

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA  
MIAMI DIVISION

HARD CANDY, LLC,

Plaintiff

v.

ANASTASIA BEVERLY HILLS, INC.,

Defendant

Civil Action No. 1:16-cv-21203-KMW

**Motion to Strike Jury Demand and Memorandum of  
Law in Support**

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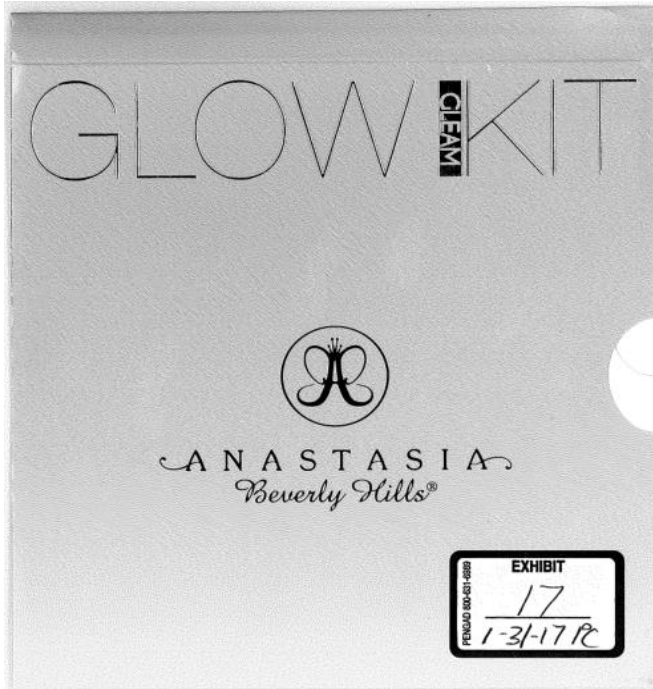
## INTRODUCTION

Plaintiff has no right to a jury in this case. Neither the Lanham Act nor the Seventh Amendment give Plaintiff that right. Having withdrawn its claim for damages a few weeks ago, ECF Nos. 50 & 51, Plaintiff’s remaining claims are equitable—not legal—in nature. Equitable claims are tried to the Court, not to a jury. The Court should strike Plaintiff’s jury demand.

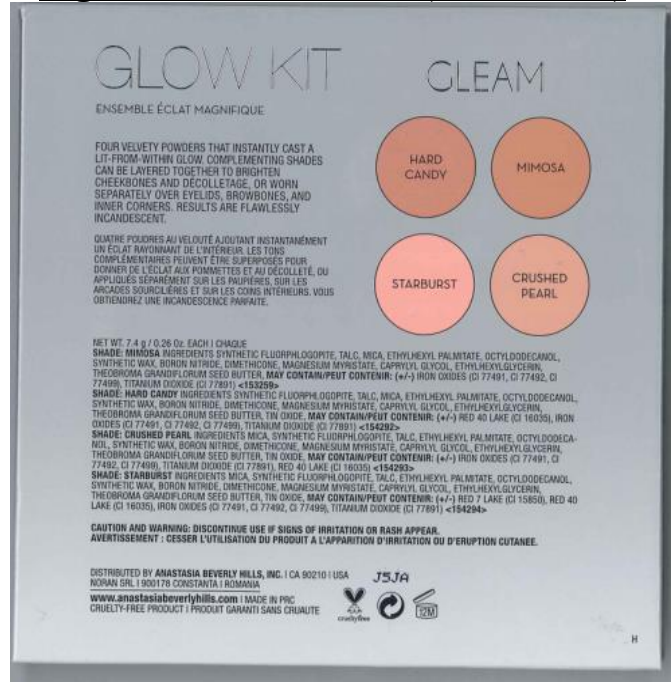
## FACTS

This is a lawsuit for trademark infringement and unfair competition. *See generally* ECF No. 1 (“Complaint”). Both parties are in the cosmetics business. Plaintiff’s allegations stem from a product formerly sold by Defendant Anastasia Beverly Hills, Inc., called the “Gleam Glow Kit”:

**Fig. 1: Gleam Glow Kit (front cover)**



**Fig. 2: Gleam Glow Kit (back cover)**



**Fig. 3: Gleam Glow Kit (inside)**



ECF No. 39-1 [D's Depo. Exh. 17].

As these photos show, the Gleam Glow Kit contained four shades of makeup. Anastasia named the four shades *Hard Candy*, *Mimosa*, *Starburst*, and *Crushed Pearl*. Plaintiff alleges that one of these four shade names—*Hard Candy*—infringed its trademark rights. Complaint ¶ 17. Plaintiff brings two claims under the federal Lanham Act and two claims under state common law. *Id.* ¶¶ 24-51.

Initially, Plaintiff sought damages. But a few weeks ago, Plaintiff withdrew its damages claim. ECF Nos. 50 & 51 (March 27 stipulation and order). With no claim for damages, Plaintiff now seeks (1) disgorgement of Anastasia's profits earned on the Gleam Glow Kit; (2) the costs of the action; and (3) attorney fees. *Id.*; see 15 U.S.C. § 1117(a). Plaintiff also presumably seeks a permanent injunction (see Complaint p. 13 ¶ C), though as discussed below, that request is basically moot.

## ARGUMENT

For a civil litigant to demand a jury, it must have the right to one under either a federal statute or the Seventh Amendment. *See* Fed. R. Civ. P. 38(a). If neither source confers that right, the Court should strike any jury demand. *See id.* 39(a)(2).

Here, Plaintiff has demanded a jury, but it has no federal right to one. The Lanham Act does not grant that right, and because Plaintiff withdrew its claim for damages a few weeks ago, neither does the Seventh Amendment. The Court should strike Plaintiff's jury demand and try this case to the bench. *See id.*

### **I. There is no right to a jury under the Lanham Act.**

The first question under Rule 38(a)—whether a federal statute gives Plaintiff the right to a jury—requires little discussion. It is well-established that the Lanham Act neither grants nor denies the right to a jury. The Act is “silent” on the issue. *E.g.*, *Sanijet Corp. v. Jacuzzi Inc.*, No. Civ. A 3:01CV0897-P, 2002 WL 1398546, at \*1 (N.D. Tex. Feb. 14, 2002). The question here thus turns on the Seventh Amendment.

### **II. Plaintiff has no Seventh Amendment right to a jury in this case.**

The Seventh Amendment provides the right to a jury only “[i]n Suits at common law.” U.S. Const. amend VII. This language reflects the historical distinction between courts of law and courts of equity. *See Parsons v. Bedford, Breedlove & Robeson*, 28 U.S. 433, 447 (1830). Only the former used juries. *See id.* Thus, the Seventh Amendment gives the right to a jury only if the suit is *legal* in nature. *Id.* If the suit is *equitable* in nature, the Seventh Amendment does not apply. *Id.*

Crucially, even claims brought under a federal statute—like the Lanham Act here—can be equitable in nature. *See, e.g., Chauffeurs, Teamsters & Helpers, Local*

*No. 391 v. Terry*, 494 U.S. 558, 564-65 (1990) (citing *Tull v. United States*, 481 U.S. 412, 417 (1987)). To determine whether a federal statutory claim is equitable or legal, the Supreme Court conducts a two-pronged analysis. *Id.* at 565 (citing *Tull*, 481 U.S. at 417-18). First, the Court compares the statutory action to the 18th-century actions brought in courts of England, to see whether similar actions would have been filed in the courts of law or the courts of equity. *Id.* Second, the Court examines the remedies sought to see whether they are essentially legal or equitable. *Id.* The second prong is “more important.” *Id.*

Here, both prongs lead to the same result. First, before the law-equity merger, “most trademark actions were brought in equity.” Mark A. Thurmon, *Ending the Seventh Amendment Confusion: A Critical Analysis of the Right to a Jury Trial in Trademark Cases*, 11 *Tex. Intell. Prop. L.J.* 1, 85 (2002); *see also id.* at 63-68. This means most trademark cases “were tried without a jury.” *Id.* at 85. This was particularly true where—as here—the plaintiff sought primarily a disgorgement of the defendant’s profits. *See id.*

Second, Plaintiff seeks no legal remedy here. The main legal remedy available in trademark lawsuits—actual damages—exited this case when Plaintiff withdrew its damages claim on March 27. ECF Nos. 50 & 51.<sup>1</sup> The March 27 stipulation identifies the monetary remedies Plaintiff still seeks: disgorgement of Anastasia’s

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<sup>1</sup> “[T]he issues, not the pleadings, determine whether a right to a jury trial exists.” *FN Herstal SA v. Clyde Armor Inc.*, 838 F.3d 1071, 1089 (11th Cir. 2016).

profits, costs, and attorney fees. *Id.* Plaintiff also presumably still seeks a permanent injunction. None of these remedies are legal ones for a jury.

**A. Disgorgement of profits is an equitable remedy, not a legal remedy.**

An award of money is not always a legal remedy. *See Terry*, 494 U.S. at 570 (citing *Curtis v. Loether*, 415 U.S. 189, 196 (1974)). This case provides a perfect example. Disgorgement of the defendant's profits—the principal relief Plaintiff seeks—is an equitable remedy, not a legal one. The Supreme Court has said so time and time again. *E.g.*, *Terry*, 494 U.S. at 570; *Tull*, 481 U.S. at 424; *Porter v. Warner Holding Co.*, 328 U.S. 395, 398-99 (1946). So has the Eleventh Circuit. *E.g.*, *Waldrop v. S. Co. Servs., Inc.*, 24 F.3d 152, 153 (11th Cir. 1994). And this Court has too—in trademark cases, no less. *E.g.*, *Mycoskie, LLC v. 2013toms.com*, No. 14-61551-CIV, 2014 WL 12531313, at \*4 (S.D. Fla. July 22, 2014); *Playboy Enters., Inc. v. P.K. Sorren Export Co.*, 546 F. Supp. 987, 997 (S.D. Fla. 1982).

These decisions should end the analysis. When a trademark plaintiff seeks only equitable relief, courts (including this Court) have consistently ordered bench trials.<sup>2</sup>

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<sup>2</sup> *E.g.*, *Fifty-Six Hope Road Music, Ltd. v. A.V.E.L.A., Inc.*, 778 F.3d 1059, 1074-75 (9th Cir. 2015); *Ferrari S.P.A. v. Roberts*, 944 F.2d 1235, 1248 (6th Cir. 1991); Order Granting Mot. to Strike Jury Demand, ECF No. 160, *Ass Armor, LLC v. Under Armour, Inc.*, No. 15-Civ-20853 (S.D. Fla. Nov. 18, 2016) (order attached as Exhibit 1); *Monster Daddy, LLC v. Monster Cable Prods.*, No. 6:10-1170-MGL, 2013 WL 3337828, at \*17 (D.S.C. July 2, 2013); *Empresa Cubana Del Tabaco v. Culbro Corp.*, 123 F. Supp. 2d 203, 206-09 (S.D.N.Y. 2000); *Ringling Bros. v. Utah Div. of Travel Dev.*, 955 F. Supp. 598, 605 (E.D. Va. 1997); *G.A. Modefine S.A. v. Burlington Coat Factory Warehouse*, 888 F. Supp. 44, 45-46 (S.D.N.Y. 1995); *Partecipazioni Bulgari, S.p.A. v. Meige*, No. 86-2516-CIV, 1988 WL 113346, at \*3-4 (S.D. Fla. May 23, 1988); *Am. Cyanamid Co. v. Sterling Drug, Inc.*, 649 F. Supp. 784, 788-89 (D.N.J. 1986).

Many of these trademark decisions have made quite explicit that a claim for disgorgement of profits does not trigger the Seventh Amendment:

- “There is no Seventh Amendment right to have a jury calculate profits.” *Fifty-Six*, 778 F.3d at 1074.
- “[T]he disgorgement of defendant’s profits . . . [is] wholly equitable and do[es] not create a constitutional jury trial right.” *Ringling Bros.*, 955 F. Supp. at 605.
- “The crux of the issue presented here is whether or not a claim for disgorgement of profits in a trademark case constitutes a claim for damages entitling the defendant to a jury trial. . . . [The defendant] is not entitled to a jury trial and its demand is hereby stricken.” *Empresa*, 123 F. Supp. 2d at 206, 213.
- “[I]n the trademark infringement context, the remedy of disgorgement of profits is equitable in nature.” *G.A. Modefine*, 888 F. Supp. at 45 (denying request for jury trial).
- “Ferrari’s complaint requested only equitable relief[:] an injunction and disgorgement of profits.” *Ferrari S.P.A.*, 944 F.2d at 1248 (affirming denial of jury trial).
- “The relief admittedly sought . . . is equitable in nature or otherwise in the province of the court—primarily the recovery of Monster Daddy’s profits (under the Lanham Act) and attorney’s fees as a prevailing party.” *Monster Daddy*, 2013 WL 3337828, at \*17 (striking jury demand).

In the interest of candor, Anastasia notes that a “small minority” of older district court decisions—none from this Court—reached a different result.<sup>3</sup> 6 J. Thomas McCarthy, *McCarthy on Trademarks & Unfair Competition* § 32:124 (4th ed. 2014) (treatise excerpts attached as Exhibit 2). But those outlier decisions do not change the result here.

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<sup>3</sup> *E.g.*, *Oxford Indus, Inc. v. Hartmarx Corp.*, 15 U.S.P.Q. 2d, 1990 WL 65792 (N.D. Ill. 1990); *AMF Inc. v. Nat’l Boat Works, Inc.*, 192 U.S.P.Q. 81, 1975 WL 21202 (M.D.N.C. 1975).



**First**, they are wrong. As higher courts and influential commentators have explained, the minority decisions rest on an incorrect reading of *Dairy Queen, Inc. v. Wood*, 369 U.S. 469 (1962). *See, e.g.,* McCarthy, *supra*, § 32:124. In *Dairy Queen*, the Supreme Court held that a licensee was entitled to a jury trial on legal claims. 369 U.S. at 478-80. The minority decisions misread *Dairy Queen* as involving a claim for disgorgement of profits, when actually it involved two indisputably *legal* remedies: damages for breach of contract, and damages (not disgorgement of profits) for trademark infringement. *See id.* at 476-77. Many courts have observed the correct reading of *Dairy Queen*, including the Eleventh Circuit. *E.g., Fifty-Six*, 778 F.3d at 1075; *Gucci Am., Inc. v. Li*, 768 F.3d 122, 132-33 (2d Cir. 2014); *Phillips v. Kaplus*, 764 F.2d 807, 814 (11th Cir. 1985).

**Second**, the minority decisions are not binding. Neither this Court nor the Eleventh Circuit has held that disgorgement of profits is a legal remedy triggering the right to a jury. As just noted, the Eleventh Circuit has *rejected* that interpretation of *Dairy Queen*. *See Phillips*, 764 F.2d at 814 (affirming this Court’s denial of a jury trial and explaining that, unlike the equitable remedy of a profits accounting, *Dairy Queen* involved what was “really a legal claim for breach of contract”). The binding law is unmistakable: disgorgement of profits is an equitable remedy. *See supra* p. 5.

**Finally**, the minority decisions are stale. More recent decisions have taken the majority view. *See supra* p. 5 n.2. This makes sense. In the decades since *Dairy Queen*, the Supreme Court has repeatedly said that disgorgement of profits is an equitable remedy, not a legal one. *E.g., Terry*, 494 U.S. at 570; *Tull*, 481 U.S. at 424.

**B. An injunction is an equitable remedy, not a legal remedy.**

Although not mentioned in Plaintiff's March 27 stipulation (ECF No. 50), Plaintiff will presumably seek a permanent injunction if it wins at trial. This is the "usual" remedy (and often, the only remedy) for a plaintiff in a trademark case. 5 McCarthy, *supra*, § 30:1.

An injunction in this case would basically be moot. Anastasia stopped selling the Gleam Glow Kit over half a year ago, and it will not sell the kit again. Also, while Anastasia does not agree that it infringed Plaintiff's rights, Anastasia will not use the words *Hard Candy* again (and has confirmed this to Plaintiff's counsel on the record). But regardless, "[i]njunctive relief is an equitable remedy." *Grayson v. Allen*, 491 F.3d 1318, 1322 (11th Cir. 2007). "[T]here is no constitutional right to a jury trial on a claim for an injunction." 9 Charles A. Wright & Arthur R. Miller, *Federal Practice & Procedure* § 2308 (3d ed. 2008).

**C. The Court—not a jury—decides whether to award costs and attorney fees.**

If Plaintiff wins at trial, it intends to seek costs and attorney fees. ECF No. 50. Neither issue goes to a jury. They are issues for the Court to decide after trial (and only if Plaintiff wins, which Anastasia believes is unlikely). *See, e.g., CBS Broad., Inc. v. EchoStar Comm'ns Corp.*, 450 F.3d 505, 518 n.25 (11<sup>th</sup> Cir. 2006); *Partecipazioni Bulgari*, 1988 WL 113346, at \*3.

**III. A bench trial better fits this case.**

Because Plaintiff has no federal right to a jury, its jury demand is improper. The Court's analysis can end there. *See Fed. R. Civ. P.* 38(a), 39(a)(2).

However, the Court may also wish to consider the practical benefits of a bench trial. All the usual benefits apply: the trial will be shorter and more efficient, members of the community will not have to sacrifice time and money to serve on a jury, and the parties will both probably end up saving money (and time) in trial costs and attorney fees.

A bench trial will also reduce the Court's pretrial workload. For example, some of the parties' *Daubert* arguments will become moot,<sup>4</sup> the Court will not need to review and approve proposed jury instructions, and it will not need to decide any motions *in limine*. See, e.g., *Singh v. Caribbean Airlines Ltd.*, No. 13-20639-CIV, 2014 WL 4101544, at \*1 (S.D. Fla. Jan. 28, 2014) (“[T]his is a bench trial, making any motion in limine asinine on its face.” (quotation omitted)).

Likewise, a bench trial will better promote judicial economy. Plaintiff seeks no remedy that a jury alone could award. See *supra* Part II. Even if this case were tried to a jury (and even if Plaintiff won the trial), the Court would still need to independently decide whether to award any of Anastasia's profits—and how much, if so. See 15 U.S.C. § 1117(a) (profits awards are “subject to principles of equity,” “assessed” by the Court or under the Court's direction, and subject to the Court's authority to “enter judgment for such sum as the court shall find to be just, according

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<sup>4</sup> Both parties have moved to exclude an opposing expert witness. ECF Nos. 44 & 45. These *Daubert* cross-motions argue, among other things, that the two experts' testimony will confuse and mislead the jury under Federal Rule of Evidence 403. ECF No. 44 at 12; ECF No. 45 at 19-20. If the Court grants this motion to strike the jury demand, Anastasia will withdraw as moot its Rule 403 argument against Plaintiff's expert (though the Court should still exclude him for all the other reasons outlined in Anastasia's *Daubert* motion, ECF No. 45 at 1-18).

to the circumstances of the case”); *see also* ECF No. 64 at 1 (Plaintiff’s concession that the Court has final say on awarding profits).

A bench trial eliminates this inefficiency. The Court can decide all the issues in one fell swoop. If it finds for Plaintiff on liability, it can decide at the same time whether to award any of Anastasia’s profits. This authority has *always* belonged to the courts (not to juries), long before the Lanham Act codified it:

[The trademark law] does not stand for the proposition that an accounting [of profits] will be ordered merely because there has been an infringement. Under the Trade Mark Act of 1905, as under its predecessors, an accounting has been denied where an injunction will satisfy the equities of the case.

*Champion Spark Plug Co v. Sanders*, 331 U.S. 125, 131 (1947) (affirming district court’s and court of appeals’ decisions not to award profits).

Judges “regularly” handle profits determinations in trademark cases. *Fifty-Six*, 778 F.3d at 1075-76. Juries traditionally do not. *Id.* “[T]he determination of profits under § 1117 is not ‘fundamental . . . inherent in and of the essence of the system of trial by jury.’” *Id.* (quoting *Tull*, 481 U.S. at 426). So too here.

#### CONCLUSION

Plaintiff has no right to a jury trial. The Court should strike Plaintiff’s jury demand and try this case to the bench.

**CERTIFICATE OF COMPLIANCE WITH LOCAL RULE 7.1**

Under L.R. 7.1, Defendant's counsel conferred with Plaintiff's counsel in a good-faith effort to resolve the issues raised in this motion. The parties have not been able to resolve the issues, and Plaintiff has not consented to the relief sought.

DATED: April 19, 2017

Respectfully submitted,

s/ Mark A. Romance

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**CERTIFICATE OF SERVICE**

I hereby certify that on April 19, 2017 a true and correct copy of the foregoing document was electronically filed with the Clerk using the CM/ECF filing system and served upon on all counsel of record or pro se parties below, either via transmission of Notices of Electronic Filing generated by the CM/ECF filing system or in some other authorized manner for those counsel or parties who are not authorized to receive electronically Notices of Electronic Filing:

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s/ Mark A. Romance  
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# EXHIBIT 1

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA

CASE NO. 15-Civ-20853-COOKE/TORRES

ASS ARMOR, LLC, et al.,

Plaintiffs,

v.

UNDER ARMOUR, INC.,

Defendant.

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**ORDER ON DEFENDANT'S MOTION TO STRIKE JURY DEMAND**

This matter is before the Court on Defendant's Motion to Strike Jury Demand [D.E. 140]. After careful consideration of the motion, response, reply, sur-response, and relevant authority, and for the reasons discussed below, Defendant's Motion to Strike Jury Demand is **GRANTED**.

***I. ANALYSIS***

On September 13, 2016, Under Armour, Inc. ("Defendant") filed a Motion to Strike Jury Demand against Ass Armor, LLC, et al. ("Plaintiffs"). Because Defendant recently dropped its claim for monetary damages<sup>1</sup> on September 7, 2016 to streamline trial, Defendant argues that only equitable claims remain and that there is no right to a jury trial. In Plaintiffs' sur-response, Plaintiffs concede that

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<sup>1</sup> Defendant's counterclaim initially sought both equitable relief – an injunction and disgorgement of Plaintiffs' profits – and monetary damages. [D.E. 39].



“there is no statutory or constitutional right to a jury” because both parties only seek equitable relief on their claims. [D.E. 149]. But, Plaintiffs urge the Court to proceed with a jury trial because Plaintiffs will suffer prejudice by Defendant’s continued gamesmanship. Since this litigation began, Plaintiffs contend that they have always prepared for a jury trial and that Defendant’s sudden decision to drop its damage claim is too prejudicial.

On September 28, 2016, the Court required Plaintiffs to file a sur-response to address why the Eleventh Circuit’s decision in *FN Herstal SA v. Clyde Armory Inc.*, 838 F.3d 1071 (11th Cir. 2016) “does not strongly support the grant of this motion to strike jury demand.” [D.E. 147]. In *FN Herstal SA v. Clyde Armory Inc.*, both parties initially demanded a jury trial but their damage claims were later dropped – leaving both parties with only claims for equitable relief. The district court subsequently granted plaintiff’s motion to strike the jury demand. The Eleventh Circuit affirmed the district court’s decision and reasoned:

When no right to a jury trial exists and where no prejudice will result, a party may unilaterally withdraw its consent to a jury trial. We are . . . persuaded by the Fifth Circuit’s discussion in *Armco*, in which the defendant demanded a jury trial based on the plaintiff’s claims for legal relief—trademark infringement damages. 693 F.2d at 1158. The plaintiff moved to strike the defendant’s jury demand “[o]n the eve of trial” because the plaintiff no longer sought legal relief. *Id.* . . . This Court has affirmed a district court’s striking a jury demand “days before trial” without any consideration of prejudice because no right to a jury existed where only equitable relief was sought. *See CBS Broad., Inc.*, 450 F.3d at 517 n.25. The district court correctly granted FN’s motion to strike the jury demands.

*FN Herstal SA*, 838 F.3d at 1089-90.

Here, Plaintiff attempts to distinguish *FN Herstal SA* on the basis that the Eleventh Circuit found that “*no prejudice will result*”. *Id.* at 1089 (emphasis added). This case is allegedly distinguishable because Plaintiffs here have been prejudiced by Defendant’s continued gamesmanship during the pendency of this entire litigation and will continue to be prejudiced if this case proceeds to a bench trial. Plaintiffs refer the Court to many reasons why prejudice may result – ranging from discovery costs in excess of \$60,000 to unnecessary expert reports. But, Plaintiffs’ entire argument is premised on speculation that Defendant is attempting to “make this litigation as expensive as possible.” [D.E. 149]. Plaintiffs present no concrete argument to substantiate its claim that prejudice will result with a bench trial. And the timing of Defendant’s motion is no bar because the Eleventh Circuit has previously affirmed district courts striking jury demands “days before trial.” *CBS Broad., Inc. v. EchoStar Commc’ns Corp.*, 450 F.3d 505, 517 (11th Cir. 2006).

## **II. CONCLUSION**

For the foregoing reasons, it is hereby **ORDERED AND ADJUDGED** that Defendant’s Motion to Strike Jury Demand [D.E. 140] is **GRANTED**.

**DONE AND ORDERED** in Chambers at Miami, Florida, this 18th day of November, 2016.

/s/ Edwin G. Torres  
EDWIN G. TORRES  
United States Magistrate Judge

## EXHIBIT 2

*Intellectual Property Library*

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and Unfair Competition**

J. Thomas McCarthy  
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McCARTHY ON TRADEMARKS

§ 30:120 Federal criminal counterfeiting act: “safe harbor”

**Research References**

*Additional References*

For more information on remedies in trademark matters, see Barry Kramer and Allen D. Brufsky, *Trademark Law Practice Forms*.

**KeyCite®:** Cases and other legal materials listed in KeyCite Scope can be researched through the KeyCite service on Westlaw®. Use KeyCite to check citations for form, parallel references, prior and later history, and comprehensive citator information, including citations to other decisions and secondary materials.

**I. INJUNCTIVE RELIEF**

**A. THE SCOPE OF INJUNCTIONS**

§ 30:1 **An injunction is the standard remedy in trademark infringement cases**

*A Permanent Injunction is the Customary Remedy.* A permanent injunction is the usual and normal remedy once trademark infringement has been found in a final judgment. Consider the alternative. If a court were to permit the infringer to continue its infringing activities, the result would be a judicially imposed compulsory license given to an infringer. This would permit the likelihood of confusion to continue and deprive the consuming public of a truthful marketplace. Once it has been proven that confusion is likely, this means that customers will be likely to mistakenly attribute to plaintiff defects or negative impressions they have of the infringer’s goods or services. That means that the plaintiff’s reputation (and the value of the trademark that symbolizes that good will) is at risk because it is in the hands of a stranger who has violated trademark law. Therefore, monetary relief in the future for injuries incurred as time goes by cannot be deemed an “adequate” remedy: the continuing injury to plaintiff’s good will and reputation is “irreparable.”<sup>1</sup>

A likelihood of damage to reputation is by its nature “ir-

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[Section 30:1]

<sup>1</sup>See § 30:2.

## REMEDIES

§ 30:1

reparable” in the legal sense. Like trying to un-ring a bell, trying to “compensate” after the fact for damage to business goodwill and reputation cannot constitute a just or full compensation. This distinguishes trademark cases from the neighboring areas of patent and copyright law.

***An Injunction is the Historical Remedy for Infringement.*** The usual historical practice has been that a prevailing plaintiff in a case of trademark infringement or false advertising will ordinarily receive permanent injunctive relief of some kind.<sup>2</sup> As the Eleventh Circuit observed: “[In] ordinary trademark infringement actions . . . complete injunctions against the infringing party are the order of the day.”<sup>3</sup>

For these reasons, a permanent injunction is the standard remedy in trademark infringement cases.<sup>4</sup> In fact, it was held to be reversible error for a jury to find trademark infringement but then for the District Court judge to deny an injunction against that infringement.<sup>5</sup> Of course, this does not necessarily mean that money cannot be recovered in addition to an injunction. An injunction looks to the future, while money damages look to compensation for past injuries.

***The Lanham Act Codifies the Injunction as an Equitable Remedy.*** The Lanham Act codifies the traditional rem-

<sup>2</sup>Restatement Third, Unfair Competition, § 35, comment b (1995) (“In cases of deceptive marketing, trademark infringement, or trademark dilution, a prevailing plaintiff is ordinarily awarded injunctive relief to protect both the plaintiff and the public from the likelihood of future harm.”).

<sup>3</sup>Angel Flight of Georgia, Inc. v. Angel Flight America, Inc., 522 F.3d 1200, 1209, 86 U.S.P.Q.2d 1422, 1428 (11th Cir. 2008) (Adding that: “The reason is simple: the public deserves not to be led astray by the use of inevitably confusing marks—even in cases in which more than one entity has a legal right to use the mark.”).

<sup>4</sup>See National Football League Properties, Inc. v. Wichita Falls Sportswear, Inc., 532 F. Supp. 651, 664, 215 U.S.P.Q. 175 (W.D. Wash. 1982) (citing treatise); Beacon Mut. Ins. Co. v. OneBeacon Ins. Corp., 376 F. Supp. 2d 251, 265, 75 U.S.P.Q.2d 1409 (D.R.I. 2005) (quoting treatise).

<sup>5</sup>Citizens Financial Group, Inc. v. Citizens Nat. Bank of Evans City, 383 F.3d 110, 125, 72 U.S.P.Q.2d 1389, 65 Fed. R. Evid. Serv. 350 (3d Cir. 2004), cert. denied, 125 S. Ct. 1975, 161 L. Ed. 2d 857 (U.S. 2005) (“We have clearly held that ‘trademark infringement amounts to irreparable injury as a matter of law.’” The trial court erroneously denied a permanent injunction because the jury found no present economic damage to the trademark owner.).

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edy by stating that the courts “shall have the power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable.”<sup>6</sup>

**The Four Part Test.** The Supreme Court in the *eBay* decision said that when a federal statute provides that injunctive relief may be granted in accordance with the principles of equity, a plaintiff seeking a permanent injunction must satisfy the traditional equitable four-factor test before a court may grant such relief. In no case is a plaintiff automatically entitled to a permanent injunction.<sup>7</sup> A plaintiff must demonstrate:

- (1) that it has suffered an irreparable injury;
- (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury;
- (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and
- (4) that the public interest would not be disserved by a permanent injunction.

**Preliminary Injunctions.** In the *eBay* decision mentioned above, the Supreme Court held that a patent owner seeking a permanent injunction must satisfy the traditional equitable four-factor test before a court may grant such relief. This four-factor test applies to trademark preliminary injunctions as well. In trademark cases, every federal court in considering whether to grant a *preliminary* injunction will require an essential fifth element: the plaintiff must show a probability of success at the ultimate trial on the merits.<sup>8</sup>

### § 30:2 Inadequacy of money damages for continuing wrong

#### *“Inadequate Remedy at Law” and “Irreparable*

<sup>6</sup>Lanham Act § 34, 15 U.S.C.A. § 1116.

<sup>7</sup>*eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391, 126 S. Ct. 1837, 1839, 164 L. Ed. 2d 641, 78 U.S.P.Q.2d 1577, 27 A.L.R. Fed. 2d 685 (2006) (A patent case, referring to 35 U.S.C.A. § 283, which, similar to the Lanham Trademark Act, provides: “The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable.”).

<sup>8</sup>See §§ 30:46 to 30:47.50.

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**McCarthy on Trademarks  
and Unfair Competition**

J. Thomas McCarthy  
Fourth Edition

Volume 6  
Current through Release #81, Issued in March 2017



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Mat #41925938



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ages), there is no doubt that the right to jury trial exists. If the remedy requested is 100% equitable, there is equally no doubt that no party has the right to a jury trial and the judge decides both facts and law.<sup>5</sup> But, if both legal (damages) and equitable (injunction) relief are involved, the problem becomes one of characterizing the case as legal or equitable for purposes of the right to trial by jury. Since the approach used by the federal and state courts is quite different, they are considered separately.

**§ 32:124 Jury trial in federal courts<sup>1</sup>—The Dairy Queen rule: accounting of profits**

**The Dairy Queen Precedent.** The landmark case on the right to trial by jury in unfair competition cases is the *Dairy Queen* case in the U.S. Supreme Court.<sup>2</sup> The *Dairy Queen* case has been viewed as bringing about a “revolutionary

in nature. The Supreme Court has made it clear that the right to jury trial is not determined by the legal or equitable nature of the procedural platter upon which an action is brought. Rather, it is the underlying issues brought in on that procedural platter which must be classified as legal or equitable.)

<sup>5</sup>Shubin v. United States Dist. Court, 313 F.2d 250, 136 U.S.P.Q. 405 (9th Cir. 1963), cert. denied, 373 U.S. 936, 10 L. Ed. 2d 690, 83 S. Ct. 1539, 137 U.S.P.Q. 913 (1963) (no right to jury trial in patent infringement case where only injunction requested as relief); Midland Ross Corp. v. Sunbeam Equipment Corp., 52 F.R.D. 573, 170 U.S.P.Q. 258 (W.D. Pa. 1971) (no right to jury trial in case for only injunction for theft of trade secrets); Bruce v. Bohanon, 436 F.2d 733, 168 U.S.P.Q. 333 (10th Cir. 1970), cert. denied, 403 U.S. 918, 29 L. Ed. 2d 694, 91 S. Ct. 2227 (1971) (right to jury trial in trade secret case where plaintiff asked for accounting of profits); Big Dog Motorcycles, L.L.C. v. Big Dog Holdings, Inc., 400 F. Supp. 2d 1273, 79 U.S.P.Q.2d 1184 (D. Kan. 2005) (no right to jury trial in declaratory judgment case, which is only equitable in nature, even though the result may impact a co-pending suit for damages).

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<sup>1</sup>See, generally, Wright, Law of Federal Courts § 92 (5th ed. 1994); Sperling, “Right to Jury Trial in a Federal Action for Trademark Infringement,” 62 Trademark Rep. 58 (1972); Ropski, “The Federal Trademark Jury Trial: Awakening of a Dormant Constitutional Right,” 70 Trademark Rep. 177 (1980); Annotation, “Right of jury trial in federal court for damages from infringement of trademark,” 9 A.L.R. Fed. 853.

<sup>2</sup>*Dairy Queen, Inc. v. Wood*, 369 U.S. 469, 8 L. Ed. 2d 44, 82 S. Ct. 894, 133 U.S.P.Q. 294 (1962). The Court also held that the federal courts could not use the state courts’ approach of denying the right to jury trial by characterizing the legal issues as merely “incidental” to the equitable

change” in the right to jury trial in the federal courts in trademark and unfair competition cases.<sup>3</sup> There, the Dairy Queen franchisor brought suit against a franchisee who had allegedly defaulted in royalty payments. The plaintiff-franchisor prayed for: (a) an injunction to restrain the franchisee-defendant from future use of the DAIRY QUEEN trademark and (b) an “accounting” to determine the amount of money owed by defendant under the franchise-license contract. In its answer, defendant requested a trial by jury. The district court granted a motion to strike the jury demand, giving two reasons: (1) the action was purely equitable, or (2) even if not 100% equitable, any legal issues were “incidental” to the equitable issues, and hence no right to jury trial existed.

The U.S. Supreme Court reversed, holding that defendant was entitled to a jury trial on questions of fact raised under the legal claim for damages. The Supreme Court held that plaintiff’s claim for an “accounting” was in reality a claim for legal relief of money damages. The fact that plaintiff called it an equitable “accounting” could not change the real legal nature of the claim, for “the constitutional right to trial by jury cannot be made to depend upon the choice of words used in the pleadings.”<sup>4</sup>

***Trial by Jury: Minority View.*** A small minority of courts have read the *Dairy Queen* precedent to mean that in a trademark infringement suit, a claim for an accounting of the infringer’s products is a “legal” (not equitable) claim entitling a party to a trial by jury on that issue, if one is demanded.<sup>5</sup>

***No Trial by Jury: Majority View.*** The majority of courts have read the *Dairy Queen* case as concerning “legal” dam-

issues. 369 U.S. at 470.

<sup>3</sup>Holiday Inns of America, Inc. v. Lussi, 42 F.R.D. 27, 153 U.S.P.Q. 158, 9 A.L.R. Fed. 846 (N.D. N.Y. 1967).

<sup>4</sup>Dairy Queen, Inc. v. Wood, 369 U.S. 469, 8 L. Ed. 2d 44, 82 S. Ct. 894, 133 U.S.P.Q. 294 (1962).

<sup>5</sup>AMF Inc. v. National Boat Works, Inc., 192 U.S.P.Q. 81, 1975 WL 21202 (M.D. N.C. 1975) (claim for “equitable accounting of profits” is a claim for legal damages which requires trial by jury); Oxford Industries, Inc. v. Hartmarx Corp., 15 U.S.P.Q.2d 1648, 1990 WL 65792 (N.D. Ill. 1990) (since a claim for a trademark infringer’s profits is more analogous to a claim at law for damages than a claim in equity for restitution, the parties have a right to trial by jury of such a claim).

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ages for breach of contract, not an accounting of profits from trademark infringement. Those courts have said that where the trademark owner's claim is for injunctive relief and an accounting of profits, these are historically claims in equity to be decided by the judge, not a jury.<sup>6</sup> Both the Second<sup>7</sup> and Ninth Circuits<sup>7,50</sup> hold that the remedy sought in the Supreme Court *Dairy Queen* case was a "legal" claim for breach of contract damages, not profits of the infringer. Thus, in a trademark infringement suit, the claim for a recovery of the infringer's profits is an equitable claim for the judge, not a jury.

The First Circuit held that the *Dairy Queen* case did not control the issue of whether a trial judge has the power to act as "the initial gatekeeper" deciding whether the evidence is sufficient to support an award of the infringer's profits. The court held that the trial judge does have such power to decide that under the facts of the case, none of the traditional rationales for an award of profits apply.<sup>8</sup>

<sup>6</sup>Ferrari S.P.A. v. Roberts, 944 F.2d 1235, 1248, 20 U.S.P.Q.2d 1001 (6th Cir. 1991), ("[W]e conclude . . . that Roberts was not entitled to a jury trial. Ferrari's complaint requested only equitable relief; an injunction and disgorgement of profits."). See *Innovation Ventures, LLC v. NVE, Inc.*, 2016 WL 266396, \*8 (E.D. Mich. 2016) (Submitting issue of recovery of the alleged infringer's profits to jury for an advisory verdict because the issue of actual damages would go to the jury in any event.).

<sup>7</sup>*Gucci America, Inc. v. Weixing Li*, 768 F.3d 122, 132–133, 112 U.S.P.Q.2d 1445 (2d Cir. 2014) (*Dairy Queen* did not change the longstanding treatment of the accounting of profits remedy as an equitable (not legal) remedy. "Plaintiffs in *Dairy Queen* did not seek an award of profits, but amounts owed under a contract and damages for trademark infringement.").

<sup>7,50</sup>*Fifty-Six Hope Road Music, Ltd. v. A.V.E.L.A., Inc.*, 778 F.3d 1059, 1075, 43 Media L. Rep. (BNA) 1397, 113 U.S.P.Q.2d 1883 (9th Cir. 2015) (*Dairy Queen* did not hold that a trademark claim for a recovery of the infringer's profits was a legal claim for a jury. The claim in *Dairy Queen* was for damages, not profits. An award of defendant's profits is an equitable remedy, so that the judge, not a jury, calculates the amount of profits.).

<sup>8</sup>*Visible Systems Corp. v. Unisys Corp.*, 551 F.3d 65, 79, 89 U.S.P.Q.2d 1194 (1st Cir. 2008) ("The power of a trial judge to determine that the evidence is insufficient to support an award of a disgorgement of the infringers profits is unaffected by the *Dairy Queen* rule. To the extent [plaintiff] VSC is arguing that the district court is precluded from making this assessment of the evidence either at summary judgment or after trial, we reject the argument. The court is, at the least, the initial gatekeeper as