their purchasing decisions. In sum, Defendant has not met its burden of
20 showing that there are no issues of fact regarding the likelihood of confusion factors.
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1 **3. Questions of fact prevent summary judgment on Plaintiff's initial interest**
2 **confusion claim.**

3 Initial interest confusion occurs when a defendant uses the plaintiff's trademark in a
4 manner calculated to capture initial consumer attention, even though no actual sale is
5 finally completed as a result of the confusion. *Interstellar*, 304 F.3d at 941. Although
6 there is no source confusion in the sense that consumers know they are patronizing
7 defendant rather than plaintiff, there is nevertheless initial interest confusion because
8 purchasers looking for plaintiff's mark are diverted to defendant's website, which allows
9 defendant to improperly benefit from the goodwill that plaintiff developed in its mark. *Id.*

10 In the context of initial interest confusion on the Web, the three most important
11 "likelihood of confusion factors" are: (1) the similarity of the marks, (2) the relatedness of
12 the goods or services, and (3) the parties' simultaneous use of the Web as a marketing
13 channel. *Id.* at 942. When this 'controlling troika,' or 'internet trinity,' suggests confusion
14 is likely, the other factors must weigh strongly against a likelihood of confusion to avoid
15 the finding of infringement. *Id.*

16 In this case, all three of the initial interest confusion factors weigh heavily in favor of
17 Soaring Helmet, as shown above. Further, under the initial interest confusion theory of
18 trademark liability, "source confusion" need not occur. See *Starship Services, Ltd. v. Epix*
19 *Inc.*, *supra*, 304 F.3d at 941. Thus, even though the consumer eventually may realize that
20 Defendant does not sell VEGA® helmets, Soaring Helmet is still damaged by the following:
21 1) the original diversion of Soaring Helmet's prospective customers to the Defendant's
22 website; 2) the consequent effect of that diversion on the customer's ultimate decision
23 whether to purchase products from Defendant; and 3) the initial credibility that the customer

1 may afford to Defendant's products based on an initial false association with Soaring
2 Helmet's products. See *Australian Gold, Inc. v. Hatfield*, 436 F.3d 1228, 1239 (10th Cir.
3 2006).

4 In a strikingly similar case, *Storus Corp. v. Aroa Marketing, Inc.*, 2008 WL 449835
5 (N.D. Cal. 2008), the Court granted summary judgment to plaintiff when defendant used
6 plaintiff's mark in a Google sponsored advertisement that generated 1,374 "clicks." The
7 Court found that "on 1,374 occasions, consumers who were searching for a website by using
8 [plaintiff's] mark were, in fact 'diverted' to [defendant's] website selling money clips that
9 compete with [plaintiff's] money clips. Such diversion constitutes the 'initial interest
10 confusion' prohibited by the Lanham Act." At a minimum, Soaring Helmet has
11 demonstrated sufficient issues of fact to preclude summary judgment on its claim for initial
12 interest confusion.

13 **4. Soaring Helmet has pleaded its damages with sufficient particularity to**
14 **preclude summary judgment.**

15 Defendant claims that Plaintiff has no evidence to support its claim for either damages
16 or injunctive relief, and thus, summary judgment is appropriate. In fact, Defendant has taken
17 no depositions in this matter, and so has very little basis for its claims that Plaintiff lacks
18 evidence. Morado Dec., ¶ 15. In addition, despite notice that Plaintiffs were relying on a
19 theory of unjust enrichment to claim Defendants' profits as damages, Defendant has made no
20 efforts to meet its burden of proving which part of its gross profits are excludable as a
21 measure of damages. Foster Dec., ¶ 3.

22 The Lanham Act provides a plaintiff may recover 1) defendant's profits, 2) any
23 damages sustained by the plaintiff, and 3) the costs of the action. See 15 U.S.C. §1117(a). In

1 assessing profits the plaintiff shall be required to prove defendant's sales only; defendant
2 must prove all elements of cost or deduction claimed. *Id.* In cases of intentional
3 infringement, section 1117(b) mandates an award of treble damages and attorneys' fees.

4 **a. Questions of fact preclude summary judgment as to Soaring Helmet's**
5 **lost profits arising out of Defendant's false Google advertisement.**

6 Soaring Helmet has provided evidence of its lost profits arising out of Defendant's use
7 of the VEGA® mark in false Google advertisements. In its discovery responses, Soaring
8 Helmet provided spreadsheets showing the average amount of dealer purchases in Michigan,
9 and the average amount of dealer purchases in the United States. Morado Dec., ¶ 16, Exh. N.
10 These spreadsheets support Soaring Helmet's claim of profits lost as a direct result of
11 Defendant's false advertising that it sold Vega Helmets at a 50% discount. In addition, an
12 issue of material fact remains as to damages resulting from the initial interest confusion.
13 Defendant has produced clear evidence, in its Google invoices, that 40,209 consumers
14 searching for VEGA® helmets viewed the false advertisement, and 2,457 were successfully
15 diverted to Defendant's website. Although lost sales damages based on these diversions may
16 be difficult to compute, "courts may engage in some degree of speculation in computing the
17 amount of damages, particularly when the inability to compute them is attributable to
18 defendant's wrongdoing". *Australian Gold*, 436 F. 3d at 1241. Here, Plaintiff has provided
19 evidence of its lost sales possibilities. The evidence is sufficient to defeat summary
20 judgment.
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1 **b. Questions of fact preclude summary judgment as to damages based**
2 **on the amount of defendant's profits; a demonstration of willfulness is**
3 **not required.**

4 Defendant claims that if Plaintiff is seeking an accounting of Defendants' profits as a
5 measure of damages, particularly for the motorcycle jacket infringement, Plaintiff must show
6 willful infringement. Defendant is wrong.

7 Defendant erroneously relies exclusively on *Adray v. Adry-Mart*, 76 F.3d 984, 988
8 (9th Cir. 1995), for the proposition that Soaring Helmet cannot recover Defendant's net
9 profits from using the infringing mark without showing willfulness. In fact, *Adray* directly
10 cautions *against* such approach, *particularly where the plaintiff seeks defendant's net profits*
11 *as a measure of its own damage*, as in the present case: "An instruction that willful
12 infringement is a prerequisite to an award of defendant's profits *may be in error* in some
13 circumstances (as when plaintiff seeks the defendant's profits as measure of his own
14 damage)." *Id.*, (emphasis added, citing *Lindy Pen*). In *Adray*, unlike the present case, the
15 plaintiff *did not seek* to recover Defendant's profits as a measure of its own damages.
16 Defendant provides no evidence or case law supporting the contention that on summary
17 judgment, *the precise scenario identified in Adray as error* (to require willfulness when a
18 plaintiff seeks the defendant's profits as a measure of its own damage) should be rejected in
19 the present case.

20 Even if Defendant were correct, and Plaintiff is required to show willfulness to defeat
21 summary judgment, Defendant's actions are clearly willful. Defendant's claim that he
22 bought "Vega" an advertising keyword because he thought it was a "solar system" defies
23 belief, and makes no sense. Taking all evidence in the light most favorable to Soaring

1 Helmet, a reasonable fact finder could find that Defendant chose the Google advertising
2 keyword "Vega" precisely to piggyback on Plaintiff's goodwill and market share. In
3 addition, Defendant's continued use of VEGA® to market and sell its XElement motorcycle
4 jackets is clearly willful, and again, without reasonable excuse. Thus, even if willfulness
5 were required (which it is not), an issue of material fact exists that prevents entry of summary
6 judgment.

7 **c. Questions of fact remain as to the amount of defendant's profits**
8 **which should be attributable to its infringement and thus available as**
9 **a measure of damages.**

10 An accounting of profits is proper where the defendant is attempting to gain the value
11 of an established name of another. *Lindy Pen*, 982 F.2d at 1406. The plaintiff has only the
12 burden of establishing the defendant's gross profits from the infringing activity with
13 reasonable certainty. *Id.* at 1408; *National Products, Inc., v. Gamber-Johnson LLC*, 2010
14 WL 3230921, *8, (August 13, 2010). Once the plaintiff demonstrates gross profits, they are
15 presumed to be the result of the infringing activity. *Id.* The defendant thereafter bears the
16 burden of showing which, if any, of its total sales are not attributable to the infringing
17 activity, and additionally, any permissible deductions for overhead. 15 U.S.C. §1117(a).

18 If the infringer provides no evidence from which the court can determine the amount
19 of any cost deductions, there is no obligation to make an estimate, and "costs" need not form
20 any part of the calculation of profits. *Aris Isotoner, Inc. v. Dong Jin Trading Co.*, 17
21 U.S.P.Q.2d 1017 (S.D.N.Y. 1989). See also *New York Racing Ass'n v. Stroup News Agency*
22 *Corp.*, 920 F. Supp. 295, 301 (N.D.N.Y. 1996) (when plaintiff proves gross sales and the
23 infringer fails to prove cost deductions, "then the profits to which the plaintiff is entitled

1 under the Lanham Act are equal to the infringer's gross sales"); *H-D Michigan, Inc. v. Biker's*
2 *Dream, Inc.*, 48 U.S.P.Q.2d 1108 (C.D. Cal. 1998) (where infringer's cost data is "incomplete
3 and contradictory," court refuses to guess and finds that infringer failed to prove any cost
4 deductions).

5 Here, despite repeated requests, Defendant has made no effort to "back out" its costs
6 of goods sold, its advertising costs, its marketing costs, or other costs. Foster Decl., ¶¶ 2, 3,
7 Exhs. A, B. It is *Defendant's burden* to prove costs, and it has not done so. Defendant's
8 failure to meet its burden should not support a lack of sufficient evidence to support
9 summary judgment, particularly since the need for speculation and the lack of evidence is
10 due to Defendant's own malfeasance. See, e.g., *Australian Gold, supra*, 436 F. 2d at 1241.

11 **B. Questions of fact prevent dismissal of Plaintiff's R.C.W. 19.86 claims.**

12 Infringement of another's trade name and publication of false advertising constitute
13 violations of RCW 19.86. See, *Nordstrom, Inc. v. Tampourlos* 107 Wn.2d 735, 739, 733
14 P.2d 208, 210 (1987); *CertainTeed Corp. v. Seattle Roof Brokers*, 2010 WL 2640083 *6
15 (2010). Here, Soaring Helmet has shown that there are issues of fact regarding whether its
16 trademark was infringed, and therefore the court should not dismiss Soaring Helmet's unfair
17 competition claims.

18 **C. Questions of fact prevent summary judgment on Plaintiff's tortious interference**
19 **with prospective economic advantage claim.**

20 In order to state a claim for tortious interference with prospective business advantage,
21 a plaintiff must allege: (1) the existence of a valid contractual relationship or business
22 expectancy; (2) that defendant had knowledge of that relationship or business expectancy; (3)
23 an intentional interference inducing or causing a breach or termination of the relationship or

1 expectancy; (4) that defendant interfered for an improper purpose or used improper means;
2 and (5) resultant damage. *Newton Insurance Agency, & Brokerage, Inc., v. Caledonian*
3 *Insurance Group, Inc.*, 114 Wn.App. 151, 158 (2002). The tort of intentional interference
4 with prospective business advantage does not require proof of a specific contract.
5 *Commodore v. University Mechanical Contractors, Inc.*, 120 Wn.2d 120, 139 (1992).
6 Finally, interference with a business expectancy is intentional “if the actor desires to bring it
7 about or if he knows that the interference is certain or substantially certain to occur as a result
8 of his action.” *Newton*, 114 Wn.App.at 158.

9 Soaring Helmet had a reasonable and valid expectation that potential customers
10 searching for Soaring Helmet’s VEGA® trademark would not be lured to a website that
11 does not in fact sell any of Soaring Helmet’s products. A reasonable fact finder could
12 conclude that Defendant knew that its use of the VEGA® mark as an advertising keyword
13 would interfere with Soaring Helmet’s right to obtain prospective customers; that
14 Defendant’s interference was intentional; and that Soaring Helmet was damaged by
15 Defendant’s tortious interference. Thus, questions of fact exist that prevent summary
16 judgment on Soaring Helmet’s tortious interference claim.

17 **D. Questions of fact preclude summary judgment on Plaintiff’s false advertising claim.**

18 The elements of a Lanham Act § 43(a) false advertising claim are: (1) a false
19 statement of fact by the defendant in a commercial advertisement about its own or another's
20 product; (2) the statement actually deceived or has the tendency to deceive a substantial
21 segment of its audience; (3) the deception is material, in that it is likely to influence the
22 purchasing decision; (4) the defendant caused its false statement to enter interstate
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1 commerce; and (5) the plaintiff has been or is likely to be injured as a result of the false
2 statement, either by direct diversion of sales from itself to defendant or by a lessening of the
3 goodwill associated with its products. *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d
4 1134, 1139 (9th Cir. 1997).

5 Here, there can be no dispute that the advertisement which forms the basis of this
6 lawsuit (“50% off Vega Helmets”) is literally false. Defendant has never sold VEGA®
7 Helmets, and certainly has never sold them at 50% off. DeMund Dec., ¶ 14. Defendant also
8 does not challenge the falsity of the advertisement in its summary judgment motion. See
9 Defendant’s Motion for Summary Judgment, p. 15, lines 5-6. There also can be no dispute
10 that the Google advertisement appeared in interstate commerce.

11 With regard to the remaining elements, Defendant misapprehends the law when it
12 claims that the Plaintiff has the burden of proof as to both consumer deception and
13 materiality in a false advertising case. When an advertisement is literally or facially false,
14 consumer deception is presumed and relief can be granted without delving into the impact of
15 the advertisement on the buying public. *Time Warner Cable, Inc. v. DIRECTV, Inc.*, 497
16 F.3d 144, 153, 83 U.S.P.Q.2d 1897 (2nd Cir. 2007); *National Products, Inc. v. Gamber-*
17 *Johnson LLC*, 699 F.Supp.2d 1232 (2010). In addition, explicitly false statements are
18 presumed to be material. *Sinai v. California Bureau of Auto Repair*, 28 U.S.P.Q.2d (BNA)
19 1627, 1628 (N.D. Cal. 1993). Thus, since the Google advertisement is literally false, the
20 Court may grant relief without a showing of either consumer deception or materiality.

21 Finally, as to the injury element, “an inability to show damages does not alone
22 preclude recovery.” *Southland*, 108 F.3d at 1146. Further, a “precise showing is not
23

1 required, and a diversion of sales, for example, [will] suffice.” *Cashmere & Camel Hair*
2 *Mfrs. Inst. v. Saks Fifth Ave.*, 284 F.3d 302, 318 (1st Cir. 2002). Here, Soaring Helmet has
3 clearly shown a diversion of sales and injury to goodwill arising out of the false Google
4 advertisement.

5 However, Defendant also misapprehends the presumption afforded to Plaintiff with
6 regard to the injury element. Where the challenged advertising makes a misleading
7 comparison or reference to a competitor's product, harm is presumed. *See Novartis Consumer*
8 *Health, Inc. v. Johnson & Johnson-Merck Consumer Pharmaceuticals Co.*, 129 F. Supp. 2d
9 351, 367 (D.N.J. 2000) aff'd, 290 F.3d 578 (3d Cir. 2002) citing *Southland*, 108 F.3d at 1146.
10 Thus, the false, direct reference to VEGA® in Defendant’s Google advertisement earns a
11 presumption of injury to Soaring Helmet. In sum, disputed issues exist regarding the false
12 advertising claim that preclude entry of summary judgment.

13 VI. CONCLUSION

14 Soaring Helmet has presented overwhelming evidence of disputed material facts.
15 Therefore, Soaring Helmet respectfully requests the Court to deny Defendants’ Motion for
16 Summary Judgment.

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