

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF NEW YORK

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JAB DISTRIBUTORS, LLC,

Plaintiff,

**REPORT AND
RECOMMENDATION**
14 CV 6859 (MKB) (CLP)

-against-

HOME LINEN COLLECTIONS,

Defendant.

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POLLAK, United States Magistrate Judge:

On November 21, 2014, plaintiff JAB Distributors, LLC (“JAB”) commenced this action against defendant Home Linen Collections (“HLC”), pursuant to 15 U.S.C. § 1051 *et seq.* (the “Lanham Act”), 35 U.S.C. § 1 *et seq.* (the “Patent Act”), and various provisions of the New York General Business Law, alleging a variety of claims flowing from defendant's marketing of mattress encasements that used several logos, designs, and other features for which plaintiff alleges it held valid trademarks or patents. After HLC failed to answer or otherwise respond to the Complaint, JAB requested entry of a certificate of default, which request was granted on April 17, 2015.

Thereafter, on July 8, 2015, JAB filed a motion for default judgment, seeking damages and injunctive relief permanently enjoining HLC from further infringement. Plaintiff also seeks an Order authorizing the seizure of defendant's sales records under the Patent Act, the Lanham Act, and the New York General Business Law. Finally, plaintiff requests leave to file any papers in support of damages and attorneys’ fees after defendant’s sales records have been seized.

On July 9, 2015, the motion was referred to the undersigned to prepare a Report and

Recommendation. For the reasons set forth below, the Court respectfully recommends that plaintiff's motion for a default judgment be granted in part and denied in part as set forth below.

FACTUAL BACKGROUND

Plaintiff JAB is a limited liability company located in and organized under the laws of Illinois. (Compl.¹ ¶ 1). JAB makes, sells, and offers for sale mattress encasement products incorporating certain patented features. (Id. ¶ 10). Defendant HLC is a New York corporation which distributes, offers for sale, and/or sells mattress encasement products in direct competition with JAB's products. (Id. ¶¶ 2, 23).

JAB markets a series of bedding and mattress protection products, including mattress encasements that prevent the spread of bed bugs, under numerous trademarks, including PROTECT-A-BED, BUG LOCK, HEALTHY SLEEP ZONE SOLUTIONS, HEALTHY SLEEP ZONE SOLUTIONS and Design, all of which JAB has been using since at least September 30, 2000. (Pl. Mem.² at 1-2). Although all of the relevant trademarks were registered at various times, by 2012, JAB held trademark registrations for each of these marks. (Compl. Exs. D-K).

JAB also alleges that it holds certain patents in connection with these products. On June 30, 2009, JAB received a patent for a "Mattress Encasement For Preventing Bed Bug Escapement Via A Zipper Opening," Patent No. 7,552,489 (the "489 Patent"), from the U.S. Patent and Trademark Office (the "USPTO"). (Id. ¶ 6). After receiving a request for ex parte

¹Citations to "Compl." refer to the Complaint, filed by plaintiff on November 21, 2014.

²Citations to "Pl. Mem." refer to the Memorandum of Law in Support of JAB's Motion for Default Judgment and Order Granting Permanent Injunctive Relief, filed on July 8, 2015.

reexamination of the '489 Patent, the USPTO issued an Ex Parte Reexamination Certificate on August 3, 2010, confirming the patentability of all the original claims to the '489 Patent without amendment. (Id.) On September 10, 2013, JAB received a patent for a "Method Of Preventing Bed Bugs From Escaping A Mattress Encasement Via A Zipper Opening," Patent No. 8,528,134 (the "'134 Patent"). (Id. ¶ 7). Together, these two patents protect a zipper closure system and method developed by JAB to prevent bed bugs from escaping a mattress encasement upon the sealing of an internal zipper. (Pl. Mem. at 1).

JAB alleges that HLC has infringed on JAB's various trademarks by marketing HLC's own products under the marks BED BUG PROTECTOR, BED BUG PROTECTOR and Design, HEALTHY SLEEP ZONE SOLUTIONS, HEALTHY SLEEP ZONE SOLUTIONS and Design, BUG LOCK, and BUG LOCK and Design. (Compl. ¶ 24). In addition, JAB alleges that HLC has infringed on JAB's patents by making, selling, offering for sale, and/or importing into the United States products covered by both the '489 patent and the '134 patent, including HLC's BED BUG PROTECTOR Encasement. (Id. ¶¶ 26, 31).

PROCEDURAL BACKGROUND

JAB commenced this action on November 21, 2014, alleging patent infringement (First and Second Causes of Action), trademark infringement under the Lanham Act (Third Cause of Action), unfair competition, false designation of origin, and passing off under the Lanham Act (Fourth Cause of Action), dilution under the Lanham Act (Fifth Cause of Action), trademark infringement under the common law of New York (Sixth Cause of Action), dilution under the New York General Business Law (Seventh Cause of Action), and deceptive trade practices under

the New York General Business Law (Eighth Cause of Action). HLC was served with the Summons and Complaint on March 6, 2015. On April 10, 2015, having received no response to its Complaint, JAB requested that the Clerk of Court enter a certificate of default against HLC. This request was granted, and a default entered, on April 17, 2015. Thereafter, JAB filed the instant motion for default judgment on July 8, 2015. In its motion, JAB seeks: (1) injunctive relief under the Patent Act, Lanham Act, and the New York General Business Law, barring HLC from selling any more products that infringe on JAB's '489 and '134 Patents, and prohibiting HLC from marketing its products using any of JAB's trademarks; (2) a seizure order directing the United States Marshals to seize and destroy all of HLC's infringing products; (3) a seizure order allowing JAB to seize sales records from HLC to quantify its lost sales and lost profits; (4) leave to file its request for damages after completing the seizure; and (5) leave to file its request for attorneys' fees under seal.

DISCUSSION

I. Default Judgment

Rule 55 of the Federal Rules of Civil Procedure sets forth a two-step process for entry of a default judgment. See Enron Oil Corp. v. Diakuhara, 10 F.3d 90, 95-96 (2d Cir. 1993). First, the Clerk of Court enters the default pursuant to Rule 55(a) by notation of the party's default on the Clerk's record of the case. See id.; FED R. CIV. P. 55(a) (providing that "[w]hen a party against whom a judgment for affirmative relief is sought has failed to plead or otherwise defend, and that failure is shown by affidavit or otherwise, the clerk must enter the party's default"). Second, after the Clerk of Court enters a default against a party, if that party fails to appear or

otherwise move to set aside the default pursuant to Rule 55(c), the court may enter a default judgment. See FED. R. CIV. P. 55(b).

The Second Circuit has cautioned that since a default judgment is an extreme remedy, it should only be entered as a last resort. See Meehan v. Snow, 652 F.2d 274, 277 (2d Cir. 1981). While the Second Circuit has recognized the “push on a trial court to dispose of cases that, in disregard of the rules, are not processed expeditiously [and] . . . delay and clog its calendar,” it has held that the district court must balance that interest with its responsibility to “[afford] litigants a reasonable chance to be heard.” Enron Oil Corp. v. Diakuhara, 10 F.3d at 95-96. Thus, in light of the “oft-stated preference for resolving disputes on the merits,” default judgments are “generally disfavored,” and doubts should be resolved in favor of the defaulting party. Id. Accordingly, a plaintiff is not entitled to a default judgment as a matter of right simply because a defendant is in default. See Erwin DeMarino Trucking Co. v. Jackson, 838 F. Supp. 160, 162 (S.D.N.Y. 1993) (noting that courts must “supervise default judgments with extreme care to avoid miscarriages of justice”).

The Court has significant discretion to consider a number of factors in deciding whether to grant a default judgment, including: (1) whether the grounds for default are clearly established; (2) whether the claims were pleaded in the complaint, thereby placing the defendants on notice, see FED. R. CIV. P. 54(c) (stating “[a] default judgment must not differ in kind from, or exceed in amount, what is demanded in the pleadings”); Enron Oil Corp. v. Diakuhara, 10 F.3d at 95-96; cf. King v. STL Consulting, LLC, No. 05 CV 2719, 2006 WL 3335115, at *4-5 (E.D.N.Y. Oct. 3, 2006) (holding that Rule 54(c) is not violated in awarding damages that accrued during the pendency of a litigation, so long as the complaint put the

defendant on notice that the plaintiff may seek such damages); and (3) the amount of money potentially involved – the more money involved, the less justification for entering the default judgment. Hirsch v. Innovation Int’l, Inc., No. 91 CV 4130, 1992 WL 316143, at *2 (S.D.N.Y. Oct. 19, 1992). Additionally, “the Court may consider whether material issues of fact remain, whether the facts alleged in the complaint state a valid cause of action, whether plaintiff[s] ha[ve] been substantially prejudiced by the delay involved, and whether the default judgment may have a harsh effect on the defendant[s].” Pacific M. Int’l Corp. v. Raman Int’l Gems, Ltd., 888 F. Supp. 2d 385, 393 (S.D.N.Y. 2012) (internal citations omitted).

The burden is on the plaintiff to establish its entitlement to recovery. See Greyhound Exhibitgroup, Inc. v. E.L.U.L. Realty Corp., 973 F.2d 155, 158 (2d Cir. 1992), cert. denied, 506 U.S. 1080 (1993). When a default judgment is entered, the defendants are deemed to have admitted all well-pleaded allegations in the complaint pertaining to liability, but not as to damages. Id. Thus, the plaintiff must first establish the defendant’s liability as a matter of law, since a defaulting defendant is not considered to have admitted to any legal conclusions. Advanced Capital Commercial Grp., Inc. v. Suarez, No. 09 CV 5558, 2013 WL 5329254, at *3 (E.D.N.Y. Sept. 20, 2013). It remains the plaintiff’s burden to demonstrate that the uncontroverted facts establish the defendant’s liability on each cause of action asserted. Finkel v. Romanowicz, 577 F.3d 79, 84 (2d Cir. 2009). In doing so, however, the Court draws all “reasonable inferences from the evidence offered” in plaintiff’s favor. Id. (quoting Au Bon Pain Corp. v. Artect, Inc., 653 F.2d 61, 65 (2d Cir. 1981)).

After demonstrating the defendant’s liability, the plaintiff must also establish its entitlement to the requested relief to a “reasonable certainty.” Gunawan v. Sushi Sake

Restaurant, 897 F. Supp. 2d 76, 83 (E.D.N.Y. 2012). While “the court must ensure that there is a basis for the damages specified in a default judgment, it may, but need not, make the determination through a hearing.” Fustok v. Conticommodity Servs., Inc., 122 F.R.D. 151, 156 (S.D.N.Y. 1988) (collecting cases), aff’d, 873 F.2d 38 (2d Cir. 1989).

II. HLC’s Liability

The Court must first determine whether the allegations in JAB’s Complaint establish a right to relief under the Patent Act, the Lanham Act, and the New York General Business Law.

A. Patent Infringement Under the Patent Act

Plaintiff’s First and Second Causes of Action allege violations of the Patent Act. Under the Patent Act, “whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.” 35 U.S.C. § 271. A properly registered patent is presumed to be valid. 35 U.S.C. § 282. Overcoming this presumption requires “clear and convincing evidence [of invalidity].” Spectrum Pharmaceuticals, Inc. v. Sandoz, Inc., 802 F.3d 1326, 1333 (Fed. Cir. 2015) (citing Microsoft Corp. v. i4i Ltd. P’ship, 564 U.S. 91 (2011)). In the event of infringement, “[a] patentee shall have remedy by civil action for infringement of his patent.” 35 U.S.C. § 281. Thus, to support a claim of direct infringement, a plaintiff need only show that a defendant made or marketed “a specific product that allegedly infringes [an identified] patent by virtue of certain specific characteristics.” LaserDynamics USA, LLC v. Cinram Grp., Inc., No. 15 CV 1629, 2015 WL 6657258, at *4

(S.D.N.Y. Oct. 30, 2015). For an infringement to be found willful under the Patent Act,

the accused infringer must have knowledge of [the patent]. Then, a patentee must show by clear and convincing evidence [1] that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent and [2] that this objectively-defined risk . . . was either known or so obvious that it should have been known to the accused infringer.

Id. (quoting Investment Tech. Grp., Inc. v. Liquidnet Holdings, Inc., 759 F. Supp. 2d 387, 410 (S.D.N.Y. 2010), aff'd sub nom., Liquidnet Holdings, Inc. v. Pulse Trading, Inc., 478 F. App'x 671 (Fed. Cir. 2012)). The fact of a defendant's default is often treated as sufficient to establish that the infringement was willful. See, e.g., Telequip Corp. v. Change Exch., No. 01 CV 1748, 2004 WL 1739545, at *1 (N.D.N.Y. Aug. 3, 2004); Bic Corp. v. First Prominence Co., Ltd., No. 00 CV 7155, 2001 WL 1597983, at *4 (S.D.N.Y. Dec. 10, 2001).

Accepting all of the facts alleged in JAB's Complaint as true, JAB has established that HLC willfully violated both the '489 Patent and the '134 Patent. JAB has submitted evidence that it validly held both patents during the course of HLC's infringement. (See Compl. Exs. A, B, C, D). Thus, the Court presumes both patents to be valid. As HLC has not appeared to contest the validity of either patent, it has failed to overcome this presumption by clear and convincing evidence.

JAB also adequately alleges that HLC manufactured and marketed — and continues to manufacture and market — products which directly infringe on the protected claims of both patents. (See Compl. ¶¶ 26, 31). JAB further alleges that “after reasonable opportunity for further investigation or discovery, it is likely that the evidence will show that HLC's acts of infringement have been made with full knowledge of the [patents].” (Id. ¶¶ 27, 32). Further,

JAB alleges that HLC has engaged in “willful and deliberate infringement” of both patents. (Id.)

Given that HLC has failed to appear in this action, the Court thus respectfully recommends that HLC be held liable for direct infringement of both the ‘489 Patent and the ‘134 Patent, and that this infringement be found willful.

B. Trademark Infringement Claims

Plaintiff’s Third, Fourth, and Sixth Causes of Action allege trademark infringement under the Lanham Act and New York common law, as well as unfair competition under the Lanham Act. Since “claim[s] of common law trademark infringement require[] [plaintiffs] to meet the same elements as their Lanham Act claims,” Nike, Inc. v. Top Brand Co. Ltd., No. 00 CV 8179, 2005 WL 1654859, at *7 (S.D.N.Y. July 13, 2005), the Court has considered the common law trademark claim in conjunction with those claims brought under the Lanham Act. Similarly, although the claims under the Lanham Act arise under different sections — 15 U.S.C. § 1141 and 15 U.S.C. § 1125(a) — courts generally analyze claims brought under these provisions of the Lanham Act together under an umbrella claim of “trademark infringement.” See, e.g., Time v. Peterson Publishing Co. L.L.C., 173 F.3d at 117 (conducting one analysis for claims brought under both sections of the Lanham Act); Starbucks Corp. v. Wolfe's Borough Coffee, Inc., 588 F.3d 97, 114 (2d Cir. 2009) (same).

The Lanham Act prohibits the unauthorized commercial use of any “registered mark in connection with the sale, distribution or advertising of any goods” in a way that “is likely to cause confusion.” 15 U.S.C. § 1114(1)(a). The Lanham Act also protects “unregistered, common law trademarks.” Time, Inc. v. Peterson Publishing Co. L.L.C., 173 F.3d 113, 117 (2d

Cir. 1999) (citing 15 U.S.C. § 1125(a)). To prevail on a claim under either provision of the Lanham Act, a plaintiff must show two elements: (1) a valid mark entitled to protection; and (2) likelihood of confusion resulting from defendant's use. Christian Louboutin S.A. v. Yves Saint Laurent America Holding, Inc., 696 F.3d 206, 216 (2d Cir. 2012).

1. Valid Mark Entitled to Protection

The protections of the Lanham Act apply only to “distinctive marks.” Id. A mark may be “inherently distinctive” if its “intrinsic nature serves to identify a particular source.” Id. (quoting Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 768 (1992)). Descriptive marks that are not inherently distinctive may nonetheless become distinctive if they acquire secondary meaning. Sexy Hair Concepts, LLC v. Sexy Hair Inc., No. 12 CV 3937, 2013 WL 5460629, at *3 (E.D.N.Y. Sept. 30, 2013) (quoting 15 U.S.C. §§ 1052(e), (f)). A descriptive mark acquires secondary meaning when consumers come to associate it with the particular user of the mark. Id. (quoting Time, Inc. v. Peterson Publishing Co. LLC, 173 F.3d at 117). Registration of a mark is prima facie evidence that the mark is entitled to protection. Id. Lack of such registration, however, does not automatically defeat a claim of infringement. See 15 U.S.C. § 1125(a).

Here, JAB has provided documentation of the registration of its marks for “PROTECT-A-BED,” “PROTECT-A-BED PLUSH,” and “BUG LOCK.” As such, these marks are presumed to be valid and protected. Since HLC has defaulted and chosen not to defend its actions, there is nothing in the record to overcome JAB’s prima facie showing of validity. Plaintiff has not, however, presented proof of registration for the marks “HEALTHY SLEEP ZONE SOLUTIONS” and “HEALTHY SLEEP ZONE SOLUTIONS and Design.” JAB alleges

that these marks are “inherently distinctive,” or, in the alternative, have acquired secondary meaning. Again, because defendant has chosen to default, there is nothing in the record to challenge plaintiff’s assertions. Thus, taking these allegations as true, the Court finds that JAB is entitled to Lanham Act protection for its “PROTECT-A-BED,” “PROTECT-A-BED PLUSH,” “BUG LOCK,” “HEALTHY SLEEP ZONE SOLUTIONS,” and “HEALTHY SLEEP ZONE SOLUTIONS and Design” marks.

2. Likelihood of Confusion

Once a mark is determined to be valid, the court must determine whether the defendant's use of a similar mark is likely to cause customer confusion. Christian Louboutin S.A. v. Yves Saint Laurent America Holding, Inc., 696 F.3d at 217. In making this determination, courts apply an eight-factor balancing test, weighing: “(1) strength of the trademark; (2) similarity of the marks; (3) proximity of the products and their competitiveness with one another; (4) evidence that the senior user may ‘bridge the gap’ by developing a product for sale in the market of the alleged infringer's product; (5) evidence of actual consumer confusion; (6) evidence that the imitative mark was adopted in bad faith; (7) respective quality of the products; and (8) sophistication of consumers in the relevant market.” Starbucks Corp. v. Wolfe's Borough Coffee, Inc., 588 F.3d at 115. No one factor is dispositive; rather, the court must look at the totality of circumstances to determine whether consumers are likely to be confused. Id. The Court has considered each factor in turn.

a. Strength of the Marks

The Second Circuit has explained that “[t]he strength of a trademark encompasses two different concepts.” Virgin Enters. Ltd. v. Nawab, 335 F.3d 141, 147 (2d Cir. 2003). The first is inherent strength, also called “inherent distinctiveness,” which looks to whether the mark uniquely identifies a product’s source. Id. The second is “acquired distinctiveness,” which refers to the extent to which prominent use of the mark in commerce has resulted in a high degree of consumer recognition. Id.

Here, JAB does not allege that its marks are inherently distinctive. However, JAB has alleged that its marks have acquired distinctiveness as a result of their continuous use for over a decade. (See Compl. ¶¶ 11-22). In light of HLC’s default, the Court accepts this statement as true, and finds that this factor weighs in plaintiff’s favor.

b. Similarity of the Marks

In analyzing the degree of similarity between a protected mark and an allegedly infringing mark, courts must determine “the overall impression created by the marks and whether such similarity is more likely than not to cause consumer confusion.” Krevat v. Burgers to Go, Inc., No. 13 CV 6258, 2014 WL 4638844, at *9 (E.D.N.Y. Sept. 16, 2014) (quoting Brennan’s, Inc. v. Brennan’s Rest., L.L.C., 360 F.3d 125, 133 (2d Cir. 2004)). Thus, courts may consider factors such as the typeface, color, and appearance of written marks, but must not afford any one factor too great a weight. Stark Carpet Corp. v. Stark Carpet & Flooring Installations, Corp., 954 F. Supp. 2d 145, 160-61 (E.D.N.Y. June 20, 2013).

Here, JAB has provided the Court with copies of its registered marks and copies of

HLC's allegedly infringing marks. (See Pl. Mem. at 10-13). Having analyzed JAB's marks and those used by HLC, the Court easily concludes that they are sufficiently similar to satisfy the requirements for establishing the potential for customer confusion. Not only do the marks utilize many of the same fonts and general layouts, but HLC has used almost identical words in its marks. At least four of the marks used by HLC — BUG LOCK, BUG LOCK and Design, HEALTHY SLEEP ZONE SOLUTIONS, and HEALTHY SLEEP ZONE SOLUTIONS and Design — use the exact same language as those registered by JAB. (Pl. Mem. at 2-3).

Accordingly, the Court finds that this factor weighs strongly in favor of JAB. Cf. Stark Carpet Corp. v. Stark Carpet & Flooring Installations, Corp., 954 F. Supp. 2d at 161 (finding that the use of the same words, along with similar fonts, was sufficient to establish similarity of marks).

c. Proximity of Products/Likelihood of Bridging the Gap

The third and fourth factors, often analyzed together, ask the court to determine whether the allegedly infringing mark is used to market products in direct competition with products under the registered mark, or whether such competition is likely in the reasonably near future. Cadbury Beverages, Inc. v. Cott Corp., 73 F.3d 474, 480-81 (2d Cir. 1996).

Here, JAB has alleged that “HLC has distributed, offered for sale, and/or sold mattress encasement products to the consuming public in direct competition with JAB's [products]” (Compl. ¶ 23). Since the products allegedly marketed by HLC are the same type of product covered by plaintiff's registered marks — namely, mattress encasements — the Court finds this allegation sufficient to establish that HLC's products directly compete with JAB's products,

causing the third and fourth factors to weigh in favor of plaintiff.

d. Evidence of Actual Confusion

The fifth factor looks to any evidence that consumers have actually been confused by the competing marks. Such confusion can be proved through consumer surveys or through anecdotes. Nabisco, Inc. v. PF Brands, Inc., 191 F.3d 208, 228 (2d Cir. 1999).

Plaintiff has not introduced any evidence of actual confusion, and thus, this factor does not weigh in plaintiff's favor.

e. Bad Faith

The sixth factor looks at whether defendant "adopted its mark with the intention of capitalizing on plaintiff's reputation and goodwill and any confusion between [its] and the senior user's product." Lang v. Retirement Living Pub. Co., Inc., 949 F.2d 576, 583 (2d Cir. 1991). Such bad faith can be presumed in the case of a deliberate copying. Starbucks Corp. v. Wolfe's Borough Coffee, Inc., 588 F.3d at 118.

Here, JAB has alleged that HLC marketed its products using JAB's registered marks "despite HLC's knowledge of JAB's rights in the registered . . . [m]arks." (Compl. ¶¶ 38, 41, 44). Given the identity of the names used by HLC to market its products and accepting plaintiff's factual allegations as true, as the Court must on this motion, the Court finds that this factor weighs in favor of JAB.

f. Remaining Factors

JAB has not alleged anything with respect to the respective qualities of the competing products, nor has it provided any information about the sophistication of the consumer market for mattress encasements. Accordingly, the Court has not considered these factors in its analysis.

On balance, however, the Court finds that five of the eight factors warrant a finding in JAB's favor. As such, the Court finds that JAB has established that customer confusion is reasonably likely, and has established liability under the Lanham Act. Since the same standards apply to claims for trademark infringement under New York common law, the Court also finds that JAB has established HLC's liability for common law trademark infringement.

C. Federal Dilution Claim

Under the Lanham Act, an owner of a “famous mark that is distinctive, either inherently or through acquired distinctiveness,” is entitled to an injunction against another who uses a mark that is “likely to cause dilution by blurring or dilution by tarnishment of the famous mark.” 15 U.S.C. § 1125(c). Thus, in a claim for federal trademark dilution, a plaintiff must prove: “(1) its mark is famous and distinctive, (2) its mark is used in commerce by the defendant, and (3) the defendant's use is likely to cause dilution through either ‘blurring’ or ‘tarnishment.’” Van Praagh v. Gratton, 993 F. Supp. 2d 293, 304 (E.D.N.Y. 2014) (citing Boarding Sch. Review, LLC v. Delta Career Educ. Corp., No. 11 CV 8921, 2013 WL 6670584, at *6 (S.D.N.Y. Mar. 29, 2013)). As discussed above, JAB has adequately alleged that its marks are distinctive. The Complaint similarly alleges that the marks are famous (see Compl. ¶ 72), and that HLC has used the marks in commerce. (See id. ¶¶ 36-37, 39-40, 42-43). Accepting these allegations as true, the Court

need only determine whether JAB has adequately alleged that HLC's conduct is likely to cause dilution by blurring or dilution by tarnishment.

Dilution by blurring refers to “the whittling away of [the] established trademark's selling power and value through its unauthorized use by others.” Study Logic, LLC v. Clear Net Plus, Inc., No. 11 CV 4343, 2012 WL 4329349, at *8 (E.D.N.Y. Sept. 21, 2012). As such, dilution may be found “regardless of the presence or absence of actual or likely confusion, of competition, or of actual economic injury.” 15 U.S.C. § 1125(c)(1); see also Starbucks Corp. v. Wolfe's Borough Coffee, Inc., 588 F.3d at 105. In determining whether dilution has occurred, courts are instructed to consider “all relevant factors,” including: (1) the degree of similarity between the marks; (2) the degree of distinctiveness of the famous mark; (3) the extent to which the famous mark's owner engaged in substantially exclusive use of the mark; (4) the degree of recognition of the famous mark; (5) whether the other user intended to create an association with the famous mark; (6) any actual association between the marks. 15 U.S.C. § 1125(c)(2)(B).

With respect to the first factor, the Court has already determined that the marks are nearly identical in language and typeface. (See discussion supra, Section II(B)(2)(b)). With respect to the second, third, and fourth factors, JAB alleges that its marks “connote in the minds of the public the high quality products offered by JAB.” (See Compl. ¶¶ 71, 72). JAB also alleges that its marks “were exclusively associated with JAB.” (Id.) As to the fifth factor, JAB alleges that HLC's marks were used “willfully and wantonly, with an intent to trade on JAB's famous reputation and goodwill.” (Id. ¶ 75). Taking these allegations as true, the Court finds that JAB has successfully demonstrated HLC's liability for dilution.

D. New York Dilution Claim

Like their federal analogs, New York dilution claims may take one of two forms: blurring or tarnishment. See Starbucks Corp. v. Wolfe’s Borough Coffee, Inc., 588 F.3d at 114 (citing N.Y. Gen. Bus. Law § 360-1). The standards for analyzing a claim of dilution under New York state law, however, differ slightly from those used in analyzing claims of dilution under federal law. Id. Importantly, a mark need not be “famous” to receive protection from dilution under New York law. Id. Thus, a plaintiff need only establish that: (1) the mark is distinctive; (2) the defendant used the mark in commerce; and (3) the use of the mark caused dilution either by blurring or by tarnishment. Id. (citing N.Y. Gen. Bus. Law § 360-1). Having already determined that JAB’s marks are distinctive and that HLC has used them in commerce, the Court need only analyze whether JAB has established dilution under New York law.

The Second Circuit has advised that, in considering claims for dilution under New York law, courts are to consider a slightly different set of factors, including: (1) the similarity of the marks; (2) the similarity of the products covered; (3) the sophistication of the consumers; (4) the existence of predatory intent; (5) the renown of the senior mark; and (6) the renown of the junior mark. New York Stock Exchange, Inc. v. New York, New York Hotel LLC, 293 F.3d 550, 558 (2d Cir. 2002). In considering the first factor — the similarity of the marks — New York requires courts to find a “substantial” similarity between the marks before imposing liability for dilution. See Starbucks Corp. v. Wolfe’s Borough Coffee, Inc., 588 F.3d at 114.

Here, four of the applicable factors weigh in favor of a finding of dilution under New York law. As discussed above, the marks utilize the same language and typeface, and create an almost identical effect on a viewer. Thus, the marks are substantially similar. Further, JAB

alleges that HLC has used the marks to sell identical products — mattress encasements to protect against bed bugs. (Compl. ¶ 23). JAB also alleges that HLC’s use of the protected marks was done willfully, with full knowledge of the infringement. (*Id.* ¶¶ 44, 87). While the Court is cognizant that “predatory intent” lacks precise definition from the New York Court of Appeals, the Second Circuit has stated that “[u]ntil New York courts clarify the relevance of [predatory] intent . . . all that is needed is an intent to promote one’s product.” Deere & Co. v. MTD Prods., Inc., 41 F.3d 39, 45-46 (2d Cir. 1994). The Court finds that HLC’s willful use of the infringing marks, coupled with HLC’s use of the marks to sell goods in direct competition with those of JAB, gives rise to a strong inference of predatory intent. Finally, JAB argues that its marks have been in use for many years (Pl. Mem. at 1-2), and are “known throughout the United States as identifying and distinguishing JAB’s goods in the mattress, box spring, and pillow encasement market.” (Compl. ¶ 53). Accordingly, the Court finds that JAB has successfully made out a claim for dilution under New York law.

E. Deceptive Trade Practices

Plaintiff also brings a claim under New York General Business Law, Section 349, which is designed to protect consumers from certain “deceptive business practices.” N.Y. Gen. Bus. Law § 349. To obtain relief on such a claim, a plaintiff must demonstrate that: (1) the defendant’s deceptive acts were directed at consumers; (2) the acts were misleading in a material way; and (3) the plaintiff was injured as a result. Maurizio v. Goldsmith, 230 F.3d 518, 521 (2d Cir. 2000). However, because the statute is focused on protecting consumers, a plaintiff must also demonstrate some sort of “consumer injury or harm to the public interest.” Eyal R.D. Corp.

v. Jewelex New York Ltd., 784 F. Supp. 2d 441, 450 (S.D.N.Y. 2011) (quoting Securitron Magnalock Corp. v. Schnabolk, 65 F.3d 256, 264 (2d Cir. 1995)). Accordingly, courts in this circuit have found that a plaintiff “must be a consumer [of the product in question].” Philip Morris USA Inc. v. Felizardo, No. 03 CV 5891, 2004 WL 1375277, at*6 (S.D.N.Y. June 18, 2004); accord Pfizer, Inc. v. Sachs, 652 F. Supp. 2d 512, 526 (S.D.N.Y. 2009) (noting that the holder of a trademark was “not the type of plaintiff that [N.Y. Gen. Bus. Law § 349] protects”).

Thus, the majority of courts have found that “trademark . . . infringement claims are not cognizable under [N.Y. Gen. Bus. Law § 349] unless there is a specific and substantial injury to the public interest over and above ordinary trademark infringement[.]” Phillip Morris USA Inc. v. U.S. Sun Star Trading, Inc., No. 08 CV 68, 2010 WL 2133937, at *6 (E.D.N.Y. Mar. 11, 2010) (quoting Nomination Di Antonio E Paolo Gensini S.N. C. v. H.E.R. Accessories Ltd., No. 07 CV 6959, 2009 WL 4857605, at *8 (S.D.N.Y. Dec.14, 2009)) (emphasis in original), report and recommendation adopted, 2010 WL 2160058 (E.D.N.Y. May 27, 2010).

Here, JAB has not alleged that it directly consumed any of HLC’s infringing products, nor has it alleged any facts suggesting public injury beyond ordinary trademark infringement. Accordingly, the Court respectfully recommends that plaintiff’s motion for default judgment be denied as to the claims for deceptive trade practices under New York law.

II. Injunctive Relief

In its moving papers, JAB seeks an injunction proscribing HLC from marketing any of its infringing products, or from using JAB's trademarks in marketing any of its products. A court may issue a permanent injunction on a motion for default judgment if the moving party shows

that: “(1) it is entitled to injunctive relief under the applicable statute and (2) it meets the prerequisites for the issuance of an injunction.” Realsongs, Universal Music Corp. v. 3A North Park Ave. Rest. Corp., 749 F. Supp. 2d 81, 93 (E.D.N.Y. 2010).

A. Injunctions Under the Applicable Statutes

JAB's claims fall under three main statutes: (1) the claims of patent infringement fall under the Patent Act, 35 U.S.C. § 1 et seq.; (2) the claims of trademark infringement fall under the Lanham Act, 15 U.S.C. § 1051 et seq.; and (3) the state law claims fall under the New York General Business Law. Thus, plaintiff must show that the applicable statutes allow for injunctive relief.

JAB correctly asserts that all of the applicable statutes authorize injunctive relief upon a finding of liability. Under the Patent Act, a court may “grant injunctions . . . to prevent the violation of any right secured by patent” 35 U.S.C. § 283. The Lanham Act similarly grants courts the “power to grant injunctions . . . to prevent the violation of any right of the registrant of a mark registered in the Patent and Trademark Office” 15 U.S.C. § 1116(a). Thus, the Court finds that all applicable statutes allow for entry of injunctive relief.

B. Prerequisites for Injunction Under Federal Law

A party seeking entry of a permanent injunction on federal claims 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. eBay v. MercExchange, LLC, 547 U.S. 388, 391 (2006) (applying the four equitable factors to patent infringement actions); see also Microsoft Corp. v. AGA Solutions, Inc., 589 F. Supp. 2d 195, 204 (E.D.N.Y. 2008) (applying these factors in a trademark and copyright action). Each factor is analyzed in turn.

1. Irreparable Injury

A plaintiff seeking permanent injunctive relief must first demonstrate that it has suffered an irreparable injury. In a trademark infringement case, “a plaintiff can establish a risk of irreparable harm by showing a ‘likelihood of confusion as to source or sponsorship.’” AW Indus., Inc. v. Sleepingwell Mattress Inc., No. 10 CV 4439, 2011 WL 4404029, at * 10 (E.D.N.Y. Aug. 31, 2011) (quoting American Cyanamid Co. v. Campagna Per Le Farmacie in Italia S.P.A., 847 F.2d 53, 55 (2d Cir.1988)), report and recommendation adopted, 2011 WL 4406329 (E.D.N.Y. Sept. 21, 2011). Irreparable harm may not be presumed, however, simply from the possibility of customer confusion; rather, courts must consider the actual injuries a party will suffer in the absence of an injunction. Salinger v. Colting, 607 F.3d 68, 80 (2d Cir. 2010). In a trademark case, such harm may be shown by demonstrating that a party will “lose control over the reputation of its trademark pending trial, because loss of control over one’s reputation is neither calculable nor precisely compensable.” N.Y.C. Triathlon, LLC v. NYC Triathlon Club, Inc., 704 F. Supp. 2d 305, 343 (S.D.N.Y. 2010) (internal quotations omitted). Courts also consider whether the plaintiff has invested “significant . . . efforts and expenditures” into making a mark identifiable. Balady, Inc. v. Elhindi, No. 14 CV 855, 2014 WL 7342867, at *12 (E.D.N.Y. Dec. 23, 2014).

Similarly, in a patent infringement action, a showing of infringement of a valid patent creates a presumption of irreparable harm, because “the very nature of a patent provides the right to exclude.” Pass & Seymour, Inc. v. Hubbell Inc., 532 F. Supp. 2d 418, 432 (N.D.N.Y. 2007) (quoting Pfizer, Inc. v. Teva Pharm., USA, Inc., 429 F.3d 1364, 1381 (Fed. Cir. 2005)). This presumption may be rebutted if the defendant can demonstrate “that future infringement is no longer likely, that the patentee is willing to forgo its right to exclude by licensing the patent, or that the patentee had delayed in bringing suit.” Pfizer, Inc. v. Teva Pharm., USA, Inc., 429 F.3d at 1381 (Fed. Cir. 2005) (quoting Polymer Technologies, Inc. v. Bridwell, 103 F.3d 970, 975 (Fed. Cir. 1996)). The burden of rebutting this presumption rests with the alleged infringer. Id.

Here, defendant, by defaulting, has conceded liability as to JAB’s trademark claims because “by defaulting, defendant[] admit[s] plaintiff’s allegations of the likelihood of confusion” Sexy Hair Concepts, LLC v. Sexy Hair, Inc., 2013 WL 5460629, at *4. JAB also claims that it has invested heavily in registering and promoting its protected marks. (See Compl. ¶¶ 11-22). Thus, the Court finds that JAB has met its burden of demonstrating irreparable harm with respect its trademark infringement claims.

Similarly, having found plaintiff’s allegations sufficient to establish liability for patent infringement, the Court presumes that JAB will suffer irreparable harm. As HLC has not appeared to rebut this presumption, the Court finds that plaintiff has established irreparable injury flowing from defendant’s continued infringement of its trademarks and patents.

2. Inadequacy of Remedies at Law

In a trademark action, the inadequacy of remedies at law is established “where the record

contains no assurance against defendant's continued violation" of the plaintiff's mark. See MontblancSimplo Gmbh v. Colibri Corp., 692 F. Supp. 2d 245, 259 (E.D.N.Y. 2010). In the context of a defendant's default, "[a] court may infer . . . that [the defendant] is willing to, or may continue its infringement." Pearson Educ., Inc. v. Vergara, No. 09 CV 6832, 2010 WL 3744033, at *4 (S.D.N.Y. 2010). In the patent context, "monetary damages are not an adequate remedy against future infringement because the principal value of a patent is its statutory right to exclude." Crescent Servs., Inc. v. Michigan Vacuum Trucks, Inc., 714 F. Supp. 2d 425, 431 (W.D.N.Y. 2010) (internal citations omitted). Thus, the likelihood of future infringement establishes the inadequacy of remedies at law. Id.

Here, JAB alleges that HLC will continue to market its products using the infringing marks. (Compl. ¶¶ 36-44). JAB also alleges that HLC will continue to infringe upon both patents. (Id. ¶¶ 27-28, 32-33). In light of defendant's default, the Court has been presented with no evidence in the record that the defendant will cease its infringing activities simply because an award of damages is ordered. As such, the plaintiff has established the inadequacy of remedies at law.

3. Balance of Hardships

Continued infringement of a party's intellectual property rights is the main factor courts consider when deciding whether the balance of hardships favors granting of an injunction. Stark Carpet Corp. v. Stark Carpet & Flooring Installations, Corp., 954 F. Supp. 2d at 164. Where a defendant defaults in an intellectual property action, courts have recognized that "failure to . . . participate in th[e] action, even after the entry of default, further demonstrates that [the

defendant] is unlikely to cease its infringing activity.” Krevat v. Burgers to Go, Inc., 2014 WL 4638844, at *13.

JAB argues that “HLC and JAB directly compete in the mattress and bedding protection market, and HLC’s unlawful conduct has and will continue to cause JAB to lose actual and potential customers [HLC’s] infringement has been blatant and has unfairly forced JAB to compete against its own intellectual property.” (Pl. Mem. at 8) (quoting Presidio Components, Inc. v. Am. Technical Ceramics Corp., 702 F.3d 1351, 1363 (Fed. Cir. 2012)). As HLC has failed to appear to assert any hardships it would suffer should an injunction issue, the Court finds that the balance of hardships favors JAB.

4. Public Interest

Courts have regularly found that there is a strong public policy interest in protecting intellectual property rights. See, e.g., Crescent Servs., Inc. v. Michigan Vacuum Trucks, Inc., 714 F. Supp. 2d at 431 (noting that strong intellectual property protections serve as “incentive to engage in the toils of scientific and technological research”); Stark Carpet Corp. v. Stark Carpet & Flooring Installations, Corp., 954 F. Supp. 2d at 164 (stating that “[a]nti-infringement injunctions serve the public interest by preventing consumer confusion and allowing a more efficient marketplace to operate by virtue of the availability to consumers of a clear identification of products, services and vendors”). Accordingly, the Court finds that the public interest would be served by entry of an injunction.

Having considered the equitable factors as discussed above, the Court respectfully recommends that an injunction issue under the Patent Act and the Lanham Act to bar HLC from

further production and sale of its infringing products and from further use of its infringing marks.

C. Prerequisites for Injunction Under New York Law

Under New York state law, a party seeking an injunction must show that “there was a violation of a right presently occurring, or threatened and imminent, that he or she has no adequate remedy at law, that serious and irreparable harm will result absent the injunction, and that the equities are balanced in his or her favor.” In re Long Island Power Authority Hurricane Sandy Litig., 134 A.D 3d 1119, 24 N.Y.S. 3d 313, 316 (2d Dep’t 2015) (internal quotations omitted). The Court has already determined that: (1) no adequate remedies exist at law; (2) JAB will suffer irreparable harm in the absence of an injunction; and (3) the balance of equities favors JAB. See supra, Sections II(B)(1)-(3). Thus, the Court must only determine that plaintiffs have established a violation of a right, either presently occurring or threatened and imminent.

JAB has alleged that HLC continues to infringe on JAB’s protected marks, thereby diluting the value of those marks. (Compl. ¶¶ 84-86, 111). Taking these allegations as true, the Court finds that HLC continues to violate JAB’s rights in its protected marks.

Accordingly, the Court respectfully recommends that an injunction issue under the New York General Business Law to bar HLC from further production and sale of its infringing products and from further use of its infringing marks.

III. Seizure of Assets and Records

JAB seeks an Order authorizing the seizure of “HLC’s infringing products and means of making same, HLC’s records (including computers and electronic evidence of sales and offers to

sell infringing products), and HLC's promotional and sales materials related to the infringing products." (Pl. Mem. at 17). JAB has also requested leave to file its request for damages, including attorneys' fees, after seizure of HLC's records. (See Docket No. 19). Finally, JAB seeks leave to file its request for attorneys' fees under seal.

The Lanham Act specifies that, upon a finding of infringement, "the court may order that all labels, signs, prints, packages, wrappers, receptacles, and advertisements in the possession of the defendant, bearing the registered mark . . . shall be delivered up and destroyed." 15 U.S.C. § 1118. Thus, in the context of trademark infringement actions, courts regularly authorize the seizure of any infringing marks or products bearing an infringing mark upon a finding of infringement. See, e.g., Martal Cosmetics, Ltd. v. Int'l Beauty Exch., Inc., No. 01 CV 7595, 2007 WL 895697, at *11 (E.D.N.Y. Mar. 22, 2007); Koon Chun Hing Kee Soy & Sauce Factory, Ltd. v. Excelsior Trading Corp., No. 07 CV 3224, 2007 WL 2743579, at *3 (E.D.N.Y. Sept. 18, 2007).

Accordingly, the Court respectfully recommends that JAB's request for a seizure order be granted, and that JAB be granted leave to file its request for damages after such seizure is completed.

Finally, to the extent that plaintiff seeks an Order authorizing the destruction of any seized infringing items or documents, the Court respectfully recommends that decision be reserved on that request at this time. Under the Lanham Act, prior to the destruction of any seized property, the party seeking the destruction "shall give ten days' notice to the United States attorney for the judicial district in which such order is sought (unless good cause is shown for lesser notice)" 15 U.S.C. § 1118. This is to ensure that potential evidence in any criminal

prosecution is not destroyed before the government is given an opportunity to review the request.

Id.

Thus, the Court respectfully recommends that JAB be required to comply with this statutory requirement before being allowed to destroy the infringing products.

The Court also respectfully recommends that decision be reserved as to plaintiff's request to file a motion for attorneys' fees under seal until such time as the seizure is completed, and the application for fees is filed.

CONCLUSION

In light of the foregoing, it is respectfully recommended that JAB's motion for default judgment be granted as to all claims except the Eighth Cause of Action, alleging deceptive practices under New York law, and that an injunction issue barring HLC from producing or marketing any of its products in a way that infringes on JAB's protected patents and trademarks. It is further respectfully recommended that JAB's request for a seizure order be granted, and that JAB be given leave to file a motion for damages following the seizure of HLC's sales records. Finally, it is respectfully recommended that the decision as to JAB's request to file a motion for attorneys' fees under seal be reserved.

Any objections to this Report and Recommendation must be filed with the Clerk of the Court, with a copy to the undersigned, within fourteen (14) days of receipt of this Report. Failure to file objections within the specified time waives the right to appeal the District Court's Order. See 28 U.S.C. § 636(b)(1); FED. R. CIV. P. 6(a), 6(e), 72; Caidor v. Onondaga Cnty., 517 F.3d 601, 604 (2d Cir. 2008).

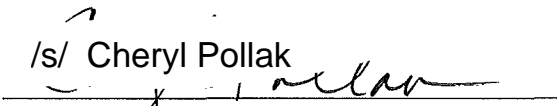
Plaintiffs are directed to serve a copy of this Order promptly by certified mail, return receipt requested, on defendants and to provide the Court with copies of the return receipts.

The Clerk is directed to send copies of this Order to the parties either electronically through the Electronic Case Filing (ECF) system or by mail.

SO ORDERED.

Dated: Brooklyn, New York
March 8, 2016

/s/ Cheryl Pollak


Cheryl L. Pollak
United States Magistrate Judge
Eastern District of New York