

No. 14-20348

**In The
United States Court Of Appeals
For The Fifth Circuit**

CLEARLINE TECHNOLOGIES, LIMITED,

Plaintiff - Appellee Cross-Appellant

v.

COOPER B-LINE, INCORPORATED,

Defendant - Appellant Cross-Appellee

Civil Appeal from the United States District Court
for the Southern District of Texas, Houston Division

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STATEMENT REGARDING ORAL ARGUMENT

Oral argument would be helpful. In its decisional process, the Court will confront intricate technical facts about such concepts as the design of molded rubber and the functionality of competing products, as well as consumer expectations and marketplace confusion. Also, the legal issues are complicated and their procedural history is intricate. The district court's reasoning took many turns and about-faces, including the issuance and then withdrawal of injunctive relief in this trade dress and trademark infringement case. To explain which facts matter, answer questions about those facts, and assist the Court in deciding the legal niche that fits the different claims, oral argument should be allowed.

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STATEMENT OF JURISDICTION

The district court had federal-question jurisdiction under 28 U.S.C. §§ 1331 and 1338(a), and under the Lanham Act. 15 U.S.C. § 1121(a). This Court has appellate jurisdiction under 28 U.S.C. § 1291.

On April 29, 2014, the district court signed its final judgment. ROA.2947. Within 30 days, on May 29, 2014, Cooper B-Line, Incorporated filed a notice of appeal. ROA.2982. B-Line had filed a renewed JMOL motion after the verdict, on November 13, 2012. ROA.1631. Following the final judgment, B-Line filed a Renewed Motion for JMOL and to Alter Judgment on May 27, 2014. ROA.2971. When the district court denied that motion on August 19, 2014, ROA.3282, B-Line amended its notice of appeal on September 17, 2014. ROA.3299.

ISSUES PRESENTED

1. The district court broke down the trade dress claim into (a) the “use of reflective yellow striping,” and (b) “use of a yellow and black color scheme.” ROA.1354. By its verdict, the jury decided the “reflective yellow striping” was functional. ROA.1354. It is undisputed that the only “use” of yellow in the “color scheme on a support block” is the same “reflective yellow striping.”

- a. Is the use of a yellow and black color scheme on a support block—which consists of reflective yellow striping and black recycled rubber—functional as a matter of law?

- b. Does the jury's determination that "the use of reflective yellow striping was not non-functional, and did not create a likelihood of confusion as to the source, affiliation, or sponsorship of Cooper's product, two independent reasons for finding no trade dress infringement as to the yellow reflective stripe," ROA.2619, mean that other liability findings should have been disregarded?
 - c. Does legally sufficient evidence support the jury's finding that "the use of a yellow and black color scheme on a support block is non-functional"?
 - d. Does the evidence conclusively establish that competitive necessity requires Cooper B-Line to use yellow and black colors?
2. Is the jury's finding of secondary meaning as to the second part of the trade-dress claim, namely the "yellow and black color scheme," supported by legally sufficient evidence?
3. As to either aspect of the supposedly two-part trade-dress claim, did Clearline fail to establish a likelihood of confusion in the minds of a significant number of the consuming public as to the source, affiliation, or sponsorship of Cooper B-Line's product?
4. The jury awarded damages encompassing *both* Clearline's lost profits and Cooper B-Line's profits for allegedly infringing sales. ROA.1358, 1359.

- a. Does the award of both Clearline’s lost profits on top of Cooper B-Line’s sales of support blocks constitute an impermissible double recovery?
 - b. Is Clearline’s damages proof founded upon speculation and unsupported assumptions, rendering that proof legally insufficient?
5. In a case of first impression in the Fifth Circuit, given the district court’s determination that this is not an “exceptional case,” is the award of prejudgment interest warranted or permissible?

STATEMENT OF THE CASE

The district court's recitation of the facts is incomplete in his memorandum opinion ruling on JMOL motions. Nevertheless, the facts as recounted should not alter the legal rulings that flow conclusively from the facts on trade-dress issues as to functionality, secondary meaning, confusion, and damages. In this opening brief, because our appellate arguments challenge legal conclusions reviewed de novo, we mention the factual background only insofar as the facts describe the legal issues presented in the argument section.

i. Statement of Facts

The products at issue are C-Port and DURA-BLOK support blocks. Cooper B-Line sold both products at different times. ROA.453-468; DX 85; DX 90. The C-Port has "C-Port" on one side and a broad yellow reflective stripe on the other side while the DURA-BLOK has "DURA-BLOK" and a narrow yellow reflective stripe on both sides. ROA.3826. Clearline claims that B-line infringed upon Clearline's trade dress by using reflective yellow striping and a yellow and black color scheme on B-Line's DURA-BLOK. ROA.1689.

The C-Port rooftop support block, used to elevate pipes and equipment off of a roof, originated when Neil Krovats, Clearline's founder and president, took a recycled rubber parking curb from GNR Technologies and cut it into pieces for use as a rooftop support block. ROA.3633-3642, 3649, 3937, 4139-4140. At the time,

the GNR parking curbs were available with various colors of striping on them, including yellow. ROA.3640, 3642. Subsequently, Clearline had GNR manufacture the recycled rubber support blocks with a yellow stripe made from reflective highway safety tape on one side and C-Port in raised lettering on the other. ROA.3648-3649. Mr. Krovats testified that he chose yellow because he: “liked the way it looked, it was a good color scheme, I thought it would look good on brochures. And our whole image could be black and yellow and really work with that.” ROA.3643. He claimed the yellow stripe was a feature for advertising, made the product more visible and was his “logo.” ROA.3657-3660, 3649.

In 2005, Clearline began selling the C-Port support blocks to B-Line for resale to its customers, who were distributors of construction, electrical, and manufacturing products. ROA.3673, 3682, 3684, 3715, 3777. With Clearline’s acquiescence, most of the support blocks sold by B-Line bore the name B-Line prominently on their sides—in yellow—and were marketed without attribution to Clearline by B-Line as the “B-Line C-Port.” ROA.3725-3726, 3882-3895; DX 2; DX 4; DX 85. Similarly, after its relationship with B-Line ended, Clearline permitted its other distributors to market the C-Port as their product without attribution to Clearline. ROA.3903-3905, 3907-3709; DX 95; DX 98; DX 100; DX 101.

Throughout the course of the relationship between Clearline and B-Line, Clearline frequently was unable to supply the volume of C-Port support blocks sold by B-Line, resulting in lost orders and customer problems for B-Line. ROA.3765, 3670, 3767-3775, 3777, 3781, 3816-3817, 4349-4350; DX 15; DX 16; DX 27; DX 28. Because of this, in April 2007, B-Line decided to terminate its relationship with Clearline and seek another source of rooftop support blocks. ROA.4363, 4419. Ultimately, B-Line decided that its best option was to have a similar rooftop support block, which B-Line would call the DURA-BLOK, manufactured for it. ROA.4176-4178, 4362. After setting up the manufacturing process, B-Line terminated its relationship with Clearline in May 2008 and began selling the DURA-BLOK supports blocks. ROA.3684, 4152, 4163.

One of Clearline's claims of infringement relates to both products' use of a yellow stripe. The yellow stripes on the C-Port and the DURA-BLOK are different in shape, material and location. ROA.3825. It increased the cost of both the C-Port and the DURA-BLOK to put the stripes on them. ROA.3660, 4249-4251, 4284-4285. In any event, the stripes provide greater visibility at night, thereby protecting against trip hazards. ROA.3924-3925, 3660, 4828-4830, 4832-4834, 4842; PX 32; DX 93. Yellow represents caution in the industry. ROA.4371, 4835. With Clearline's approval, Clearline, B-Line, and Clearline's other distributors all advertised the yellow stripes as a safety feature that provided

increased visibility of the block at night. ROA.3903-3909, 4108-4109; PX 110; DX 93; DX 95; DX 100; DX 101. Indeed, those stripes were put on both sides of the DURA-BLOK as a direct result of customers wanting them on both sides for caution purposes. ROA.4190, 4365.

Both the C-Port and the DURA-BLOK support blocks are made out of recycled rubber. ROA.3653-3654, 3676, 3751, 4020, 4135, 4141, 4364. The natural color of recycled rubber is black, so the support blocks are black. ROA.4369, 4069, 4370. It would increase the cost of the blocks to change the color from black. ROA.4370-4371. Accordingly, before trial, the district court determined as a matter of law, and Clearline conceded, that the use of black recycled rubber was a functional feature of the support blocks. ROA.977-978.

ii. Course of Proceedings in the District Court

Clearline sued Cooper B-Line and Cooper Industries plc for trade dress infringement, trademark infringement, and fraud. ROA.558-572. The district court granted summary judgment on the fraud claim. ROA.654-666. Later, an agreed order dismissed all claims against Cooper Industries. ROA.717-718.

The court next granted partial summary judgment on Clearline's trade dress infringement claims with respect to the "overall appearance of the product, as well as every individual element of the trade dress identified by Clearline except the yellow stripe and the yellow on black color scheme." ROA.984. The court

recognized that “Clearline [was] not asserting that the material [black recycled rubber] is part of its trade dress, or even the black color, but only the yellow on black combination.” ROA.978. Nonetheless, because the court found “an issue of material fact with respect to the yellow stripe, it also denie[d] summary judgment regarding the functionality of the color scheme.” *Id.*

Clearline’s remaining trade dress and trademark infringement claims were tried to a jury. In accordance with the prior summary judgment rulings, the district court instructed the jury that “[t]he size, shape, overall appearance, or dimensions of the C-Port blocks are not protectable trade dress.” ROA.1672. The court then asked the jury to make separate findings on functionality, secondary meaning, and likelihood of confusion with respect to the use of “reflective yellow striping” and “a yellow and black color scheme.” ROA.1354-1356.

The jury found no trade dress infringement as to the reflective yellow striping, but willful trade dress infringement as to the yellow and black color scheme. *Id.* The jury also found trademark infringement in Cooper B-Line’s use of the C-Port trademark in a tradeshow catalog, but not in its use of the C-Port trademark in meta-tags. ROA.1360-1361. The jury found that \$2,660,000 “would compensate” Clearline for its lost profits, but it also awarded \$3,200,000 in profit disgorgement damages from Cooper. ROA.1358-1359. The jury awarded Clearline no damages for trademark infringement. ROA.1362-1363.

The district court's April 29, 2014 final judgment awards Clearline both damages amounts, totaling \$5,860,000, plus prejudgment interest of \$334,638.83, \$33,500 in court costs, and post-judgment interest at the rate of 0.11%. ROA.2947. The court refused to award enhanced damages or attorney's fees. ROA.2642, 2658. After initially ruling that Clearline was entitled to recover supplemental damages for B-Line's post-verdict sales and an injunction enjoining B-Line "from using the particular black and yellow color scheme it has been using on its DURA-BLOKs, and any other black and yellow color scheme that would be confusingly similar," the court reversed itself and declined to award supplemental damages and dissolved the injunction. ROA.2645, 2655, 2945.

B-Line filed its notice of appeal on May 29, 2014. ROA.2982. B-Line amended its notice of appeal on September 17, 2014, following the district court's denial of its renewed motion for judgment as a matter of law and to alter or amend the final judgment. ROA.3299-3300. Clearline cross-appealed the denial of its motions for an award of attorney's fees and enhanced damages, and the denial of further post-verdict damages and injunctive relief. ROA.3073.

SUMMARY OF THE ARGUMENT

The lower court’s judgment—based on its resolution of “a split verdict”—should be rejected because any determination of liability refuses to acknowledge the missing elements of proof required in a trade-dress or trademark plaintiff’s case. Moreover, the overlapping damages awards and prejudgment interest recovery cannot be sustained.

Trade Dress Liability. The district court rejected any claims of trade dress infringement based on size, shape, dimensions, or composition of the support blocks. In the jury charge, the Court defined Clearline’s trade dress claims as “claims that Cooper B-Line has infringed on two elements of [Clearline’s] alleged trade dress: the yellow reflective stripe, and the yellow-on-black color scheme. The size, shape, overall appearance, or dimensions of the C-Port blocks are not protectable trade dress.” ROA.1672.

With this as its defined claim of trade dress infringement, Clearline must make those “two elements” fit into the law’s requirements. Federal trade dress law demands strict proof of (1) non-functionality; (2) secondary meaning; (3) infringement through creating a likelihood of confusion; and (4) damages caused by infringement of the particular feature. Here, the claimed trade dress does not survive even the first test of non-functionality. All of Clearline’s trade dress claims succumb to the unchallenged finding of functionality with respect to the

reflective yellow striping in Question 1A and the lack of infringement found in Question 3A. ROA.1354, 1356. It is impossible for Clearline to demonstrate why its limited claim of trade dress deserves protection when the common features of its claimed trade dress—a yellow reflective stripe and black recycled tire rubber—are both functional.

While Clearline seeks a broad interpretation of the verdict, the opposite approach is indicated by controlling precedent. The Supreme Court emphasizes the limited nature of trade dress protection, which should serve only to protect identification of a product with a particular source. The case law has been “careful to caution against misuse or overextension of trade dress.” *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 29 (2001). “In general, unless an intellectual property right such as a patent or copyright protects an item, it will be subject to copying.” *Id.* The right to compete must be protected, and federal courts should “prevent[] trademark law, which seeks to promote competition by protecting a firm’s reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature.” *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 164 (1995).

In accord with these trade dress principles, Clearline is not entitled to claim an exclusive privilege to sell rooftop supports using yellow and black. Even if a color scheme could be protected as a trade dress, however, Clearline’s proof will

not support either a finding of secondary meaning or likelihood of confusion, so its liability case fails as a matter of law.

Lost-profit Damages. Nor can proof be found in this record to sustain the damages awards. The lost-profits calculations are purely speculative and contrary to the known and undisputed facts, so Clearline’s economist lacks any foundation for his opinions. Moreover, even if adequate support in the record exists for any lost-profits damages, Clearline’s overreaching claim of trade dress damages constitutes a double recovery of both its own lost profits in addition to disgorgement of Cooper’s profits. Those two measures of damages are mutually exclusive and one of them should be disallowed.

Prejudgment Interest. Finally, the circuits are split on the issue of prejudgment interest in trade-dress cases, and the majority rule forbids an award of prejudgment interest in anything but an “exceptional case.” In refusing to award attorney’s fees and in withdrawing his grant of injunctive relief, the district court ruled that B-Line’s conduct was not egregious or exceptional. In accord with those determinations, no award of prejudgment interest is warranted.

STANDARD OF REVIEW

The issues are principally about denials of B-Line’s JMOL motions in the district court. This Court reviews the district court’s rulings on a motion for judgment as a matter of law de novo, considering all the evidence in the light and

with reasonable inferences favorable to the non-movant. *Goodner v. Hyundai Motor Co.*, 650 F.3d 1034, 1040 (5th Cir. 2011). Judgment as a matter of law is appropriate when “a party has been fully heard on an issue during a jury trial and the court finds that a reasonable jury would not have a legally sufficient evidentiary basis to find for the party on that issue.” FED. R. CIV. P. 50(a)(1). If “the facts and inferences point so strongly in favor of [Cooper B-Line’s position] that a rational jury could not arrive at a contrary verdict,” then judgment as a matter of law should be granted. *Black v. Pan Am. Labs., L.L.C.*, 646 F.3d 254, 258 (5th Cir. 2011).

“[T]he party opposing the motion [for judgment as a matter of law] must at least establish a conflict in substantial evidence on each essential element of their claim.” *Anthony v. Chevron USA, Inc.*, 284 F.3d 578, 583 (5th Cir. 2002). “A mere scintilla of evidence is insufficient to present a question for the jury.” *Boeing Co. v. Shipman*, 411 F.2d 365, 374 (5th Cir. 1969), *overruled on other grounds by Gautreaux v. Scurlock Marine, Inc.*, 107 F.3d 331 (5th Cir. 1997). “In other words, the evidence must be sufficient so that a jury will not ultimately rest its verdict on mere speculation and conjecture.” *Anthony*, 284 F.3d at 583. When, “[i]n light of . . . undisputed facts, no reasonable jury could find [liability, a district court is] correct to grant judgment as a matter of law.” *Loulseged v. Akzo Nobel Inc.*, 178 F.3d 731, 740–41 (5th Cir. 1999).

ARGUMENT

I. **Clearline's Support Blocks Are Not Entitled to Trade Dress Protection Because the Alleged Trade Dress Is Functional.**

The district court attempts to break down Clearline's trade dress claim into two pieces. The first part consists of yellow reflective striping placed on the support blocks, and the second element involves a "color scheme" using that same yellow color in combination with black. Clearline and Cooper both use yellow reflective tape placed on black tire rubber; thus yellow reflective tape and black tire rubber are the common components of the "color scheme." As the jury charge states the claim, "Clearline claims that Cooper B-Line has infringed on two elements of its alleged trade dress: the yellow reflective stripe, and the yellow-on-black color scheme. The size, shape, overall appearance, or dimensions of the C-Port blocks are not protectable trade dress." ROA.1672.

Clearline's problem is that it cannot escape the jury's refusal to find trade dress infringement on the first piece of the trade dress claim. As Judge Ellison's memorandum opinion notes, the "jury found that the use of reflective yellow striping was not non-functional, and did not create a likelihood of confusion as to the source, affiliation, or sponsorship of Cooper's product, two independent reasons for finding no trade dress infringement as to the yellow reflective stripe." ROA.2619; *see also* ROA.1354. However, the district court fails to give full effect to the jury's finding, and the overwhelming evidence, that the reflective yellow

color is functional. Based on its findings with respect to the reflective yellow color, and the lack of any legally sufficient evidence that proves non-functionality of the color scheme, Cooper is entitled to judgment as a matter of law on the entirety of Clearline's claims.

A. The jury determined correctly that the reflective yellow striping on the support blocks is functional.

The Lanham Act requires that “a producer show that the allegedly infringing feature is not ‘functional[.]’” *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 210 (2000); *see* 15 U.S.C. § 1125(a)(3). “It is clear that functional product features do not qualify for trade dress protection.” *Eppendorf-Netheler-Hinz GMBH v. Ritter GMBH*, 289 F.3d 351, 355 (5th Cir. 2002). “If a product feature is functional, it cannot be protected trade dress.” *Id.*; *accord Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co.*, 550 F.3d 465, 485 (5th Cir. 2008).

One definition of functionality focuses on whether the feature serves a purpose beyond identifying the product in the marketplace. “In general terms, a product feature is functional . . . if it is essential to the use or purpose of the article or if it affects the cost or quality of the article.” *TrafFix Devices, Inc. v. Mktg. Displays, Inc.*, 532 U.S. 23, 32 (2001); *Eppendorf*, 289 F.3d at 357. The word “essential” means that the feature, here the reflective yellow striping, serves any significant function other than to distinguish a firm's goods or identify their source.

Poly-Am., L.P. v. Stego Indus., L.L.C., No. 3:08-CV-2224-G, 2011 WL 3206687, at *10 (N.D. Tex. July 27, 2011), *aff'd*, 482 Fed. Appx. 958, 959 (5th Cir. 2012) (recognizing that a yellow color was “*de jure* functional because the color made it easier to spot and therefore fix holes and gaps in the plastic sheeting” used as a moisture barrier). Another definition of functionality concentrates on whether the feature has even one competitive purpose. “Functionality may be established by a single competitively significant application[.]” *Valu Eng’g, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1277–78 (Fed. Cir. 2002). Under these definitions, and the jury’s finding of functionality as to the reflective yellow stripe, Clearline is not entitled to trade dress protection.

Here, yellow reflective striping on the support blocks’ black rubber surface serves a competitively significant application: it is a reflective warning indicator of tripping hazards on a rooftop, where workers might miss the blocks without the warning that is generated by a reflective yellow stripe. ROA.3923-3925, 4090, 4107-4109, 4828-4830, 4839-4841, 4846. Yellow connotes a specific type of warning that is not conveyed by other reflective colors. ROA.4256, 4838-4839, 4857. Red is “the basic color for the identification of . . . [f]ire protection equipment and apparatus . . . flammable liquids . . . [and] . . . [e]mergency stop bars on horizontal machines” 29 C.F.R. § 1910.144. Yellow is used to describe different warnings. “Yellow shall be the basic color for designating

caution and for marking physical hazards such as: Striking against, stumbling, falling, tripping, and ‘caught in between.’” *Id.* Clearline acknowledged the undisputed evidence of the functionality of the reflective yellow stripe and the yellow on black color scheme:

“The ability to reflect light is critical for safety purposes.” No one disputes that. It hasn’t been fought. “Visibility is increased as the light is reflected by the yellow stripes.” Again, no one has disputed that. “The yellow color on a black background is recognized internationally as a caution indicator.” Mr. Peeler testified to that; no one disputed that.”

ROA.4682, 4836 (Clearline “not disputing” that yellow is “internationally recognized, the color for caution”). These uses of reflective yellow on a black support block are more than a “single competitively significant application” that determines the functionality question in B-Line’s favor.

Putting yellow stripes on a black surface is not “the reason” that support blocks hold up rooftop pipes, but reflective yellow helps reduce tripping hazards. There is ample record support for this useful purpose, and a reflective yellow color feature “certainly ‘serves a significant non-trademark function,’ by enhancing visual contrast” *See Baughman Tile Co. v. Plastic Tubing, Inc.*, 211 F. Supp. 2d 720, 725 (E.D.N.C. 2002) (finding yellow tubing functional because of “its reflective qualities, [and it] remains stiffer in the heat and less susceptible to damage”). This determination that a functional color cannot be protected under trade dress law has become widely accepted for:

- black markings on syringes in *Eppendorf*, 289 F.3d at 353–54, 358;
- blue color on medical probes, which enhances visual contrast in *ERBE Elektromedizin GmbH v. Canady Technology LLC*, 629 F.3d 1278, 1288 (Fed. Cir. 2010) (holding that “[c]olor may not be granted trademark protection if the color performs a utilitarian function”);
- yellow color on vapor barriers, which enhanced visibility and was therefore functional as a matter of law in *Poly-America, L.P.*, 2011 WL 3206687, at *8.

In short, the functional purpose of reflective yellow striping is not unprecedented.

The jury found in Question 1A that the yellow stripe serves a purpose. Clearline has chosen not to challenge that jury finding, and the issue for this Court becomes whether a determination that the yellow stripe is functional affects the rest of Clearline’s liability case. It does.

B. The finding of functionality for the yellow stripe cascades through Clearline’s entire trade-dress claim.

The main reason Question 1A impacts the whole case is that the first functional product feature—yellow reflective striping—is also present in the second feature that combines that identical yellow striping with black tire rubber “on a support block.” ROA.1354. Only reflective yellow is used “on a support block” in the color scheme on either the C-Port or DURA-BLOK products, and Clearline should not be allowed to selfishly remove reflective yellow stripes from the competitive marketplace simply by calling the reflective yellow, when used in combination with black tire rubber, its identifying “color scheme.”

Clearline is not entitled to claim an exclusive privilege to sell rooftop supports using yellow and black. Because it used the same yellow for both pieces of its trade dress claim, the particular “features” at issue are not severable, and the finding of functionality on the first necessarily determines the second even if the trade dress comes with two parts. We now turn to the yellow-on-black color scheme to answer why it is also functional.

C. The yellow-on-black color scheme—made up of two functional features—cannot be non-functional.

This case arrives in the Fifth Circuit with two propositions established as to functionality. First, the black color, which is the natural color of recycled tires, is functional. *E.g.*, ROA.4069, 4369-4371. It would increase the cost of the blocks to change the black color. *Id.* Furthermore, “[r]ecycled tire rubber provides many benefits, including being low-cost, environmentally friendly and qualifying for LEED credits, it is of such a weight that it will not blow away, it aids in dampening vibration, it can be applied to many roofing materials without an additional pad, it is not sharp or abrasive, and it is UV and weather resistant.” ROA.977. *See* ROA.3676, 4019-4020, 4069, 4071-4073, 4087-4088, 4109, 4299-4300, 4361-4362. Clearline did not claim black tire rubber as its trade dress, and it acknowledged that black recycled rubber is a functional component of the support blocks, never asserting that “it is not essential to the use or purpose of the article or that it does not affect the cost or quality of an article.” ROA.977-998.

Second, the jury failed to accept Clearline’s assertions that reflective yellow striping is non-functional. ROA.1354. Thus, the jury determined as a fact that the yellow reflective stripes are *not* non-functional, and the district court concurred with this, “finding no trade dress infringement as to the yellow reflective stripe.” ROA.2619. Because both the black surface color and the reflective yellow stripe on the support blocks are intrinsically and inherently part of functional product features, those functional features cannot change their nature and become non-functional unless they are “configured in an arbitrary, fanciful, or distinctive way.” *Antioch Co. v. W. Trimming Corp.*, 347 F.3d 150, 158 (6th Cir. 2003); *TrafFix Devices*, 523 U.S. at 34.

There is no evidence that the reflective yellow striping and the black surface color were arranged arbitrarily or fancifully. Clearline did not use curly or paisley reflective yellow spots; it used stripes—reflective highway tape molded into the black recycled rubber in the C-Port product. ROA.3680. Clearline’s “trade dress is not a yellow parallelogram. They [Cooper B-Line] want it to be, but our trade dress is a yellow stripe and yellow on black color scheme.” ROA.4331. Without a showing that the “individual functional components are combined in a nonarbitrary manner to perform an overall function, [Clearline] cannot claim that the overall trade dress is nonfunctional.” *Antioch*, 347 F.3d at 158; *see also Eppendorf*, 289 F.3d at 358; *Tie Tech, Inc. v. Kinedyne Corp.*, 296 F.3d 778, 786 (9th Cir. 2002).

The Supreme Court effectively established that functional product features cannot change their nature in *TrafFix Devices, Inc. v. Marketing Displays, Inc.*, 532 U.S. 23, 33 (2001). Treatises agree that “[e]ven if there are alternative designs available in the marketplace, they cannot turn a feature that is functional under the traditional definition into a non-functional feature which is the exclusive trade dress property of one seller.” 1 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 7:75 (West 2003).

A combination of functional features can produce a non-functional whole. The Sixth Circuit recognizes: “where individual functional components are combined in a nonarbitrary manner to perform an overall function, the producer cannot claim that the overall trade dress is nonfunctional.” *Antioch*, 347 F.3d at 158. The Ninth Circuit likewise holds: “[W]here the whole is nothing other than the assemblage of functional parts, and where even the arrangement and combination of the parts is designed to result in superior performance, it is semantic trickery to say that there is still some sort of separate ‘overall appearance’ which is non-functional.” *Leatherman Tool Group, Inc. v. Cooper Indus., Inc.*, 199 F.3d 1009, 1013 (9th Cir. 1999). And as this Circuit has ruled, eight different elements are functional when combined on a disposable pipette tip. *Eppendorf*, 289 F.3d at 358. If even eight features cannot be combined to make a non-

functional whole, *a fortiori* two functional pieces together on the same product do not make the separate features non-functional when combined.

Without employing “semantic trickery,” *see Leatherman*, 199 F.3d at 1013, Clearline cannot claim that its trade dress “whole” is somehow non-functional when each individual feature is functional. Because reasonable minds cannot differ about whether functional yellow and functional black become non-functional when used together, the finding of non-functionality in Question 1B must be disregarded. *See Carr v. Wal-Mart Stores, Inc.*, 312 F.3d 667, 674 (5th Cir. 2002); *Richard v. Firestone Tire & Rubber Co.*, 853 F.2d 1258, 1260 (5th Cir. 1988). Clearline failed to obtain any jury finding that the two features it asserts as a trade dress (the reflective yellow striping and the black surface color), were arranged arbitrarily, fancifully, or in a distinctive way. They were not.

Functional product features belong to the marketplace and not individual competitors. B-Line should not be foreclosed from “replicat[ing] important non-reputation-related product features.” *Qualitex Co. v. Jacobson Prods. Co.*, 514 U.S. 159, 169 (1995). As Judge Posner has explained, using a football metaphor, “[a] firm that makes footballs could not use as its trademark the characteristic oval shape of the football, thereby forcing its rivals to find another shape for their footballs; since they wouldn’t be able to sell any round or oblong or hexagonal footballs, that firm would have, not an identifying mark, but a product monopoly,

and a product monopoly not for a term of years as under the patent laws but forever.” *W.T. Rogers Co. v. Keene*, 778 F.2d 334, 339 (7th Cir. 1985). Along with the policy of promoting competition and avoiding monopoly power, Judge Posner notes the practical point that “[o]rnamental, fanciful shapes and patterns are not in short supply,” so it takes nothing away from deserved trade dress or trademark protection to force competitors to choose marks that are non-functional. *Id.* Clearline could have chosen a fanciful or artful trade dress, which was “not in short supply,” but it chose functional trade dress features.

D. Alternatively, Cooper is required by competitive necessity to use yellow and black in its support blocks.

Even assuming that functional yellow and functional black change their stripes and become non-functional when used in combination, B-Line’s ability to make use of yellow and black colors on its DURA-BLOK products is required by competitive necessity. This test evaluates whether Clearline’s exclusive use of reflective yellow striping on black support blocks would put competitors at a significant, non-reputation-related disadvantage. *Eppendorf*, 289 F.3d at 355. “The functionality doctrine thus protects competitors against a disadvantage (unrelated to recognition or reputation) that trademark protection might otherwise impose, namely, their inability reasonably to replicate important non-reputation-related product features.” *Qualitex*, 514 U.S. at 169.

Clearline does not deserve a monopoly on the use of reflective yellow stripes on a black surface. Yellow and black are used in combination to convey warnings on yield signs, to identify hazards on slippery-floor signs, and to denote danger on caution signs. ROA.4256, 4835-4839, 4855. The Code of Federal Regulations recognizes that yellow is often used to indicate caution and for marking hazards. 29 C.F.R. §§ 1910.144(a)(3), 1910.145(d)(4). Clearline’s counsel conceded that it is “undisputed” yellow is a color that connotes warning. ROA.4682, 4836.

Competitive necessity is a doctrine that echoes the functionality discussion in the case law. Trade dress protection is not allowed for a functional product feature “even if there is no anticompetitive effect in any other areas of use, since competitors in that single area could be adversely affected.” *Valu Eng’g, Inc. v. Rexnord Corp.*, 278 F.3d 1268, 1277–78 (Fed. Cir. 2002). Resolution of the functionality question should not become a review of the “entire universe of potential uses . . . [which] would seriously undermine the goals of the functionality doctrine.” *Id.* This would cause “misuse or overextension of trade dress,” *TrafFix*, 532 U.S. at 29, because the functionality doctrine plays a vital role in limiting the reach of trade dress protection. *Eppendorf*, 289 F.3d at 355 (“The requirement of non-functionality ‘prevents trademark law, which seeks to promote competition by protecting a firm’s reputation, from instead inhibiting legitimate competition by allowing a producer to control a useful product feature.’”). This determination that

a functional color cannot be protected under trade dress law has become accepted law under well-reasoned cases.¹

Because reflective yellow and its combination with functional black tire rubber are competitive necessities for participants in this market to convey appropriate warnings, B-Line should be entitled to use a yellow reflective stripe on both sides of its DURA-BLOK products. The district court's judgment should be reversed and judgment rendered Clearline is not entitled to a monopoly on the use of these functional product features.

II. Moreover, Legally Insufficient Evidence Supports the Jury's Finding of Secondary Meaning in Response to Question 2B.

Even if Clearline could establish that the yellow and black color scheme were nonfunctional, the Court should nonetheless reverse the district court and grant judgment as a matter of law in favor of Cooper B-Line because Clearline failed to offer legally sufficient evidence that Clearline's use of a yellow and black color scheme on a support block acquired a secondary meaning.

¹ See *Baughman Tile Co. v. Plastic Tubing, Inc.*, 211 F. Supp. 2d 720, 725 (E.D.N.C. 2002) (finding yellow tubing functional because of "its reflective qualities, [and it] remains stiffer in the heat and less susceptible to damage."); *Eppendorf*, 289 F.3d at 358 (holding black marks on clear syringes were functional as a matter of law); *ERBE Elektromedizin GmbH v. Canady Tech. LLC*, 629 F.3d 1278, 1288 (Fed. Cir. 2010) (stating that "[c]olor may not be granted trademark protection if the color performs a utilitarian function in connection with the goods it identifies or there are specific competitive advantages for use"); *Poly-Am., L.P. v. Stego Indus., L.L.C.*, No. 3:08-CV-2224-G, 2011 WL 3206687, at *8 (N.D. Tex. July 27, 2011), *aff'd*, 482 Fed. Appx. 958 (5th Cir. 2012) (finding yellow color used on vapor barriers enhanced visibility and was therefore functional as a matter of law).

A. Clearline’s proof falls short of the well-established standards required for secondary meaning.

A “[p]laintiff must demonstrate a high degree of proof to establish secondary meaning.” *Sugar Busters LLC v. Brennan*, 177 F.3d 258, 269 (5th Cir. 1999). To establish secondary meaning, a manufacturer must show that, in the minds of the public, the primary significance of the product feature is to identify the source of the product rather than the product itself. *Wal-Mart Stores, Inc. v. Samara Bros., Inc.*, 529 U.S. 205, 211 (2000); *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 851 n.11 (1982). A mark or feature “has acquired secondary meaning when it ‘has come through use to be uniquely associated with a specific source.’” *Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co.*, 550 F.3d 465, 476 (5th Cir. 2008) (quoting *Pebble Beach Co. v. Tour 18 I Ltd.*, 155 F.3d 526, 536 (5th Cir. 1998)). Consequently, “[t]he inquiry is one of the public’s mental association between the mark and the alleged mark holder.” *Amazing Spaces, Inc. v. Metro Mini Storage*, 608 F.3d 225, 247–48 (5th Cir. 2010) (quoting *Smack Apparel*, 550 F.3d at 476).

Evidence of secondary meaning must distinguish between functional features which are not subject to protection and non-functional features which may be protected. *See I.P. Lund Trading ApS v. Kohler Co.*, 163 F.3d 27, 42 (1st Cir. 1998); *Straumann Co. v. Lifecore Biomedical Inc.*, 278 F. Supp. 2d 130, 136–37 (D. Mass. 2003). The buying public’s mind must associate the specific product

feature with a particular source. *Japan Telecom, Inc. v. Japan Telecom Am., Inc.*, 287 F.3d 866, 873 (9th Cir. 2002). Finally, a plaintiff must demonstrate that the secondary meaning existed at the time the alleged infringement began. *Sugar Busters*, 177 F.3d at 269 n.8. Clearline has not met its burden of proof.

B. Clearline failed to focus on the seven relevant factors, about which there is legally insufficient evidence.

In the context of trade dress, the Court has identified seven factors to consider in determining whether secondary meaning has been shown: (1) the length and manner of the use of the trade dress; (2) volume of sales; (3) amount and manner of advertising; (4) nature and use of the trade dress in newspapers and magazines; (5) direct consumer testimony; (6) the defendant's intent in copying the trade dress; and (7) survey evidence. *Amazing Spaces*, 608 F.3d at 248. "In considering this evidence, the focus is on how it demonstrates that the meaning of the mark or trade dress has been altered in the minds of consumers." *Id.* (quoting *Pebble Beach*, 155 F.3d at 541).

Because the primary element of secondary meaning is a mental association in the consumers' minds between the trade dress and a single source, whether a product feature has acquired secondary meaning is primarily an empirical inquiry. *Amazing Spaces*, 608 F.3d at 248. For this reason, the Court has "consistently expressed a preference" for objective survey evidence, which is the most direct and

persuasive evidence, as proof of secondary meaning. *Id.* at 248, 249; *Sugar Busters*, 177 F.3d at 269.

1. No survey evidence proves secondary meaning.

Clearline offered no survey evidence regarding consumer perceptions of its yellow and black color scheme. Quite simply, there is no objective evidence of secondary meaning in this record.

As this Court has recognized, “in a borderline case where it is not at all obvious that [a] designation has been used as a mark, survey evidence may be necessary to prove trademark perception.” *Amazing Spaces*, 608 F.3d at 249 (quoting 1 MCCARTHY ON TRADEMARKS § 3.3, at 3-8). This, at best, is a borderline case. Given the overwhelming—if not undisputed—evidence that both the black surface color and the reflective yellow striping on the support blocks are functional, as well as the unrefuted evidence that B-Line has long used a yellow and black color scheme and that yellow and black are routinely combined to convey warnings, it is “not at all obvious” that the black and yellow color scheme on the support blocks was perceived as Clearline’s trade dress and/or associated with a single source of support blocks. Clearline’s failure to offer any survey evidence as to the secondary meaning of the yellow and black color scheme on the support block highlights the utter insufficiency of the evidence supporting the jury’s finding of secondary meaning.

2. No direct consumer testimony proves secondary meaning.

In the absence of survey evidence, direct testimony from consumers showing a mental association in the buyers' minds between the alleged trade dress and a single source of the product can play a significant role. *E.g., Lady Primrose's, Inc. v. After Hours Bath Prods., Inc.*, No. 99-40753, 2000 WL 309967, at *3 (5th Cir. March 6, 2000). But Clearline has neither any consumer testimony, nor any proof the consuming public associates yellow-on-black colors with a single source.

A seller of competing rooftop support blocks who worked for B-Line between September 2007 and October 2009 testified that he did not think “the buyers understood that any of the products that had been sold prior to May of 2008 were from Clearline.” ROA.4063. The buyers of the support blocks “knew them to be B-Line products.” ROA.4075-4076. While there is evidence that at least some B-Line customers knew the C-Ports were manufactured by and could be obtained from Clearline (as well as B-Line), there is no evidence that any customers knew/believed/thought that the C-Port support blocks were manufactured by or could be obtained from Clearline merely because the blocks were black and yellow. *E.g.,* ROA.4179-4180. To the contrary, Clearline emphasized that its trade name, C-Port—and not the black and yellow color scheme—was “associated with the product” and identified Clearline as the source of the product. ROA.4186-4187.

3. The length and manner of use of the trade dress, the volume of sales, and the amount and manner of advertising do not prove secondary meaning.

Despite the absence of either survey evidence or direct consumer testimony demonstrating that, in the minds of the public, the primary significance of the black and yellow color scheme was to identify Clearline as the source of the product, the district court nonetheless concluded that “the jury was presented with more than a scintilla of evidence on the other factors from which it was entitled to conclude that Clearline’s yellow and black color scheme had acquired secondary meaning.” ROA.2632. The evidence the district court identified as supporting secondary meaning was: (1) evidence that Clearline emphasized its color scheme at trade shows; (2) evidence of sales volume and industry recognition as early as 2003; (3) evidence of “substantial” spending on advertising which depicted the yellow and black color scheme; and (4) evidence that some of B-Line’s customers contacted Clearline directly. ROA.2631-2632. Considered in its entirety, this evidence does not provide a legally sufficient evidentiary basis to find secondary meaning.

Clearline’s evidence that “it emphasized its color scheme at trade shows,” ROA.2631, is evidence that it had a black and yellow booth at *one* trade show in the United States, in 2003. ROA.3667-3668. There is no evidence that Clearline had a booth or emphasized its color scheme in any way at any other trade show. Contrary to the district court’s conclusion, the jury could not “have extrapolated

that sales [by Cooper B-Line after May 2008] were made at least in part because of Clearline’s color scheme branding at popular trade show booths.” ROA.2631. *See Anthony v. Chevron USA, Inc.*, 284 F.3d 578, 583 (5th Cir. 2002) (disapproving jury verdicts that rest “on mere speculation and conjecture”).

As to “evidence of substantial spending on advertising which clearly depicted the yellow and black schemes,” ROA.2632, there is evidence that Clearline was spending “roughly around \$20,000 a year” on advertising in the “2003 timeframe.” ROA.3670. Clearline claimed that it never stopped advertising the C-Port, ROA.3724, but there are no records and no other testimony concerning the amounts spent by Clearline on advertising outside the 2003 timeframe. Furthermore, aside from the evidence that Clearline attended one U.S. trade show in 2003, there is no evidence concerning the recipients of Clearline’s advertising—who they were or where they were located or what they believed about the color scheme. *See Japan Telecom*, 287 F.3d at 875 (to establish secondary meaning, there must be evidence that the advertising has exposed a large number of the relevant consuming public to the use of the trade dress as an indicator of origin). And Clearline’s email and fax blasters were in black and white, so they could not have helped to associate Clearline’s black and yellow color scheme with a single source of the support blocks. ROA.3644-3645; PX 136.

Expenditures of less than \$2,000 a month on advertising a new product in the U.S. and Canada do not seem “substantial.” In any event, as this Court recognizes, the issue “is not the *extent* of promotional efforts, but their *effectiveness* in altering the meaning of [the trade dress] to the consuming public.” *Zatarains, Inc. v. Oak Grove Smokehouse, Inc.*, 698 F.2d 786, 795 (5th Cir. 1983), *abrogated on other grounds by KP Permanent Make-up, Inc. v. Lasting Impression I, Inc.*, 543 U.S. 111 (2004) (quoting *Aloe Creme Labs., Inc. v. Milsan, Inc.*, 423 F.2d 845, 850 (5th Cir. 1970)).

There is no evidence that Clearline’s advertising efforts were effective in associating the yellow and black color scheme with a single source. This is especially true given the evidence of Cooper B-Line’s contemporaneous advertising between 2005 and 2008. *See Goodner*, 650 F.3d at 1040 (court considers the entire record when considering a JMOL motion).

Clearline was advertising its version of the C-Port at the same time Cooper B-Line was advertising the “B-Line C-Port.” ROA.3675, 3882-3884. In addition, B-Line’s advertising emphasized a black and yellow color scheme, including black and yellow borders and a stylized black and yellow bee. ROA.4371; PX 19; DX 81; DX 83; DX 85. B-Line’s “mascot” has long been a yellow and black bee, and B-Line used its black and yellow bee and a black and yellow color scheme in its literature long before it ever did business with Clearline. ROA.4371-4372.

With the exception of one early 2004 brochure, none of B-Line's advertising literature ever mentioned Clearline. ROA.3883-3884, 3894; PX 19; PX 149; DX 81; DX 83; DX 85. By contrast, almost every picture in the B-Line literature showed the black support blocks with "B-Line" printed in large yellow letters on the base of each block. PX 19; DX 81; DX 83; DX 85. Thousands of B-Line yellow-and-black themed brochures, with B-Line's name and B-Line's black and yellow bee, were distributed between 2005 and 2008. ROA.3894-3895.

In the face of this overwhelming evidence of B-Line's use of a black and yellow color scheme to advertise the "B-Line C-Port" support blocks (without any mention of Clearline), the jury could not reasonably infer that the consuming public associated the black and yellow color scheme on the support blocks with Clearline. Clearline admitted in January 2007 that it had "poor branding outside Manitoba." DX 16; ROA.3875. None of Clearline's advertising informed consumers that the black and yellow color scheme on the support blocks was indicative of origin. *See Turtle Wax, Inc. v. First Brands Corp.*, 781 F. Supp. 1314, 1323 (N.D. Ill. 1991); *Straumann Co. v. Lifecore Biomedical Inc.*, 278 F. Supp. 2d 130, 139 (D. Mass. 2003) (requiring evidence of "look for" advertising that encourages consumers to look for the alleged trade dress as indicative of origin); *Yankee Candle Co. v. Bridgewater Candle Co.*, 259 F.3d 25, 44 (1st Cir. 2001) (merely having pictures of the product in advertising is not sufficient).

Clearline did not submit any evidence that the yellow and black color scheme on the support block was used—much less emphasized—in any newspapers or magazines. Notably, Clearline did not submit any trade show magazines or press articles showing use of the yellow and black color scheme on the support block. The only press articles admitted into evidence—from ACHR News and ECM Web—make absolutely no reference to the yellow and black color scheme on the support block, much less any reference to the color scheme as an indicator of origin. PX 196; DX 86. Moreover, both of these articles attribute the support block to Cooper B-Line. *Id.*

Clearline sold the support block for less than two years before it began selling the support block to Cooper B-Line, who thereafter advertised and sold the support block as the B-Line C-Port. ROA.3661, 3666, 3682, 3684. As Clearline admitted, the “vast majority of all the products sold starting in 2005” had the large yellow name “B-Line” on each one. ROA.3882. That was hundreds of thousands of black support blocks with a yellow “B-Line” on each one, delivered to and viewed by the product’s consumers. ROA.3894-3895. Clearline’s name did not appear on any of those blocks. ROA.3882.

Clearline was required to show that sales occurred because consumers identified yellow and black on the support block with a single source. *Straumann*, 278 F. Supp. 2d at 139. Clearline presented no such evidence.

4. The defendant's intent in copying the trade dress does not prove secondary meaning.

Clearline's claim that the yellow and black color scheme on the support block is trade dress is a product-design claim. *See Yankee Candle*, 259 F.3d at 40–41 (features that are inherent to the actual physical product); *Wal-Mart Stores, Inc. v. Samara Bros. Inc.*, 529 U.S. 205, 215 (2000). Intent to copy plays a negligible role in a product-design case, because the copier may very well be exploiting a particularly desirable feature, rather than seeking to confuse consumers as to the source of the product. *Yankee Candle*, 259 F.3d at 45; *Duraco Prods., Inc. v. Joy Plastic Enters.*, 40 F.3d 1431, 1453 (3d Cir. 1994). This is especially true when, as the district court recognized, the record “contains a significant amount of evidence that the black recycled rubber and the yellow color were each selected for their functional benefits.” ROA.2658.

Because copying functional elements of a design is not a violation of the Lanham Act, it is likewise not proof of secondary meaning. *Id.* Similarly, using a product feature after knowing that the plaintiff was claiming protection for it does not bear on whether the defendant's use of the feature was intentional copying. *Amazing Spaces*, 608 F.3d at 249. Instead, the relevant “intent” is passing off goods as those of the plaintiff. *Yankee Candle*, 259 F.3d at 45. Clearline submitted no evidence of an intent by B-Line to pass off its DURA-BLOK products as Clearline's C-Port products, and, in fact, B-Line's prominent display of

the DURA-BLOK name on the support blocks and the use of narrow reflective yellow stripes on both sides of the DURA-BLOK (rather than a yellow parallelogram on one side) defeats any inference to the contrary. *Id.* at 45.

Nothing beyond speculation and surmise supports a finding that as of September 2008, the yellow and black color scheme on the support blocks had come through use to be uniquely associated with a single source. B-Line is entitled to judgment as a matter of law.

III. Clearline Failed to Establish Any Infringement of the Alleged Trade Dress.

Even if Clearline could overcome other liability obstacles (*see* parts I and II above)—and it cannot—Clearline failed to prove that Cooper B-line’s use of a yellow and black color scheme on its support blocks created a likelihood of confusion as to the source, affiliation, or sponsorship of Cooper B-Line’s product. *See* 15 U.S.C. § 1125(a)(1)(A); *Xtreme Lashes, LLC v. Xtended Beauty, Inc.*, 576 F.3d 221, 226, 227 (5th Cir. 2009). To carry its burden on proving infringement, Clearline had to demonstrate a probability of confusion. *Id.* at 226; *Bd. of Supervisors for La. State Univ. Agric. & Mech. Coll. v. Smack Apparel Co.*, 550 F.3d 465, 478 (5th Cir. 2008) (“Likelihood of confusion is synonymous with a probability of confusion, which is more than a mere possibility of confusion.”). There is no such proof.

A. The jury's answer to Question 3A must be given effect.

In response to Question 3A the jury found that B-Line's use of reflective yellow striping on its support blocks did not create a likelihood of confusion as to the source, affiliation, or sponsorship of Cooper B-Line's product. ROA.1356. This jury finding should be given effect. The only yellow color on B-Line's black support blocks is in the reflective yellow striping, and the only yellow and black color scheme used by B-Line combines the reflective yellow striping with the color black from recycled tires. If the yellow striping did not create a likelihood of confusion, then the yellow-on-black color scheme could not have created a probability of confusion that is actionable by Clearline.

The jury's determination in Question 3A is supported—and in fact, required—by the evidence. The jury's inconsistent finding in Question 3B, that Cooper B-Line's use of a yellow and black color scheme on its support blocks created a likelihood of confusion as to the source, affiliation, or sponsorship of Cooper B-Line's product is not supported by the evidence and should have been disregarded. If the jury's answer to Question 3B is not disregarded, however, then the jury's irreconcilable findings require a new trial. *See Wright v. Kroeger Corp.*, 422 F.2d 176, 178 (5th Cir. 1970); *Alvarez v. J. Ray McDermott & Co.*, 674 F.2d 1037, 1040 (5th Cir. 1982).

B. Clearline failed to establish that any confusion existed in the minds of a significant number of the consuming public.

Nothing in this trial record shows confusion among a significant number of the consuming public. “To demonstrate infringement, the plaintiff must show . . . that there is a likelihood that an appreciable number of ordinary prudent purchasers will be misled, or simply confused, as to the source of the goods in question.” 3A KEVIN O’MALLEY, JAY GRENIG, WILLIAM LEE, FEDERAL JURY PRACTICE AND INSTRUCTIONS—CIVIL, § 159:49, at 800 (West 2001) (citing cases and statute). “An actor is subject to liability for infringement only if the actor’s use of another’s designation is likely to confuse a significant number of prospective purchasers.” RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 20 cmt. g, at 216 (1995). Here, Clearline has no more than “the testimony of [one or two] confused purchasers or instances of misdirected letters or telephone calls [which] is often insufficient to permit accurate generalizations [about likelihood of confusion].” *Id.* Cooper B Line is entitled to judgment as a matter of law.

IV. The Damages Award Is Erroneous Because Clearline’s Lost Profits Are Speculative and Because Clearline Is Not Entitled to a Double Recovery of Both Its Own Lost Profits and a Disgorgement of Cooper’s Profits.

Even if the Court were to uphold liability, it still must address the damages. Judgment should be rendered denying Clearline recovery of speculative lost

profits, or in the alternative, remanding for an election between its lost profits and Cooper's disgorged profits—two mutually exclusive measures of recovery.

A. Clearline's claimed lost profits lack evidentiary foundation.

A trade dress plaintiff has the burden of proof as to the fact and amount of damages for its alleged lost profits. *Broan Mfg. Co. v. Associated Distribs., Inc.*, 923 F.2d 1232, 1235–36 (6th Cir. 1991). Here, the only evidence of Clearline's lost profits came from the testimony of its economist, Laurence Prescott. ROA.4483-4484. However, Prescott's opinions rely upon unsupported assumptions. Accordingly, such testimony is insufficient to support the jury's verdict as a matter of law. *See Genmoora Corp. v. Moore Bus. Forms, Inc.*, 939 F.2d 1149, 1163 (5th Cir. 1991) (“[I]n order to support a jury verdict, an expert's testimony must be based on more than unsupported assumptions.”); *In re Air Crash Disaster at New Orleans, La.*, 795 F.2d 1230, 1235 (5th Cir. 1986).

1. Prescott wrongly assumed that Cooper would have continued to purchase from an unreliable supplier.

Prescott calculated Clearline's lost profits based on hypothetical sales that he assumed Clearline would have made to Cooper notwithstanding the termination of their supply arrangement in May 2008. ROA.4487-4489 (“Cooper would have purchased all of their product from Clearline and would have sold it under the C-Port name. . . . Clearline would have earned these profits by selling the product to Cooper.”); ROA.4540. This assumption has no support in the record.

It is undisputed that Cooper (or Clearline, for that matter) could terminate the supply arrangement at any time. ROA.3764-3765. It also was undisputed that Cooper did, in fact, decide to terminate the relationship in April 2007 and pursue other options. ROA.4359-4363. That decision was based on Clearline’s “critical problem” in supplying Cooper’s needs (discussed more fully below). *Id.*

There were several other competitive products on the market, *see id.*, and Cooper decided that, no matter which product it selected, Cooper would not continue the relationship with Clearline because of its consistent supply problems. ROA.4363. There is no contrary evidence. Prescott’s damages opinion about lost profits relies on this unsupported misassumption, so his opinion is speculative and cannot support the jury’s verdict. *See Genmoora Corp.*, 939 F.2d at 1163.

2. Prescott wrongly assumed that Clearline had capacity to supply the products sold by Cooper from May 2008 through September 2012.

Prescott further assumed that Clearline *could have* supplied the products that were sold by Cooper from May 2008 through September 2012. ROA.4540. There is no evidence supporting that assumption either, because the evidence demonstrates Clearline lacked sufficient production capacity.

Prescott made no efforts to assess Clearline’s supply capacity. ROA.4535. Further, the evidence is undisputed that Clearline had a “critical problem” in supplying Cooper’s needs, and that critical problem occurred consistently

throughout their relationship. ROA.3775; *see also* ROA.3765-3819.² This critical supply problem included a 2006 backlog in the thousands of units, and Clearline's President Neil Krovats agreed that "it was difficult . . . to dig out" from this backlog. ROA.3765.

Clearline's consistent failure to meet Cooper's supply needs caused Cooper to have "continuous" problems supplying the C-Port to customers; as a result, customers ended up buying other competitors' products. ROA.4349-4358. In light of this undisputed evidence, Prescott's assumptions and speculative opinions are insufficient to support the judgment. *See Genmoora Corp.*, 939 F.2d at 1163. Accordingly, judgment should be rendered that Clearline recover no lost profits.

B. The district court erroneously awarded Clearline a double recovery of its lost profits and Cooper's disgorged profits.

A plaintiff that successfully sues for trade dress infringement can recover either its own lost profits, or a disgorgement of the defendant's profits, but not both. *See Nutting v. RAM Sw., Inc.*, 69 Fed. Appx. 454, 458–59 & n.3, 2003 WL 2008072 (Fed. Cir. 2003). Yet that is precisely what happened here when the district court added together the \$2,660,000 for Clearline's lost profits, ROA.1358, with the \$3,200,000 verdict for Cooper's profits. ROA.1359; ROA.2947. The district court erroneously overruled Cooper's challenges to a judgment that added

² Krovats was shown email after email documenting Clearline's supply problems. ROA.3765-3819. Krovats agreed these emails discussed "Clearline's inability to supply the products that B-Line needed to keep its customers happy." ROA.3767.

together *both* measures of damages. ROA.1656, 2972-2980. At a minimum, Cooper is entitled to a remand so that Clearline makes an election as to which measure of overlapping damages it deserves.

1. The Lanham Act does not authorize a plaintiff to recover both its lost profits and the defendant's disgorged profits.

As the district court acknowledged, a plaintiff cannot recover twice for the same loss: “The Court recognizes that there is a danger that an award combining lost profits and disgorged profits could constitute a double recovery in certain circumstances, particularly when both are based on the same sales.” ROA.3287. Clearline agrees. ROA.3093-3094; *see also* ROA.5184 (“And, for the record, we agree entirely that double recovery is not appropriate.”).

But Clearline and the district court treated the double-recovery issue as some sort of math problem focused solely on overlaps in *calculation*. That approach missed the point: a plaintiff's lost profits, and the defendant's “unjust enrichment” profits, are merely two alternative methods of compensating the plaintiff.

The Lanham Act provides that a successful trade-dress plaintiff “shall be entitled . . . subject to the principles of equity, to recover (1) defendant's profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.” 15 U.S.C. § 1117(a). Despite this seemingly expansive language, “courts have recognized that a plaintiff would reap a windfall if awarded both defendant's

profits and plaintiff's lost profits based on the same sales . . .” *Koon Chun Hing Kee Soy & Sauce Factory, Ltd. v. Star Mark Mgmt., Inc.*, No. 04-CV-2293, 2009 WL 5185808, at *2 (E.D.N.Y. Dec. 23, 2009). Accordingly, “the majority of decisions that have awarded lost profits to a plaintiff on the basis of the defendant’s sales . . . did so in the absence of an award of the defendant’s profits.” *Id.*; see also *Polo Fashions, Inc. v. Extra Special Prods., Inc.*, No. 77 Civ. 5023, 1980 WL 30287, at *8 (S.D.N.Y. Mar. 5, 1980) (“Courts have generally not awarded both damages based upon plaintiff's lost sales and defendants’ profits attributable to those same sales under the infringing mark.”) (citing *Century Distilling Co. v. Cont’l Distilling Corp.*, 205 F.2d 140 (3d Cir. 1953)).

This Court has not directly addressed this issue.³ However, the prohibition against recovering both measures of damages is well-established across the country:⁴

³ In its briefing below, Clearline cited *Quick Technologies, Inc. v. Sage Group PLC*, 313 F.3d 338, 346 (5th Cir. 2002), as supposed support for its claim for recovery of both lost profits and disgorgement damages. ROA.3093. However, *Quick Technologies* speaks only to whether a plaintiff can receive an accounting of profits from the defendant alone—and in fact, this Court refused to order one, so there was no double-recovery issue. *See id.* at 346–50. Clearline also cited *Holiday Inns, Inc. v. Airport Holiday Corp.*, 493 F. Supp. 1025, 1028 (N.D. Tex. 1980), *aff’d*, *Holiday Inns, Inc. v. Alberding*, 683 F.2d 931 (5th Cir. 1982), for the same proposition. ROA.3093. Again, *Holiday Inns* did not deal, in any fashion, with the question of a double recovery, because that issue apparently was not raised by the parties and this Court (appropriately) did not question the double recovery *sua sponte*. *See id.*

⁴ To the extent that *Badger Meter, Inc. v. Grinnell Corp.*, 13 F.3d 1145, 1157–58 (7th Cir. 1994) might seem, at first blush, to imply otherwise, that case did not present an actual question about double recovery; in fact, the plaintiff had not provided any evidence of its own damages and the defendant had not derived any profit from infringement. *See id.* at 1157.

- *Nintendo of Am., Inc. v. Dragon Pac. Int'l*, 40 F.3d 1007, 1010 (9th Cir. 1994) (“[R]ecover of both plaintiff’s lost profits *and* disgorgement of defendant’s profits is generally⁵ considered a double recovery under the Lanham Act.”).
- *Century Distilling Co. v. Cont’l Distilling Corp.*, 205 F.2d 140, 149 (3d Cir. 1953), *disapproved of on other grounds by Fleischmann Distilling Corp. v. Maier Brewing Co.*, 87 S. Ct. 1404 (1967) (“Continental having chosen to recover Century’s profits on Dixie Dew, cannot also recover damages for lost sales.”).
- *Victoria Cruises, Inc. v. Changjiang Cruise Overseas Travel Co.*, 630 F. Supp. 2d 255, 264 (E.D.N.Y. 2008) (“In addition to its lost profits, plaintiff seeks damages for defendant’s profits from its infringing sales. However, awarding plaintiff both defendant’s profits and its own lost profits based on the same sales would constitute an impermissible double recovery.”) (internal citation omitted).
- *United Phosphorus, Ltd. v. Midland Fumigant, Inc.*, 21 F. Supp. 2d 1247, 1251 (D. Kan. 1998) (“[A] plaintiff victimized by trademark infringement generally cannot recover its own lost profits in addition to the defendant’s profits.”).⁶

⁵ The inclusion of the word “generally” in *Nintendo*, *United Phosphorus*, and *Polo Fashions* implies that there may be exceptions to this rule against double recovery. But none of these cases identify any such exception to the general rule. Cooper has been unable to find a case that approves a double recovery consisting of both measures of damages. See *Nintendo*, 40 F.3d at 1010; *United Phosphorus*, 21 F. Supp. 2d at 1251; *Polo Fashions*, 1980 WL 30287, at *8. Instead, the only apparent exceptions to this general rule seem to be situations where (1) the plaintiff seeks to recover “damages” other than lost profits or (2) plaintiff’s claimed damages are not based on the same sales as defendant’s profits. See, e.g., *Bellagio Jewelry, Inc. v. Croton Watch Co.*, No. CV 06-6672, 2008 WL 3905895, at *11 (C.D. Cal. Aug. 20, 2008) (“[T]he Court feels that awarding lost royalties as actual damages and a portion of Defendant’s profits for willful infringement here does not amount to double recovery, *because the Court is not using Defendant’s profits as a measure of Plaintiffs’ actual damages.*”) (emphasis added); 15 U.S.C. § 1117(a) (permitting plaintiff to recover its “damages,” not necessarily its *profits*).

⁶ The court in *United Phosphorus* ultimately ruled against the defendant because there was no “solid evidence” that the plaintiff had received a double recovery. See *id.* at 1252. But that situation can be distinguished because, in *United Phosphorus*, the jury did not provide separate

- *Wecosign, Inc. v. IFG Holdings, Inc.*, 845 F. Supp. 2d 1072, 1084 (C.D. Cal. 2012) (following *Nintendo* and declining to award both plaintiff's lost profits and defendant's profits).
- *Darius Int'l, Inc. v. Young*, No. 05-6184, 2008 WL 1820945, at *53 (E.D. Pa. Apr. 23, 2008) ("When the parties' products are in direct competition and the defendants' profits are derived from sales of the same products that account for the plaintiffs' lost profits, the plaintiffs cannot recover both the defendants' profits and their own lost profits. Given the Lanham Act's dictate that recovery should constitute compensation, and not a penalty, Innerlight is entitled to the Youngs' profit, not to both the Youngs' profit and its own lost profit.") (citation omitted).
- *Experience Hendrix L.L.C. v. Hendrixlicensing.com Ltd.*, 762 F.3d 829, 847–48 (9th Cir. 2014) (affirming trial court's decision to grant new trial on damages because jury awarded duplicative damages for both plaintiff's lost profits and defendant's profits).
- *Nutting v. Ram Sw., Inc.*, 69 Fed. Appx. 454, 458–59 & n.3, 2003 WL 2008072 (Fed. Cir. 2003) ("[T]he plaintiff's lost profits and the defendant's profits are mutually exclusive categories of recovery for trademark infringement, and . . . a plaintiff must choose between one or the other.").

This principle also is carried forward in the Restatements and commentaries:

In some cases courts have permitted the recovery of both damages . . . and an accounting of the defendant's profits . . . with the caveat that the plaintiff may not recover twice for the same loss. *The prohibition against double recovery most clearly applies when the goods of the parties directly compete and the plaintiff seeks to recover both damages for losses attributable to diverted sales and the profits earned on sales made by the defendant.*

findings regarding the amounts of plaintiff's lost profits and defendant's profits; therefore, it was not clear that the jury had, in fact, awarded both kinds of damages. *See id.* at 1249, 1252. Here, the jury verdict awards different amounts for Clearline's lost profits and Cooper's profits. ROA.1358-1359.

RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 36, cmt. c (1995) (emphasis added); *see also* 5 J. THOMAS MCCARTHY, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 30:73 (4th ed.) (“[D]amages and profits cannot be awarded simultaneously if it would result in over-compensation. For example, where the parties directly compete, over-compensation may result if plaintiff seeks both damage for lost profits on sales diverted to the infringer *and* the profits made on those sales by the infringer.”). Clearline has no case-law support for a rule that would allow both its own lost profits and Cooper’s sales of support blocks.

2. The judgment impermissibly awards Clearline a double recovery of its own lost profits and Cooper’s profits when both profits numbers are based on sales of the same competitive products.

The evidence is undisputed that C-Port and DURA-BLOK were competitive products. ROA.3694, 3697-3698, 3717, 3721, 4272, 4395. In fact, Clearline complains that it lost profits because Cooper’s customers were purchasing DURA-BLOK from Cooper rather than Clearline’s C-Port system (via Cooper). ROA.3697-3698. Further, Clearline admits that its evidence about its lost profits and Cooper’s profits are based on the same sales. ROA.4487-4489, 4494, 4741-4743. As Prescott testified:

Q. You are saying that these profits of both companies would have been earned on the sales of the same units?

A. That's how it works in a supply chain. Yes.

Q. Yes. So units bought by Cooper from Clearline, true?

A. Correct.

Q. And then the same unit sold by Cooper to its customers, correct?

A. Yes. You would have Cooper's margin and Clearline's margin, sequential.

ROA.5304.⁷

This case is therefore a classic example of double-dipping. A plaintiff cannot recover both its lost profits and the defendant's disgorged profits when both: (1) "the goods of the parties directly compete," and (2) "the plaintiff seeks to recover both damages for losses attributable to diverted sales and the profits earned on sales by the defendant." *See* RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 36, cmt. c (1995). Therefore, Clearline cannot recover both its lost profits for diminished sales of the C-Port and Cooper's profits from sales of the DURA-BLOK. *See, e.g., Experience Hendrix*, 762 F.3d at 847; *Nintendo*, 40 F.3d at 1010; *Nutting*, 69 Fed. Appx. at 458–59 & n.3.

3. The district court's efforts to avoid a double recovery did not address the underlying problem.

The district court attempted to avoid a double recovery by instructing the jury, "You may not include in any award of Cooper B-Line's profits any amount that you took into account in determining Clearline's lost profits." ROA.1684.

⁷ This testimony was offered in post-trial hearings, but Prescott confirmed that the same methodology—that is, basing his calculations of both Clearline's lost profits and Cooper's "unjust enrichment" profits on the same sales—was used in his calculations at trial. ROA.5304.

The district court later referenced that instruction in ruling that Clearline could recover both measures of damages. ROA.3286. The district court further reasoned that, because Clearline’s expert witness testified to a higher damage number than the jury found, then perhaps the jury “may have awarded lost profits for one period of time or portion of the sales, and disgorged profits for another” and that “[i]n such a situation, the lost profits and disgorged profits are not based on the same sales, and there is no double recovery.” ROA.3287. In other words, as long as the jury’s findings do not exceed Clearline’s evidence of its supposed damages, then Cooper cannot prove Clearline recovered twice for the same loss.

Respectfully, that reasoning is flawed. Nothing in either the jury charge or verdict form authorized the jury to parse Clearline’s damages by time period, and there is no reason to believe that any award was limited by time period. ROA.1358-1359, 1682-1684. To its credit, the district court acknowledged that it was merely speculating about the jury’s intentions, as it had no way of knowing how the jury made its award. ROA.3288.

In reality, the only conclusion that can be drawn from the jury’s answers to Questions 5 and 6 is that the jury obviously did not accept Prescott’s testimony. ROA.5290 (Prescott acknowledging “the jury came up with a different number.”). It is worth noting that the evidence about Clearline’s lost profits and Cooper’s

claimed profits from infringement was disputed,⁸ and the jury evidently found that \$2,660,000 would compensate Clearline for its lost profits and that \$3,200,000 of Cooper's profits were attributable to its supposed infringement. ROA.1358-1359. Attempting to draw any further conclusions from these numbers—including the supposition that the jury might have believed Clearline's expert yet awarded far less than he had recommended, in disjunctive parts—is mere guesswork.

Other jurisdictions have adopted a bright-line rule that removes the need for speculation. The rule is that a plaintiff's lost profits and the defendant's profits are "mutually exclusive categories of recovery" and, for that reason, "a plaintiff must choose between one or the other." *Nutting*, 69 Fed. Appx. at 458–59 (citing *Nintendo*, 40 F.3d at 1010); see also *Big O Tire Dealers, Inc. v. Goodyear Tire & Rubber Co.*, 408 F. Supp. 1219, 1241 (D. Colo. 1976), *aff'd as modified*, 561 F.2d 1365 (10th Cir. 1977) (confirming alternative nature of awards for either plaintiff's lost profits or defendant's profits).

Nutting presents a similar fact pattern. There, the district court also had shrugged off the possibility of a double recovery based on the expert testimony: "The district court discounted the possibility of double recovery, because *Nutting's*

⁸ For example, Cooper argued that Clearline's alleged lost profits of \$5,328,183 were based on the unfounded assumption of its expert that Cooper would have continued dealing exclusively with Clearline for 4-1/2 years after it had decided to terminate the supply relationship. ROA.4529-4530, 4540. Further, Cooper's expert witness testified that no more than \$912,000 of Cooper's profits might be attributable to the yellow stripe, whereas Clearline tried to claim Cooper's entire profits of \$11,256,447. ROA.4704, 4734-4735, 4744.

damage expert subtracted the jury's award of lost profits from his calculation of RAM's profits." *Nutting*, 69 Fed. Appx. at 459 n.3. But that approach did not address the underlying fact that these measures of damages are mutually exclusive:

While this subtraction means that none of RAM's sales were counted twice, it does not eliminate the problem of double recovery. *Double recovery in this context refers to the plaintiff's entitlement to both lost profits and defendant's profits, not whether the same sale has been counted in both categories.*

Id. (citing *United Phosphorus*, 205 F.3d at 1228) (emphasis added). Stated differently, the "double recovery" is not something that can be addressed by trying to subtract overlaps from calculations—as Prescott and the district court tried to do here, and as the district court had done in *Nutting*. *See id.* at 458–59 & n.3.

The bright-line rule correctly recognizes that an award of a defendant's disgorged profits is merely an alternate methodology to compensate the plaintiff in cases where its damage remedy under Section 1117(a) proves inadequate: "Frequently . . . the plaintiff is unable to show that he has lost sales and because the defendant's gains are the only measurable evidence of the plaintiff's loss, an accounting is ordered to make the plaintiff whole." *Big O Tire Dealers*, 408 F. Supp. at 1241. When the plaintiff cannot show direct losses, disgorgement of the defendant's profits "is an appropriate way of measuring the plaintiff's damage." *Id.* Disgorgement can be a means to prevent unjust enrichment, but "[a]gain, this is most appropriate where the plaintiff is unable to show direct losses." *Id.*

Here, Clearline used speculation and surmise in its assertions of direct losses (*see* part IV.A above). But even assuming Clearline did have support for Prescott's flawed assumptions and its own lost profits, it would not be able to recover both of the "mutually exclusive categories of recovery." *See Nutting*, 69 Fed. Appx. at 458–59. Adequate proof of its own lost profits would obviate the need to prove and recover disgorgement damages based on Cooper's profits. It cannot logically or mathematically get both measures of damages.

The judgment should be reversed in favor of Cooper. In the alternative, a remand is needed for Clearline to elect between (1) Clearline's lost profits or (2) Cooper's profits attributable to infringement. *See Burgess v. Williamson*, 506 F.2d 870, 877 (5th Cir. 1975).

V. In the Alternative, Clearline Cannot Recover Prejudgment Interest Because Section 1117(a) Does Not Authorize Such a Remedy and Because This Is Not an Exceptional Case.

If this Court does not reverse and render judgment that Clearline take nothing, the Court still should reverse and render the trial court's award of \$334,638.83 in prejudgment interest. ROA.2947. Such an award is not authorized by Section 1117(a). Further, the majority (and better-reasoned) rule among the circuits contemplates recovery of prejudgment interest only in "exceptional" cases. Because the trial court concluded that this is not an exceptional case, prejudgment interest would not be appropriate.

A. Prejudgment interest is not available under Section 1117(a).

As the district court correctly noted, prejudgment interest “is not provided for in 15 U.S.C. § 1117(a).” ROA.2646. Yet, Congress did not simply overlook prejudgment interest, because the very next subsection specifically authorizes prejudgment interest for use of a counterfeit mark. 15 U.S.C. § 1117(b). (In such a case, the court may award prejudgment interest on such amount at an annual interest rate established under section 6621(a)(2) of Title 26.)

The statute’s deliberate omission of prejudgment interest was the very reason that the Southern District of Texas disallowed a recovery of prejudgment interest in *Neles-Jamesbury, Inc. v. Bill’s Valves*: “[B]ecause § 1117(a) does not provide for an award of prejudgment interest, Plaintiff’s request for prejudgment interest is denied. . . . Section 1117(b), but not § 1117(a), allows a court, in its discretion, to award prejudgment interest.” 974 F. Supp. 979, 983 & n.10 (S.D. Tex. 1997).

Here, the district court declined to follow its sister court because it characterized *Neles-Jamesbury* as “go[ing] against all circuit precedent.” ROA.2647. However, the *Neles-Jamesbury* court’s observations about the statute were correct, and its conclusion that prejudgment interest should not be allowed in a section-1117(a) case—given the statute’s specific provision in subsection (b) yet omission of such relief in subsection (a)—is a reasonable interpretation of the

statute. *See Texaco, Inc. v. Duhe*, 274 F.3d 911, 920 (5th Cir. 2001) (“[N]o principle of statutory interpretation grants us judicial license simply to rewrite statutory language by ascribing additional, material terms[.]”); *U.S. v. Hessbrook*, 504 F.2d 1375, 1377 (5th Cir. 1974) (declining to adopt proposed interpretation of statute that purported to insert words not already present).

The *Neles-Jamesbury* court is not alone in questioning the availability of prejudgment interest in section 1117(a). A district court in Oregon declined to award prejudgment interest to a plaintiff and, in doing so, strongly questioned whether such relief would even be available given the statute’s conspicuous omission of such a remedy. *See Adidas Am., Inc. v. Payless Shoesource, Inc.*, No. 01-1655-KI, 2009 WL 302246, at *7–8 (D. Or. Feb. 9, 2009).

Clearline argued below that prejudgment interest is necessary to fully “compensate” the plaintiff. But that argument is unavailing here. The same argument could be made that plaintiffs should also presumptively recover attorney’s fees, because otherwise “compensation of the plaintiff [would be] incomplete.” *Cf. Gorenstein Enters., Inc. v. Quality Care-USA, Inc.*, 874 F.2d 431, 436 (7th Cir. 1989) (explaining reasoning for presumptively awarding prejudgment interest). And yet, section 1117(a) *does not* presumptively award plaintiffs their attorney’s fees without an additional showing that the case is exceptional.

B. The majority rule does not allow prejudgment interest in non-exceptional cases.

The district court suggested a split of authority exists as to whether a case must be designated as “exceptional” to warrant an award of prejudgment interest. ROA.2646. Respectfully, however, that description is probably too generous—the majority rule among the circuits prohibits recovery of prejudgment interest absent a showing that the case is exceptional.

The district court chose to follow the minority rule of “presumptive availability,” as espoused by the Seventh and Tenth Circuits. *See Gorenstein*, 874 F.2d at 436; *cf. United Phosphorus, Ltd. v. Midland Fumigant, Inc.*, 205 F.3d 1219, 1236–37 (10th Cir. 2000) (“[T]his Court has adopted a preference, if not a presumption, for prejudgment interest.”). But the problem with presumptive availability is that it rests upon the flawed premise that Section 1117(a) is intended to compensate a plaintiff for all losses in all cases—a premise unsupported by the statute’s silence regarding prejudgment interest and requirement that the case be proven exceptional before a plaintiff can be compensated with its attorneys’ fees.

The majority, and better-reasoned, rule gives effect to the statutory language by requiring a finding that the case is exceptional. As the district court noted, the Second Circuit follows this rule. The district court cited only *American Honda Motor Co. v. Two Wheel Corp.*, 918 F.2d 1060, 1064 (2d Cir. 1990), which it faulted for a relative absence of explanation for the rule, but there are several other

Second Circuit cases that have cited *American Honda* with approval. See *Merck Eprova AG v. Gnosis S.p.A.*, 760 F.3d 247, 263–64 (2d Cir. 2014); *Stark Carpet Corp. v. Stark Carpet & Flooring Installations, Corp.*, 954 F. Supp. 2d 145, 156 (E.D.N.Y. 2013) (noting statute’s silence on topic of prejudgment interest); *Gidatex, S.r.L. v. Campaniello Imps., Ltd.*, 82 F. Supp. 2d 136, 151 (S.D.N.Y. 2000). The reason for the majority rule—that is, the fact that section 1117(b) specifically provides for prejudgment interest but section 1117(a) omits it—was explained in *Fresh Del Monte Produce Inc. v. Del Monte Foods Co.*, 933 F. Supp. 2d 655, 666 (S.D.N.Y. 2013).

The Sixth Circuit also follows the majority rule. See *Wynn Oil Co. v. Am. Way Serv. Corp.*, 1995 WL 431019, at *3 (6th Cir. July 20, 1995); *Powerhouse Marks LLC v. Chi Hsin Impex, Inc.*, 463 F. Supp. 2d 733, 740 (E.D. Mich. 2006); *Groeneveld Transp. Efficiency, Inc. v. Lubecore Int’l, Inc.*, No. 1:10 CV 702, 2012 WL 1142652, at *1 (N.D. Ohio Apr. 7, 2012). So do district courts in the Third,⁹ Fourth,¹⁰ and Ninth¹¹ Circuits.

⁹ See *Callaway Golf Co. v. Slazenger*, 384 F. Supp. 2d 735, 748–49 (D. Del. 2005); *N.V.E., Inc. v. Day*, No. 07-4283, 2009 WL 2526744, at *5 (D.N.J. Aug. 18, 2009).

¹⁰ See *All Am. Title Loans, Inc. v. Title Cash of S.C., Inc.*, No. 3:05-1280-CMC, 2007 WL 1464580, at *8 (D.S.C. May 17, 2007).

¹¹ See *Baden Sports, Inc. v. Kabushiki Kaisha Molten*, No. C06–210MJP, 2007 WL 2790777, at *8 (W.D. Wash. Sept. 25, 2007) (following *American Honda* and declining to award prejudgment interest because the case was not exceptional).

C. This is not an exceptional case, so prejudgment interest should be disallowed.

The district court correctly concluded that this case is not exceptional. ROA.2657-2658. Therefore, this Court need not resolve the district court's disagreement with the *Neles-Jamesbury* court's interpretation of Section 1117(a) because prejudgment interest would not be available, anyway.

Accordingly, this Court should reverse the award of prejudgment interest and render judgment that Clearline cannot recover prejudgment interest in this non-exceptional case.

CONCLUSION AND PRAYER

Cooper B-Line, Incorporated asks this Court to render judgment in its favor. Alternatively, the judgment should be reformed to delete overlapping damages and prejudgment interest or a remand to force an appropriate election of damages under the proper legal measure. Cooper B-Line also asks for all other relief to which it is entitled.

Respectfully submitted,

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CERTIFICATE OF SERVICE

A true and correct copy of the foregoing document was filed with the Court's ECF system and was served via electronic means through transmission facilities from the Court upon those parties authorized to participate and access the Electronic Filing System for the Fifth Circuit Court of Appeals.

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CERTIFICATE OF COMPLIANCE WITH RULE 32(a)

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