

24-1903-CV

In the United States Court of Appeals for the Second Circuit

CESARI S.R.L.,
Plaintiff-Appellee,

v.

PEJU PROVINCE WINERY L.P. AND
PEJU FAMILY OPERATING PARTNERSHIP L.P.,
Defendants-Appellants.

On Appeal from the United States District Court
for the Southern District of New York, No. 16-cv-00873
The Honorable Naomi Reice Buchwald, U.S.D.J.

BRIEF AND SPECIAL APPENDIX OF APPELLANTS PEJU PROVINCE WINERY L.P. AND PEJU FAMILY OPERATING PARTNERSHIP L.P.

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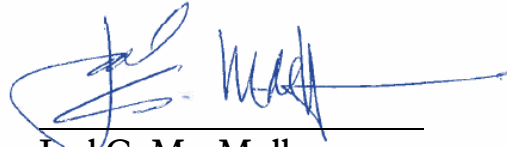
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CORPORATE DISCLOSURE STATEMENT

Pursuant to Fed. R. App. P. 26.1(a), the undersigned counsel for appellants Peju Province Winery L.P. and Peju Family Operating Partnership L.P. certifies that there are no publicly held corporations or other publicly held entities that own 10% or more of their stock.

A handwritten signature in blue ink, appearing to read "Joel G. MacMull", is written over a horizontal line.

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PRELIMINARY STATEMENT

In *B&B Hardware, Inc. v. Hargis*, 575 U.S. 138 (2015), the Supreme Court held that only in a narrow set of circumstances would a Trademark Trial and Appeal Board (“Board” or “TTAB”) decision have issue preclusive effect in a subsequent trademark infringement case on the issue of a likelihood of confusion. Contrary to that teaching, the district court here held on partial summary judgment that a thirteen-year-old Board decision from 2004, in which the Board committed a grave procedural error and did not consider the marketplace usages of the two marks at issue, precluded defendants Peju Province Winery L.P. (“PPW”) and Peju Family Operating Partnership L.P. (“PFOP”) (together, “Peju”) from defending against plaintiff Cesari S.R.L.’s (“Cesari”) claim that Peju infringed on its mark (“*Peju I*”). As a leading trademark treatise concludes, the district court “misunderstood the Court’s directive in *B&B Hardware* and found preclusion when it should not have.”³ Anne Gilson LaLonde, *Gilson on Trademarks* § 13:20[5][c][iii] (2024) (“*Gilson*”).

As a result, Peju, a small, four-decades-old family winery whose founder chose Peju’s LIANA mark for wines because it is a portmanteau of his daughters’ names, Lisa and Ariana, was tarred as an infringer and spent the next several years litigating with one arm tied behind its back. A cascade of legal errors by the district court followed *Peju I*, which further prejudiced Peju’s ability to defend itself on the merits.

Misconstruing the Board’s 2004 decision as a *de facto* permanent injunction rather than an adjudication of the right to register, the district court faulted Peju again and again for continuing to use its LIANA mark in various formats on its wines. It did so despite black letter law that the Board lacks authority to enjoin a party’s use of a mark, and despite Cesari’s decision not to protest Peju’s use until 2016. The district court first faulted Peju when it dismissed Peju’s laches defense on summary judgment, concluding that Peju acted in “bad faith” based heavily on its continued use of LIANA (“*Peju II*”). That finding was also premised on the error that Peju had an obligation to stop using its mark simply because Cesari sent a cease-and-desist letter and then filed suit in 2017. The law is clear that none of these acts, in the context in which they arose, supports a finding of bad faith.

The district court compounded its mistakes in its post-trial decision by holding that Peju’s infringement was willful — an issue that was never tried — premised on its earlier “bad faith” finding. And in arriving at that conclusion, the district court never identified, much less employed, the correct legal standard to determine willfulness.

The district court then doubled down on its prior errors, finding this to be an “exceptional case” under the Lanham Act and awarded Cesari certain attorneys’ fees and costs. That determination, too, was predicated primarily on its decision to

treat Peju as if it violated an injunction — an order that the Board never issued, nor could ever issue. In truth, however, there was nothing exceptional about Peju’s arguments on the merits or its litigation conduct. To the contrary, Peju’s liability and damages defenses were substantively strong, and the district court abused its discretion in concluding otherwise.

Thus, this Court upon review should reverse *Peju I*, *Peju II*, the bench trial decision, and the attorneys’ fees and costs decision, and vacate the final judgment, each of which were infected by the district court’s errors of law. The Court should remand to the district court on all issues to allow Peju to defend itself against Cesari’s infringement claim, a claim for which Cesari has never been put to its proofs.

JURISDICTIONAL STATEMENT

Cesari sued Peju for trademark infringement and unfair competition under the Lanham Act, 15 U.S.C. §§ 1114 and 1125(a), and New York common law. (A93-111, 411-421). The district court has subject matter jurisdiction over the Lanham Act claims pursuant to 15 U.S.C. § 1121(a) and 28 U.S.C. §§ 1331, 1338(a), and supplemental jurisdiction over the New York claim, pursuant to 28 U.S.C. § 1367(a). The district court entered a final judgment on July 12, 2024, disposing of all claims

¹ References to “A__” are to Peju’s Appendix, and references to “SPA__” are to Peju’s Special Appendix. All ECF citations are to the ECF document number and pagination in the ECF header unless otherwise indicated.

as to all parties. (SPA1). Peju timely filed its Notice of Appeal on July 12, 2024. (A70). This Court has jurisdiction over this appeal pursuant to 28 U.S.C. § 1291.

STATEMENT OF ISSUES PRESENTED

1. Whether the district court erred when it granted partial summary judgment in favor of Cesari in *Peju I*, finding a likelihood of confusion between PPW's LIANA trademark and Cesari's LIANO trademark based on issue preclusion in reliance on a thirteen-year-old Board summary judgment decision that was the product of a proceeding in which the Board (i) deprived Peju of its due process rights when it *sua sponte* converted Cesari's motion for judgment on the pleadings into a motion for summary judgment without giving Peju notice and an opportunity to present evidence; and (ii) did not evaluate the marketplace usage of the two marks that were before the district court? (SPA2-16).

2. Whether the district court erred when it found, in its post-trial decision, that Peju's trademark infringement was willful based solely on its prior partial summary judgment decision (*Peju II*), in which it found Peju acted in "bad faith" in the context of a laches affirmative defense? (SPA53-55, SPA75-76).

3. Whether the district court, in its post-trial decision on disgorgement of Peju's profits, erred when it declined to equitably adjust the disgorgement sum downward? (SPA105-06).

4. Whether the district court erred when it found this was an “exceptional case” under 15 U.S.C. § 1117(a)? (SPA112-43).

STATEMENT OF THE CASE

I. Factual Background

A. Peju and Cesari

Peju is a family-owned winery that, since 1982, has owned the Peju Province Winery located in Rutherford, California. (A309-10). Family patriarch, Tony Peju (“Tony”), had operated Peju. (A489). At the winery, starting in or about 2002, Peju produced a wine branded as “Liana.” (A310). It is undisputed that Peju selected the name Liana because it was a portmanteau of the Peju daughters’ first names, Lisa and Ariana. (SPA22, A277, A310, A312-13, A325, A490, A502).

In October 2016, Peju, through PFOP, opened a new winery then-known as Liana Estates (re-branded during the pendency of this case) located in Napa, California; its name was derived the same way. (SPA5, A275, A311, A312-13, A325). Liana Estates produced and bottled wines that incorporated the word “Liana” on the back label. (A311, A329). Liana Estates’ usages of its LIANA mark were materially different than the usages by PPW on its wines in the early 2000s and beyond. (*Compare* A311, A329, A479, *with* A310-11, A316-23).

Cesari is a wine maker located in Italy that makes Italian wines. (SPA3, A311). It owns a trademark registration for the mark LIANO for use in connection with

wines in International Class 33, which was registered in January 2003 (U.S. Reg. No. 2671495) (the “LIANO mark”). (A151, A153, A260). Cesari claims to have sold Italian wine under the brand name LIANO since 1989. (A500).

B. The 2003-2004 Opposition Proceeding before the Board.

In February 2003, PPW applied to the United States Patent and Trademark Office (“USPTO”) to register the trademark LIANA on an intent-to-use basis in International Class No. 33 for “wines.” (SPA3, A500). In September 2003, the USPTO published PPW’s LIANA mark for opposition. (A500, A514). On October 20, 2003, Cesari filed with the Board Opposition No. 91158374 to the registration of the LIANA mark (“Opposition Proceeding”), claiming a likelihood of confusion with its registered LIANO mark. (SPA4, A146-51, A500, A515-18).²

In January 2004, the Board entered a default notice stating that PPW failed to answer the opposition. (A500, A526). PPW had, in fact, answered in December 2003 but used the wrong opposition number that was one digit off. (A133-34, A521-25, A527-28). In any case, on February 12, 2004, PPW responded to the default and included its Answer. (A136-40, A501, A527-34). PPW’s Answer put Cesari on notice of PPW’s use of its LIANA mark. (A501, A530-31).

² The Board’s public docket for this proceeding is found [here](#). The proceedings are in the record, but the Court may take judicial notice of the Board’s docket in any event. *Mangiafico v. Blumenthal*, 471 F.3d 391, 398 (2d Cir. 2006).

On February 17, 2004, Cesari moved for judgment on the pleadings under Trademark Trial and Appeal Board Manual of Procedure (“TBMP”) § 504.01. (A277, A535-40, A501; *see also* SPA144-47). Cesari’s motion was approximately one substantive page in length and asserted that Cesari would be harmed by PPW’s registration of LIANA. (A535-36, A501). Cesari also attached a certified copy of its LIANO registration to the motion. (A537-39, A501). PPW’s one-page opposition to the motion denied Cesari’s allegations and that there was a likelihood of confusion between the LIANO and LIANA marks. (A142-43, A277, A501).

On July 20, 2004, the Board issued a short decision in which the Board *sua sponte* converted Cesari’s motion for judgment on the pleadings into a motion for summary judgment and granted the motion (the “2004 Decision”). (A127-31, SPA4-5). The Board stated that it converted the motion because Cesari had submitted a certified copy of its registration with its motion. (A128, SPA4 n.4). Critically, it is undisputed the Board converted the motion into one for summary judgment “**without prior notice**” to PPW, depriving PPW of an opportunity to submit any evidence in opposition. (SPA11-12, SPA4 n.4, *see also* A128).

The 2004 Decision concluded that there was no genuine dispute of fact as to a likelihood of confusion because Cesari’s pleaded registration for LIANO and PPW’s mark LIANA “are almost identical,” the one-letter difference between the

two marks being “insufficient to distinguish the mark’s high degree of similarity” and there was no dispute that the goods identified in Cesari’s registration and PPW’s application were identical. (A129-30). The Board did not consider PPW’s assertion that its wine was distinguishable as a dessert wine, citing *Octocom Systems, Inc. v. Houston Computers Services Inc.*, 918 F.2d 937 (Fed. Cir. 1990). (A130). This was because both Cesari’s registration and PPW’s application covered the goods “wines” without limitation, and therefore the Board assumed that the channels of trade were identical. (*See* A130).

Accordingly, the Board sustained the opposition and refused registration of PPW’s LIANA mark. (A131). PPW did not appeal the decision. (SPA5, SPA13, A270). But for the next twelve years, it is undisputed that Cesari took no further action to enforce its trademark rights or to restrict or limit PPW’s use of LIANA.

C. Cesari first raises a dispute in 2016 and sues Peju for infringement in early 2017.

In late 2015, Tony purchased the winery that was later to become Liana Estates, which PFOP operated. (A503). By this time, Tony had largely retired from the business and left Ariana and Lisa to operate the wineries. (A311, A503, A489). Ariana was unaware of PPW’s prior 2003 application to register the LIANA mark and the resulting Opposition Proceeding and 2004 Decision because it preceded her involvement as management with the company. (A449, A486, A504).

Ariana in early 2016 asked Peju's then-trademark counsel whether PFOP could register LIANA as a trademark and use the LIANA mark as the winery's new name. (A445, A503, SPA25). Trademark counsel, who over the span of a six-week period twice considered the issue, did not advise Ariana that Cesari's LIANO registration might bar registration or use of LIANA by PFOP. (A445, A503, SPA25-26). In fact, counsel failed to identify Cesari's LIANO mark and bring it to Ariana's attention. (A445, A451-458, A503-04). Instead, he identified other marks and advised Ariana that although there was some risk that PFOP might be refused registration based on those other marks, PFOP was likely to overcome any opposition. (A445, A458, SPA26). In reliance on that advice, in March 2016, PFOP applied to register the LIANA mark in International Class 33 in connection with "alcoholic beverages except beers" on an intent-to-use basis ("2016 Application"). (A445-46, A463-67, A503, SPA26).

In the first instance, the advice of Peju's trademark counsel was vindicated: the USPTO approved the LIANA mark for publication on August 2, 2016, and did not issue an Office Action under 15 U.S.C. § 1052(d) based on a likelihood of confusion with any mark, including Cesari's LIANO mark. (A468, A503). But on August 31, 2016, Cesari filed a request for an extension of time to oppose the 2016 Application. (A446, A504, SPA27). Peju's trademark counsel then advised Ariana

about Cesari's extension request, and it was at this point that Ariana first learned of the existence of Cesari and its LIANO mark. (A446, A469-70, A504).

In November 2016, Cesari's counsel sent PFOP's counsel a cease-and-desist letter claiming a likelihood of confusion between the LIANA and LIANO marks. (A471-73, A446-47, SPA27). Peju's trademark counsel responded. (A448, 478-80). Cesari and Peju attempted to negotiate a resolution to the dispute between November 2016 and January 2017, even arriving at an agreement in principle. (A448, A482-85, A504, SPA27). However, Cesari then abruptly broke off settlement discussions when it rediscovered the 2004 Decision from thirteen years earlier. (A449, A486-87, A504, SPA27).

Cesari then proceeded to oppose the 2016 Application on January 30, 2017. (A504, SPA27). A week later, on February 6, 2017, Cesari filed this trademark infringement lawsuit in the U.S. District Court for the Southern District of New York. (A488, A504). Cesari claimed trademark infringement and unfair competition under the Lanham Act, 15 U.S.C. §§ 1114 and 1125(a), and unfair competition under New York common law. (A93-111). Peju filed its Answer. (A113-22).

II. Procedural History in the District Court

In May 2017, Cesari moved against each of the then Peju defendants for partial summary judgment on liability based on issue preclusion arising from the 2004

Decision in the Opposition Proceeding. (SPA2). Peju opposed the motion. (ECF 29, A258-61). On December 11, 2017, the district court granted Cesari's motion for partial summary judgment on liability against PPW based on issue preclusion. (SPA2-16) (*Peju I* decision).

After several years of protracted proceedings, including numerous discovery disputes, a motion for leave to amend the Complaint resulting in the First Amended Complaint ("FAC") (A411-42), and a meritless effort by Cesari to obtain terminal discovery sanctions, Peju moved for summary judgment in December 2021 based on its affirmative defenses of laches and statute of limitations. (SPA19). The district court denied the motion and, instead, dismissed those defenses with prejudice, ruling that Peju had used its LIANA mark in "bad faith" (*Peju II*). (SPA37-55, SPA58). The district court also granted summary judgment in favor of Cesari and extended its issue preclusion ruling in *Peju I* to PFOP. (SPA20, SPA58-59).

Following *Peju II*, liability for infringement was deemed resolved and all that remained to be adjudicated was the amount of Peju's profits to be disgorged. (SPA60). The district court conducted a four-day bench trial solely on the issue of disgorgement. (SPA60). In its FAC, Cesari had sought to disgorge from Peju a total of \$17.95 million, an amount that had been reduced to \$13.6 million by the time of trial. (SPA84 n.18, A433, A440 ¶¶ 137, 180-81 (trebling)). Ultimately, the district

court's bench trial decision awarded Cesari disgorged profits of \$666,214. (SPA105-06). The court found a profits award appropriate because Peju acted willfully, ruling that "even if that issue had not been resolved" earlier, "willfulness has clearly been established here, based on the same facts" as its bad faith finding in *Peju II*. (SPA76). The district court also declined to equitably adjust the award downward based on the same bad faith/willfulness finding. (SPA105-06).

Cesari then filed a post-trial motion seeking attorneys' fees, costs, pre- and post-judgment interest, claiming that this was an "exceptional case" under 15 U.S.C. § 1117(a). (SPA112). In July 2024, the district court ruled that the matter was exceptional and awarded \$666,214 in attorneys' fees and an additional amount in costs. (SPA112-43). The thrust of the district court's finding of exceptionality was premised on its fundamental misapprehension of the 2004 Decision. (*See* SPA117-19, SPA122-23).

On July 12, 2024, the Clerk entered final judgment in the total amount of \$1,349,787.72. (SPA1) (the "Judgment"). Peju now appeals from the Judgment.

SUMMARY OF THE ARGUMENT

Cesari failed to prove the fundamental element of a trademark infringement claim: a likelihood of confusion with Peju's LIANA mark. The district court erred by exempting Cesari from proving its case, committing a series of legal errors that

are at odds with *B&B Hardware* and this Court's precedent. The district court's grant of partial summary judgment in *Peju I* based on issue preclusion was legal error for several reasons.

First, the 2004 Decision was the product of the Board's fundamentally unfair, poor, and cursory procedure. That is, the Board deprived PPW of any opportunity to submit evidence when, contrary to TBMP § 504.03 and Federal Rule of Civil Procedure ("Rule") 12(d), it *sua sponte* and without providing PPW notice converted Cesari's motion for judgment on the pleadings into one for summary judgment and granted the motion. This was precisely the kind of fundamental procedural defect that the Supreme Court warned in *B&B Hardware* would result in a Board decision not having issue preclusive effect. The district court did not dispute what had occurred, but then excused the critical defect using flawed reasoning that is irreconcilable with *B&B Hardware*.

Second, the 2004 Decision did not consider the actual marketplace usages of the LIANA and LIANO marks, nor did it (or could it), consider the marketplace usage of the Liana Estates usage that only began in 2016. Yet, the district court further disregarded the actual, different marketplace usages that Peju advanced in 2017 and the substantial change in material facts concerning usage between 2004 and 2017. Importantly, the district court's belief that the 2004 Decision considered

marketplace usages that subsumed the far narrower and different usages and evidence thereof that Peju proffered in opposition to summary judgment was legally erroneous. Having made these errors of law leading to issue preclusion, the district court erroneously barred PPW from presenting facts relevant to the traditional likelihood of confusion analysis under *Polaroid Corp. v. Polarad Electronics Corp.*, 287 F.2d 492 (2d Cir. 1961).

Under *B&B Hardware* and this Court's own similar precedent, for either or both of these reasons, the district court should not have accorded the 2004 Decision preclusive effect on summary judgment and excused Cesari from proving its claim thirteen years later in 2017. Succinctly stated, the district court did not properly apply *B&B Hardware* and thus "found preclusion when it should not have." 3 *Gilson* § 13:20[5][c][iii]. That it did so is an error of law this Court is compelled to reverse on *de novo* review.

Aggravating the error in *Peju I*, the district court then deprived Peju of the ability to try the issue of whether Peju's infringement was willful and retroactively found willfulness in its post-trial decision. That finding was based on the prior "bad faith" summary judgment ruling in *Peju II* that used a completely different legal standard. The bad faith finding was itself erroneously predicated primarily on the district court's misapprehension that the 2004 Decision prohibited Peju from using

the LIANA mark. It did not and could not have. The district court then relied on its retroactive willfulness finding in its post-trial decision to decline to equitably adjust the disgorgement award downward. The Court should reverse that decision.

Then, the district court erred once more when it found the case was “exceptional” under 15 U.S.C. § 1117(a) and awarded Cesari some of its attorneys’ fees and costs. This was despite Peju’s strong merits defense against issue preclusion. Worse still, the district court again leaned heavily, and erroneously, on Peju’s continued use of its LIANA mark after the 2004 Decision, as well as on Peju’s use after Cesari’s 2016 cease-and-desist letter and after litigation commenced in 2017. But none of these events evidence exceptionality regarding the merits of the case or litigation conduct. Therefore, the Court should also reverse the exceptional case decision.

The net effect of all of these district court rulings was to work significant outcome-determinative prejudice on Peju that fundamentally denied Peju a full and fair opportunity to litigate its defenses. The district court’s perception of what had brought about this litigation was seriously distorted, and Cesari leveraged this unfair procedural and evidentiary advantage into an undeserved windfall.

STANDARD OF REVIEW

This Court reviews a district court’s grant of summary judgment *de novo*. *Phoenix Light SF Ltd. v. Bank of New York Mellon*, 66 F.4th 365, 369 (2d Cir. 2023). The Court likewise reviews “de novo a district court’s ruling on issue preclusion . . . because the doctrine frequently turns on pure questions of law, or on the application of law to undisputed facts.” *Id.*

On summary judgment, courts resolve all ambiguities and draw all permissible inferences in favor of the non-movant. *Tiffany & Co. v. Costco Wholesale Corp.*, 971 F.3d 74, 83 (2d Cir. 2020). This Court “will affirm a grant of summary judgment only where there are no genuine disputes concerning any material facts, and where the moving party is entitled to judgment as a matter of law, or in other words, where no reasonable jury could return a verdict for the nonmoving party.” *Id.*

To grant summary judgment on willfulness, it must be “beyond peradventure that a reasonable jury would conclude” the defendant willfully infringed. *Island Software & Comp. Serv., Inc. v. Microsoft Corp.*, 413 F.3d 257, 263-64 (2d Cir. 2005).

The Court generally reviews factual findings after a bench trial under a clearly erroneous standard but reviews a district court’s legal conclusions after a bench trial *de novo*. *Sulzer Mixpac AG v. A&N Trading Co.*, 988 F.3d 174, 181 (2d Cir. 2021), *cert. denied*, 142 S. Ct. 1359 (2022).

This Court reviews an “exceptional case” finding under the Lanham Act and concomitant attorneys’ fees and cost award under an abuse of discretion standard. *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 572 U.S. 559, 563 (2014); *Nike, Inc. v. Already, LLC*, 663 F.3d 89, 99 (2d Cir. 2011), *aff’d*, 568 U.S. 85 (2013).

The Court should reverse and vacate the Judgment and the district court’s four underlying orders that Peju appeals from. (SPA1-143).

LEGAL ARGUMENT

I. The 2004 Decision does not have issue preclusive effect to prevent Peju from litigating a likelihood of confusion in this infringement case.

In *B&B Hardware, Inc. v. Hargis Industries, Inc.*, 575 U.S. 138, 141 (2015), the Supreme Court considered whether issue preclusion might arise in a trademark litigation in federal district court after adjudication by the Board on the question of a likelihood of confusion between two trademarks. The Court held that a district court “should give preclusive effect to TTAB decisions if the ordinary elements of issue preclusion are met” and identified the following test for issue preclusion: “When an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment, the determination is conclusive in a subsequent action between the parties, whether on the same or a different claim,” subject to well-settled exceptions such as when the prior proceeding suffered from “differences in the quality or extensiveness of the procedures followed.” *Id.* at

148.³ The Court emphasized that the issues must truly be identical and the rules of issue preclusion must be “carefully observed” for it to apply to a Board proceeding. *Id.* at 153 (quoting 6 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* (“*McCarthy 4th ed.*”) § 32:99 (4th ed. 2014)).

The district court committed an error of law when it held, on partial summary judgment in *Peju I*, that the 2004 Decision was issue preclusive and thus prevented PPW from litigating a likelihood of confusion between its LIANA mark and Cesari’s LIANO mark. (SPA2-16). The district court made two mistakes to reach its erroneous conclusion.

The first was that the district court incorrectly disregarded that the Board used a fundamentally poor, cursory, and unfair procedure that deprived PPW of a full and fair opportunity to litigate a likelihood of confusion. That is, the Board issued the 2004 Decision after it *sua sponte* and **without notice** to PPW converted Cesari’s motion for judgment on the pleadings into a motion for summary judgment and granted the motion in favor of Cesari. This ran afoul of the TBMP § 504.03 and Rule 12(d)’s due process-based requirement that a party be provided notice and an opportunity to present all pertinent evidence when a motion is converted.

³ This Court uses a similarly formulated issue preclusion test. *See Cayuga Nation v. Tanner*, 6 F.4th 361, 374 (2d Cir. 2021).

Second, even setting aside this glaring procedural defect, the district court held that the Board’s abbreviated proceeding in 2004 adjudicated the marketplace usage of the parties’ marks. It did not. Peju also presented the district court with evidence that Peju’s actual usages in 2017 materially differed from the presumed usages the Board may have hypothesized when it evaluated Peju’s intent-to-use application in 2004. Thus, the same issue was not decided in the 2004 Decision as was at issue in this infringement case. In fact, there was a thirteen-year period of time during which the material facts also changed, not the least of which were that Liana Estates (PFOP) and its different usages of its LIANA mark did not even exist until 2016 — over a decade **after** the Opposition Proceeding concluded.

A. Issue preclusion does not apply to the 2004 Decision because it resulted from “fundamentally poor, cursory, or unfair” procedures.

Under *B&B Hardware*, issue preclusion does not apply “if there is reason to doubt the quality, extensiveness, or fairness of procedures followed in prior litigation.” 575 U.S. at 158. In other words, it does not apply where the party whose proofs are to be precluded “did not have a full and fair opportunity to litigate the claim or issue” in the earlier case. *Kremer v. Chem. Const. Corp.*, 456 U.S. 461, 480-81 (1982); *see also Cayuga Nation*, 6 F.4th at 374 (recognizing this requirement).

Mindful of the potential for over-application of issue preclusion based on Board decisions, the Supreme Court made it clear that before concluding that the

issue was fully and fairly litigated before the Board, “the correct inquiry is whether the procedures used in the first proceeding were fundamentally poor, cursory, or unfair.” *B&B Hardware*, 575 U.S. at 158. And to make it clear how seriously courts should take this condition, the Court provided examples of “ill-suited” Board procedures that would not result in a decision with preclusive effect in a later district court infringement case: “a party may have tried to introduce material evidence but was prevented by the TTAB from doing so, or the TTAB’s bar on live testimony may materially prejudice a party’s ability to present its case.” *Id.* at 159.

The proceedings that led to the 2004 Decision fall squarely within *B&B Hardware*’s explicit exception to issue preclusion because they are a textbook example of a procedure that was “fundamentally poor, cursory, or unfair.” In fact, the Board’s procedural misstep was all three — a trifecta — although only one is necessary. *See id.* at 158 (using a disjunctive test). After Cesari filed a roughly one-page motion for judgment on the pleadings under TBMP § 504.01, which Peju opposed with equal brevity, (A535-36, A142-43), the Board then *sua sponte* and **without any notice** converted Cesari’s motion into one for summary judgment and granted the motion, all within the 2004 Decision. (SPA11-12, A128). The Board thus failed to give PPW an opportunity to address the motion under the summary judgment standard and submit any evidence. (*See* SPA11-12; *see also* A128).

When Peju pointed out in its opposition to Cesari's motion for partial summary judgment that this was precisely the kind of procedure that *B&B Hardware* identified as non-preclusive, (ECF 29 at 17-20, A278), the district court twice conceded that the Board *sua sponte* converted the motion "without prior notice." (SPA12, SPA4 n.4). But the court then disregarded that this defective procedure was poor, cursory, and unfair and in a manner that struck at the very heart of Peju's due process rights. Under these striking facts and as further explained below, the district court committed legal error when it gave preclusive effect to the 2004 Decision. On *de novo* review, this Court is compelled to reverse *Peju I* and vacate the Judgment.

TBMP § 504.01 permits a litigant in an opposition proceeding to move for judgment on the pleadings. Although the Board may convert such a motion into one for summary judgment, the Board must give notice to the parties that it is doing so and an opportunity to present all relevant evidence, consistent with due process. TBMP § 504.03 states: "Ordinarily, the parties to the proceeding **will be notified** that the motion for judgment on the pleadings is being treated as a motion for summary judgment, and they **will be given a reasonable opportunity to present all material made pertinent to such a motion** by Fed. R. Civ. P. 56." (SPA146) (emphasis added). The only time notice and opportunity to present evidence is unnecessary is when both parties clearly have already treated the motion as one for

summary judgment, such that the non-moving party opposed on that basis. TBMP § 504.03.⁴

This Board rule mirrors Rule 12(d)'s requirements, *see* TBMP § 503.03 n.3 (citing Fed. R. Civ. P. 12(d)), as the district court recognized. (SPA11 n.7). Rule 12(d) states that when a district court treats a Rule 12(c) motion for judgment on the pleadings . . . as one for summary judgment under Rule 56, then: “All parties must be given a reasonable opportunity to present all the material that is pertinent to the motion.” Fed. R. Civ. P. 12(d).

The notice and an opportunity to present evidence that both TBMP § 504.03 and Rule 12(d) require ensures a fundamentally fair proceeding. Courts, including this Circuit and the Federal Circuit (the law of which binds the Board), unanimously recognize that this notice requirement is rooted in “fundamental fairness, buttressed by the constitutional requirement of due process” that a party have a reasonable opportunity to present its case before judgment is entered against it. *Thoen v. United States*, 765 F.2d 1110, 1114-15 (Fed. Cir. 1985); *see Blassingame v. Sec’y of Navy*, 811 F.2d 65, 74 (2d Cir. 1987) (reversing *sua sponte* conversion into summary judgment

⁴ The version of TBMP § 504.03 in effect at the time of the Opposition Proceeding is TBMP (2d ed. Mar. 2004, Rev. 1), available [here](#) and at SPA149-50. TBMP § 504.03 as it then-existed is identical to the current version of the rule. (SPA146). The original version of TBMP § 504.03 is also identical. *See* TBMP (1st ed. Sept. 1995), available [here](#).

without notice that deprived the party of “fair chance” to oppose); *Jones v. L.A. Cent. Plaza LLC*, 74 F.4th 1053, 1060 (9th Cir. 2023) (explaining the due process and fairness concerns animating Rule 12(d)); *cf. Winbourne v. E. Air Lines, Inc.*, 632 F.2d 219, 224 (2d Cir. 1980) (holding the court’s non-compliance with the notice requirement for a summary judgment motion was a “deprivation of due process”).

Because they are so essential to a fair proceeding, this Court observes that Rule 12(d)’s notice and opportunity requirements must be “strictly” observed and cannot be dispensed with “for the sake of expediency.” *Kopec v. Coughlin*, 922 F.2d 152, 154-55 (2d Cir. 1991) (reversing for lack of notice and opportunity to respond); *see Krijn v. Pogue Simone Real Estate Co.*, 896 F.2d 687, 688-90 (2d Cir. 1990) (reversing sua sponte conversion of Rule 12(c) motion into summary judgment absent notice because party “taken by surprise”); *Blassingame*, 811 F.2d at 74 (similar).

In *Selva & Sons, Inc. v. Nina Footwear, Inc.*, 705 F.2d 1316 (Fed. Cir. 1983), the Federal Circuit emphasized the fundamental importance of notice and opportunity when the Board converts a motion into one for summary judgment, reversing the Board’s decision that resulted from the Board treating a Rule 12(b)(6) motion as a summary judgment motion. 705 F.2d at 1321-22. When the Board converts a motion, it must ensure “certain rights of the parties.” *Id.* at 1322. The parties must be given

adequate notice of the Board’s intention and a reasonable opportunity to present any evidence necessary to rebut the movant’s motion — which are mandates that are “strictly required.” *Id.* These requirements “sustain and insure the most elementary operation of our civil law” because that notice and an opportunity to be heard “are ancient primaries.” *Id.* These principles “assure order and justice” and cannot be disposed of for the sake of expediency, regardless of whether the substantive ruling may be correct. *Id.* The Federal Circuit found the non-movant was not on notice of the potential for conversion and, thus, the Board made a substantive determination “without warning” and took the non-movant “by surprise,” which the rule does not contemplate. *Id.* at 1322-23. The non-movant “had the right to know” what procedural vehicle the Board was going to act under. *Id.* at 1323. Therefore, the Circuit court reversed. *Id.*

Notably, TBMP § 504.03 relies on *Selva & Sons*. See TBMP § 504.03 n.3. The Board itself also recognized and applied these same principles in *James River Petroleum Inc. v. Petro Stopping Centers L.P.*, 50 U.S.P.Q.2d 1702, at *2 (TTAB 1999), when it declined to convert a motion directed at the pleadings into one for summary judgment without giving “the applicant an opportunity to respond.” (citing TBMP §§ 504.03-.04; *Selva & Sons*, 705 F.2d 1316).

It is clear from these governing authorities that the 2004 Decision resulting from the Board's *sua sponte* conversion of Cesari's motion into one for summary judgment without giving PPW notice and an opportunity to present pertinent evidence is the type of "fundamentally poor, cursory, or unfair" procedure that the Supreme Court said is "ill-suited" for issue preclusion. *B&B Hardware*, 575 U.S. at 159. That the Board failed to give PPW notice is undisputed. (SPA11, SPA4 n.4; *see also* ECF 29 at 24, ECF 36 at 9). The Board's procedure violated TBMP § 504.03 and Rule 12(d) and thus trampled PPW's basic right to notice and an opportunity to present relevant evidence on summary judgment. *Selva & Sons*, 705 F.2d at 1322-23; *Blassingame*, 811 F.2d at 74; *see also James River Petroleum Inc.*, 50 U.S.P.Q.2d 1702. It is difficult to envision a more fundamentally unfair and cursory Board proceeding than the one at issue here.

Under *B&B Hardware*, the consequence of the Board depriving PPW of its right to notice and an opportunity to present evidence is that the 2004 Decision should not later be given preclusive effect. In error, the district court did so, holding that PPW "did not suffer any resulting prejudice" from the lack of notice when the Board violated TBMP § 504.03. (SPA12). That was wrong on several scores.

PPW was clearly prejudiced, although it is worth noting that *B&B Hardware* does not identify "prejudice" as a factor. The test is whether the Board used a

“fundamentally poor, cursory, or unfair” procedure. Nonetheless, prejudice here is ample because PPW was deprived of notice and an opportunity to present evidence on the issue of a likelihood of confusion. *See Krijn*, 896 F.2d at 688-90 (reversing no-notice conversion because appellant was “taken by surprise”); *VBS Distrib., Inc. v. Nutrivita Labs., Inc.*, 811 F. App’x 1005, 1009-10 (9th Cir. 2020) (holding it was error to convert a motion for judgment on the pleadings into a motion for summary judgment without notice because the “lack of notice prejudiced” the appellant).

When the Board cast aside its own rule, the entire purpose of which is to ensure fundamental fairness and due process, it inherently and severely prejudiced PPW’s ability to litigate the Opposition Proceeding. *See Selva & Sons*, 705 F.2d at 1323; *Krijn*, 896 F.2d at 688-90. Indeed, denying PPW the ability to present evidence resulted in summary judgment for Cesari sustaining its opposition to registration, and thus prejudiced PPW to the fullest extent possible. (A127-31).

B&B Hardware is clear: issue preclusion is inappropriate where, as here, the Board prevents a party from introducing evidence. 575 U.S. at 159. In fact, what occurred in the Opposition Proceeding was far worse than the Supreme Court’s admonition because the Board’s improper no-notice procedure prevented PPW **from even trying** to introduce evidence. And that evidence would have had a bearing on the thirteen likelihood of confusion factors from *In re E.I. DuPont De Nemours &*

Co., 476 F.2d 1357, 1361 (C.C.P.A. 1973) and PPW’s defenses. When PPW opposed partial summary judgment before the district court, PPW identified the evidence it could have introduced if the Board had given it the opportunity in the Opposition Proceeding. (ECF 29 at 11-24, A274-77, A279-361).⁵ Thus, not only is there “reason to doubt” the “quality, extensiveness, or fairness of procedures” that the Board utilized in the Opposition Proceeding, *id.* at 158, this Court can conclude with certainty that these procedures were profoundly unfair and flawed.

The district court’s rationale for why PPW was not prejudiced by the Board’s failure to notify it is a non-sequitur. The court reasoned the Board “was entitled to

⁵ Because the Board preempted discovery, PPW was also deprived of the opportunity to take discovery and evaluate whether certain defenses were available to it. For example, because Cesari’s LIANO registration was less than five years old and therefore was not yet eligible to seek “incontestable” status, see *B&B Hardware*, 575 U.S. at 143 (explaining a mark can be incontestable “once a mark has been registered for five years” (quoting 15 U.S.C. §§ 1065, 1115(b))), PPW could have asserted defenses relating to, and should have been allowed to take discovery regarding, the registrability and strength of Cesari’s mark. When Cesari first applied to register its LIANO mark in 2001, the USPTO rejected its application on the basis that the mark was “primarily merely a surname.” (See A286-89, A274); 2 *McCarthy* §§ 13:2, 23:40.50 (“Personal names are regarded as in the same category as descriptive terms. This means that they can be protected as trademarks only upon proof that through usage, they have acquired distinctiveness and secondary meaning.”); *Abraham Zion Corp. v. Lebow*, 761 F.2d 93, 104-05 (2d Cir. 1985); see also *Juice Generation, Inc. v. GS Enterprises LLC*, 794 F.3d 1334, 1338 (Fed. Cir. 2015) (explaining assessment of strength or weakness of mark is relevant under DuPont). There are also other defenses that could have been asserted against even an incontestable registration, for example, abandonment.

take judicial notice of Cesari’s trademark registration” whether the motion was one for judgment on the pleadings or one for summary judgment. (SPA12). But the fact that the Board considered a copy of Cesari’s registration has nothing to do with and does not negate the severe prejudice to PPW that resulted from the Board’s shortcut. Indeed, PPW never argued that it was prejudiced by the Board’s consideration of Cesari’s certified registration. Rather, PPW argued — correctly — that it was prejudiced by the Board’s no-notice *sua sponte* conversion of Cesari’s motion for judgment on the pleadings into one for summary judgment and simultaneous grant of the same without affording PPW an opportunity to be heard and oppose with evidence. (ECF 29 at 22-25).⁶

The district court’s alternative reasoning is also deeply flawed. It reasoned that even if PPW was prejudiced by the Board’s lack of notice, PPW cannot complain now because it did not appeal the 2004 Decision to the Federal Circuit or bring a *de*

⁶ That the Board could take judicial notice of Cesari’s registration on a motion for judgment on the pleadings or a motion for summary judgment only reinforces that PPW had no notice, actual or constructive, that the Board would convert the motion into one for summary judgment. This is because the inquiry into whether the non-movant had notice is whether the non-movant “should reasonably have recognized the possibility that the motion might be converted into one for summary judgment or was taken by surprise.” *Palin v. New York Times Co.*, 940 F.3d 804, 811-12 (2d Cir. 2019). If, as the district court reasoned, the Board could take judicial notice of Cesari’s registration on either type of motion, then, by definition, PPW could not have reasonably anticipated that the motion would be converted into one for summary judgment. This underscores the district court’s flawed reasoning.

novο proceeding in district court under 15 U.S.C. § 1071. (SPA13). The court cited no authority for this proposition. (*Id.*). This is hardly surprising for two reasons. First, the proposition relies on logic that “is fundamentally flawed.” *Matter of Ngwangu*, 529 B.R. 358, 363-64 (Bankr. N.D. Ga. 2015) (rejecting an agency’s issue preclusion argument that the party should have appealed the prior adverse agency decision that resulted from lack of notice).

Second, but more importantly, the proposition is irreconcilable with *B&B Hardware*. Critically, the inquiry under *B&B Hardware* focuses on whether **the Board’s** procedures used in the first proceeding were “fundamentally poor, cursory, or unfair.” 575 U.S. at 158-59. Whether or not PPW decided to appeal the 2004 Decision (it was not required to) has no bearing on to whether **the Board’s** procedures in the Opposition Proceeding were fundamentally flawed. *B&B Hardware’s* holding does not envision that an appeal from a Board decision is a prerequisite to find that the Board’s proceedings were fundamentally flawed. Rather, the Supreme Court was crystal clear that issue preclusion would not apply if **the Board** used “fundamentally poor, cursory, or unfair” procedures. *Id.* at 158-159.

To this point, if a litigant aggrieved by such Board procedures was required to appeal the Board’s decision to avoid issue preclusion later, the situation the Supreme Court identified as an exception to issue preclusion would never exist and its

discussion on that point would be purely academic. That is because the Federal Circuit on appeal or a district court sitting *de novo* would reverse, vacate, or otherwise supersede any decision that resulted from a cursory, poor, or unfair Board procedure. See *B&B Hardware*, 575 U.S. at 144; *Goya Foods, Inc. v. Tropicana Products, Inc.*, 846 F.2d 848, 852-53 (2d Cir. 1988). Requiring that an aggrieved Board litigant appeal to avoid preclusion is not what the Supreme Court held or intended.

Furthermore, the Supreme Court held that issue preclusion applies to an unappealed Board decision. *B&B Hardware*, 575 U.S. at 151-52. So it would be incongruous to conclude that, conversely, a losing litigant before the Board must appeal a Board decision to ever hope to avoid issue preclusion. Nothing in *B&B Hardware* even hints that an appeal is first required. Such a conclusion is also at odds with this Court's holding in *Levy v. Kosher Overseers Association of America, Inc.*, 104 F.3d 38, 40, 43 (2d Cir. 1997), wherein this Court rejected the preclusive effect of a prior Board decision despite that the losing party did not appeal it. Contrary to *B&B Hardware* and *Levy*, the district court's holding here faulted PPW for not appealing the Board's defective ruling and held that issue preclusion thus applied. (SPA13).⁷

⁷ In this regard, it cannot be overlooked that *B&B Hardware* was not the law until 2015, eleven years after the 2004 Decision.

In sum, the district court’s legal conclusion that the 2004 Decision had preclusive effect was wrong. *See B&B Hardware*, 575 U.S. at 159; *see also Taylor v. Sturgell*, 553 U.S. 880, 891 (2008) (“The federal common law of preclusion is, of course, subject to due process limitations.”). Because the 2004 Decision should not have preclusive effect under *B&B Hardware* due to the fatally flawed procedure, the Court should reverse the district court’s grant of partial summary judgment on liability in *Peju I*. This, in turn, requires the Court to vacate the Judgment and each of the underlying decisions that followed *Peju I* which were all predicated on the same erroneous liability ruling.

B. Issue preclusion does not apply because the 2004 Decision did not consider the actual marketplace usage of the marks at issue.

The district court’s ruling on issue preclusion is also erroneous because it misapplied the *B&B Hardware* test, which states that issue preclusion applies only if “the other ordinary elements of issue preclusion are met” and “the usages adjudicated by the TTAB are materially the same as those before the district court.” 575 U.S. at 160. Where, as here, “the TTAB does not consider the marketplace usage of the parties’ marks, the TTAB’s decision should ‘have no later preclusive effect in a suit where actual usage in the marketplace is the paramount issue.’” *Id.* at 157-58 (quoting 6 *McCarthy 4th ed.* § 32:101, at 32-246).

For this reason, *B&B Hardware* was crystal-clear that “for a great many registration decisions issue preclusion obviously will not apply because the ordinary elements will not be met.” *Id.* at 153. Justice Ginsburg reiterated this same point in her concurrence, explaining “[t]hat is so because contested registrations are often decided upon ‘a comparison of the marks in the abstract and apart from their marketplace usage.’ . . . When the registration proceeding is of that character, ‘there will be no preclusion of the likelihood of confusion issue . . . in a later infringement suit.’” *Id.* at 160-61 (Ginsburg, J., concurring) (quoting *id.* at 153; 6 *McCarthy 4th ed.* § 32:101); *see also* 5 J. Thomas McCarthy, *McCarthy on Trademarks and Unfair Competition* (“*McCarthy*”) § 32:98 (5th ed. 2024) (emphasizing same); 3 *Gilson* § 13:20[5][c][ii] (stating *B&B Hardware* “applies to an extremely narrow set of proceedings”). The district court acknowledged this, noting that “unlike in infringement litigation, the TTAB’s ‘determination that a likelihood of confusion does or does not exist will not resolve the confusion issue with respect to non-disclosed usages.’” (SPA8-9 (quoting *B&B Hardware*, 575 U.S. at 1308)).

B&B Hardware’s holding is “essentially the same” as this Court’s prior issue preclusion jurisprudence in *Levy*. 5 *McCarthy* § 32:98 & n.3. In *Levy*, this Court reversed the district court’s decision to give a prior Board decision issue preclusive effect in a trademark infringement case. 104 F.3d at 39-40. This Court held that issue

preclusion applies only when the Board’s decision “compared conflicting marks **in their entire marketplace context**” such that the Board took “into account, in a meaningful way, the **context** of the marketplace.” *Id.* at 42. However, the Board there had “relied solely on a visual examination of the two marks.” *Id.* This Court rejected the Board’s passing references that it believed consumers would likely be confused because both marks looked similar, “are displayed in relatively small size on the products so marked,” and that only customers’ careful examination would discern the slight difference in the marks. *Id.* at 42-43. Critical to this Court’s analysis was that the Board had not considered any other key factors in a likelihood of confusion analysis and was not the sort of decision that examined “‘the entire marketplace context’ of the trademarks in dispute.” *Id.* at 43.

Other cases are in accord. *See Lexington Furniture Indus., Inc. v. Lexington Co., AB*, No. 19-cv-6239, 2021 WL 1146276, at *5 (S.D.N.Y. Mar. 23, 2021) (quoting *B&B Hardware* and rejecting issue preclusion where likelihood of confusion depended “on the actual marketplace usage” of the marks which the Board did not determine); *Alberto-Culver Co. v. Trevive, Inc.*, 199 F. Supp. 2d 1004, 1012-16 (C.D. Cal. 2002) (applying issue preclusion because the detailed Board decision “meaningfully considered the entire marketplace context”).

Furthermore, the passage of thirteen years since the 2004 Decision in which the salient facts regarding the parties' marks and usage have changed over time counsels against issue preclusion because the issue is not the same. As Professor McCarthy explains, "if the defendant in the infringement suit has changed the appearance or setting of its mark since the date of the Trademark Board decision, then the facts are different and there can be no issue preclusion." 5 *McCarthy* § 32:102. "Differences in the format of the mark and differences in the goods or services can result in the issue of likelihood of confusion in an infringement suit being materially different from that decided before the Trademark Board," and so, a material difference means that "there can be no issue preclusion." *Id.* § 32:100. Case law in this Circuit and others applies these principles to reject issue preclusion. *See Plus Prod. v. Nat. Organics, Inc.*, No. 81-cv-1798, 1984 WL 33, at *2 (E.D.N.Y. Feb. 3, 1984); *Alberto-Culver Co.*, 199 F. Supp. 2d at 1016-17; *see also CSL Silicones Inc. v. Midsun Grp. Inc.*, 170 F. Supp. 3d 304, 318-19 (D. Conn. 2016).

Here, the district court's decision granting partial summary judgment in favor of Cesari in *Peju I* was erroneous under *B&B Hardware*, as well as *Levy*. (SPA2-16). The 2004 Decision is a prototypical example of the type of Board proceeding that the Supreme Court in *B&B Hardware* and this Court in *Levy* cautioned are inappropriate occasions for issue preclusion.

i. The 2004 Decision did not consider the marketplace usage or context of the marks at issue.

The 2004 Decision disregarded any considerations of marketplace usage of the LIANA and LIANO marks by the respective parties, looking no further than the face of the application and opposer's pleaded registration to determine that PPW was not entitled to register its LIANA mark. (A130). Practically speaking, the Board restricted itself to simply analyzing the similarities between the marks and the description of the goods. The Board rejected PPW's argument that the parties' products and target markets were different because the "registrability of an applicant's mark must be decided on the basis of the identification of goods set forth in the application **regardless of what the record may reveal as to the particular nature of an applicant's goods, the particular channels of trade or the class of purchasers to which the sales of goods are directed,**" relying on *Octocom Systems, Inc. v. Houston Computers Services Inc.*, 918 F.2d 937 (Fed. Cir. 1990) (emphasis added)). (A130). Thus, the 2004 Decision is devoid of any consideration of actual marketplace usage and the multifactorial likelihood of confusion analysis to assess it.

The Board's failure to consider the marketplace usage and context of use is also not surprising because the Board had no evidence before it to consider — just two perfunctory motion papers and an attached trademark registration certificate. (A142-43, A535-39). The Board's motion record did not even have so much as a

photograph of the LIANA and LIANO marks as they were actually used in the marketplace on wine products to consider. (*See id.*; *see also* A316-24, A310-11, A329-30 (Liana and Liana Estates wine labels provided to district court)).

This to be contrasted with *Levy*, where this Court rejected issue preclusion despite the Board having relied on a full evidentiary record in front of it (depositions, exhibits, and briefs) and commented about how the marks appeared on the respective products. 104 F.3d at 40, 42-43; *cf. Alberto-Culver Co.*, 199 F. Supp. 2d at 1012-16 (applying issue preclusion on a dense record with detailed findings accounting for marketplace context). *B&B Hardware* itself was also a case where “both parties introduced evidence at the trial before the Board about the nature of their products and the difference between them in the marketplace” such that it was an “aberrant” proceeding where the “TTAB uncharacteristically did consider ‘usages’ of the marks in the sense of goods, channels of trade and consumers.” 3 *Gilson* § 13:20[5][c][iii] (explaining the procedural history underlying *B&B Hardware*).

Here, where the Board did “not consider the marketplace usage of the parties’ marks” in the 2004 Decision, preclusion was inappropriate under both *B&B Hardware* and *Levy*. Contrary to *B&B Hardware*’s teachings, the district court used issue preclusion in as blunt a manner as possible when it held that the 2004 Decision subsumed all possible relevant marketplace usages of the marks, including different

grape varieties of the parties' respective wines (Italian red vs. Napa white dessert wine), different geographic origins and markets, labels, consumer sophistication, and actual marketing and channels of trade. (SPA9-10, A310-12). In a statement that wine enthusiasts, wine sellers, and wine stewards would doubtless find astonishing, the district court deemed these categories "distinction[s] without a difference" rather than finding that the Board's thirteen-year-old determination does not preclude narrower and different marketplace usages and evidence thereof. (SPA10). In fact, this Court has held that real-world marketplace usages are highly relevant in finding no likelihood of confusion between wines bearing similar names. *Buitoni Foods Corp. v. Gio. Buton & C. S.p.A.*, 680 F.2d 290, 293 (2d Cir. 1982) (affirming there is "no likelihood of confusion between the BUITONI mark as used on table wine and the BUTON mark as used on brandies, liqueurs, and aperitif wines"); *Banfi Products Corp. v. Kendall-Jackson Winery, Ltd.*, 74 F. Supp. 2d 188, 199 (E.D.N.Y. 1999) (finding no likelihood of confusion between Italian winemaker's COL-DI-SASSO mark and Napa Valley winemaker's ROBERT PEPI COLLINE DI SASSI mark).

It was also an error of law for the district court in *Peju I* to find that Peju's use of its LIANA mark in 2017 was encompassed by the 2004 Decision and that, consequently, Peju was liable in 2017 for trademark infringement via issue preclusion. *Peju I* erroneously treated all of the usages **presumed** by the Board in

finding a likelihood of confusion as “**actually litigated.**” *B&B Hardware*, 575 U.S. at 148; *see also Broderick Bascom Rope v. Goodyear Tire and Rubber*, 531 F.2d 1068, 1070 (C.C.P.A. 1976) (illustrating the broad manner in which the Board presumes usages, including channels of trade, in determining registrability). The district court’s reasoning in this regard was reversible error. (*See* SPA10).

Another related material aspect of actual marketplace usage that the Board did not consider (and was then ignored by the district court) was the geographic market of Cesari’s sales of its LIANO-branded wine. Importantly, in this case involving two comparatively small vintners, one in Italy and one in northern California, there was no inquiry into whether there was overlap in the parties’ geographic sales territories. Peju had never encountered Cesari’s wine in a physical store in California or in an online retail setting. (A312). The 2004 Decision did not consider whether the parties’ goods were sold in geographically proximate locations, which is another material aspect of marketplace usage. *See Brennan’s, Inc. v. Brennan’s Rest., L.L.C.*, 360 F.3d 125, 135 (2d Cir. 2004) (“Where the unauthorized use of a conflicting mark is confined to a distinct and geographically separate market by the junior user, there may be no present likelihood of public confusion.” (quoting *John R. Thompson Co. v. Holloway*, 366 F.2d 108, 114 (5th Cir. 1966))).

It is not just Peju’s position that *Peju I*’s preclusion ruling was wrong. *Gilson*, a treatise on which *B&B Hardware* itself relies, agrees, stating that the district court here “misunderstood the Court’s directive in *B&B Hardware* and found preclusion when it should not have.” 3 *Gilson* § 13:20[5][c][iii]. “Under this court’s mistaken analysis, there will never be a difference between what the TTAB considers and what a court is to consider.” *Id.*; see also *Gilson on Trademarks*, Publication Update 726-98 (May 2018) (“Following that reasoning, there would always be preclusion.”).⁸

Because the Board did not consider, let alone adjudicate, the marketplace usages of the parties’ marks in the 2004 Decision, and because Peju’s materially different uses in 2017 are not subsumed in that prior registrability determination, the district court erred in giving the decision preclusive effect in this infringement case.

ii. The district court failed to recognize the changed facts between 2004 and 2017 regarding the Liana Estates usage.

The district court erred in another related respect. It disregarded the substantial difference in the appearance and setting of the LIANA mark in 2016-2017

⁸ *Gilson* is no outlier. Criticism of *Peju I* was widespread within the trademark bar. See, e.g., John Welch, The TTABlog, *SDNY Applies B&B Hardware Issue Preclusion Based on 2004 TTAB Decision* (Dec. 15, 2017), <https://thettablog.blogspot.com/2017/12/sdny-applies-b-hardware-issue.html>; Paul Bost, *Intellectual Property Law Blog*, *Cesari S.R.L. v. Peju Province Winery L.P.: Relying on Supreme Court Precedent, District Court Holds that Trademark Trial & Appeal Board Finding of Likelihood of Confusion has Preclusive Effect* (Dec. 26, 2017), <https://www.intellectualpropertylawblog.com/archives/cesari-peju-province-winery/>.

from was at issue in the 2004 Decision. (*See* SPA9-10; *see also* SPA64 n.3). Such material differences in the appearances of the marks are well-recognized bases to reject issue preclusion. *See* 5 *McCarthy* § 32:102; *Alberto-Culver Co.*, 199 F. Supp. 2d at 1016-17; *Plus Prod.*, 1984 WL 33, at *2.

Liana Estates (owned by PFOP) and its wine labels bearing “Liana Estates” in various formats **did not exist until 2016**. (A275, A311, A325-26, A329-30). As Peju pointed out to the district court, (ECF 29 at 13-16), the Liana Estates wines featured the LIANA mark as part of the phrase “Liana Estates” on the back label of the bottle, only, on a colored background (magenta, for example) along with the grape varietal name and California viticultural area name. (A275, A311, A329, ECF 29 at 14). These wine bottle labels are shown in *Figure 1* below.



Figure 1

This is to be contrasted with the entirely different way that the LIANA mark appeared on Peju's wine bottles in 2002-2003 at the time of the Opposition Proceeding; that is, subordinate to "PEJU Province" and with a figure of a dancing woman, as shown in *Figure 2* below. (A275, A310, A316-17).

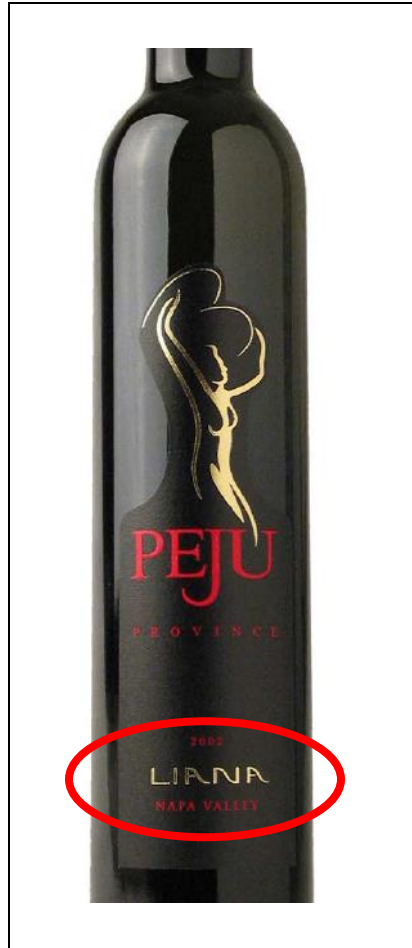


Figure 2

Setting aside that the Board did not consider **any** wine labels to reach the 2004 Decision, the Board's decision did not consider (it could not possibly have considered) the LIANA mark as displayed on the dramatically different Liana

Estates wine packaging beginning over a decade later in 2016. Because this is a completely different appearance and setting for the LIANA mark, the facts are entirely different and issue preclusion could not apply to the “fresher” marketplace usage by PFOP on the Liana Estates wines. 5 *McCarthy* § 32:102; *Alberto-Culver Co.*, 199 F. Supp. 2d at 1016-17 (Board decision from 1999 was not issue preclusive in relation to the dramatically different appearance of the mark on defendant’s new product packaging which was a material change); *Plus Prod.*, 1984 WL 33, at *2-3 (Board decision from 1977 was not issue preclusive on summary judgment in a 1982 case because the facts changed significantly). The Board indisputably did not consider the Liana Estates marketplace usage and context in its 2004 Decision.

But all that mattered to the district court was that the usage was “wine” generally. (SPA10).⁹ However, a fulsome assessment of marketplace usage — which necessarily must encompass a contemporary analysis, not just the usages identified in 2004 — was material to assessing a likelihood of confusion between the two marks at issue in this infringement case which began in 2017. 3 *Gilson* § 13:20[5][c][iii] (noting the district court did not consider changes in the marketplace since the 2004

⁹ Peju consistently explained to the district court these material differences and that the usage in 2004 did not mirror the usages in 2016-2017. (See ECF 29 at 13-16, ECF 431). In response, the district court issued *Peju I* and later doubled down on its preclusion finding to reject Peju’s arguments. (SPA8-9, A684-85).

proceeding). Peju was denied this right. Instead, Cesari was permitted to plow forward and disgorge the profits earned by PFOP from the Liana Estates wines despite the highly distinguishable marketplace usage of LIANA thereon first occurring in 2016 over a decade after the 2004 Decision. (SPA108-09). This is not just an abstract concern because 53.7% of the disgorged profits are profits derived from the sale of Liana Estates wines. (SPA111).

For this reason too, this Court should reverse the partial summary judgment in *Peju I* with respect to at least the Liana Estates mark usages.

* * *

Because the Board's ruling did not have preclusive effect under *B&B Hardware* for each of the foregoing reasons, the Court should reverse the district court's grant of partial summary judgment on liability in *Peju I* that was based solely on issue preclusion. Consequently, the Court should vacate the Judgment and reverse each of the district court's resulting decisions that followed *Peju I*.

II. The district court's finding on summary judgment that Peju acted in "bad faith" and thereby willfully infringed as a matter of law is erroneous.

In denying Peju's motion for summary judgment on its laches defense in *Peju II*, the district court held that Peju did not use the LIANA mark in good faith and acted in "bad faith." (SPA53-55). The Court never, prior to or as part of the bench trial, took evidence or otherwise adjudicated willfulness. The trial concerned only

the quantum of profits disgorged. (SPA60, 73-64).¹⁰ Yet, in its bench trial decision, the district court added that Peju’s infringement was willful “based on the same facts” in its earlier summary judgment decision in *Peju II*. (SPA76). Given this, this Court should view the district court’s decision as one granting summary judgment on willfulness retroactively. That willfulness holding, however, was wrong, as a matter of law, necessitating this Court to reverse on *de novo* review.

To prove willful trademark infringement, a “plaintiff must show (1) that the defendant was actually aware of the infringing activity, or (2) that the defendant’s actions were the result of reckless disregard or willful blindness.” *4 Pillar Dynasty LLC v. New York & Co., Inc.*, 933 F.3d 202, 209-10 (2d Cir. 2019). The district court never identified this governing legal standard against which to measure whether summary judgment as to willfulness was appropriate. (*See* SPA76). This is unsurprising given the very unusual way the district court backed into its later willfulness finding using its earlier dismissal of Peju’s laches defense based on “bad faith.” (SPA76, SPA53-55).

But even if the district court had identified the correct legal standard, it could not find willfulness on summary judgment — a very high bar — on the record

¹⁰ In fact, the district court reiterated prior to trial, when it rejected an advice of counsel defense, that the issue of bad faith had “already been resolved” on partial summary judgment. (A682).

presented. Willfulness must be “beyond peradventure” to grant summary judgment. *Island Software*, 413 F.3d at 263-64; *see also Fendi Adele S.R.L. v. Filene’s Basement, Inc.*, 696 F. Supp. 2d 368, 393-94 (S.D.N.Y. 2010) (denying summary judgment on the willfulness of infringement because it is a factual question for a jury under *Island Software*); *BBK Tobacco & Foods, LLP v. Galaxy VI Corp.*, 408 F. Supp. 3d 508, 526-29 (S.D.N.Y. 2019) (denying summary judgment on whether trademark infringement was willful). Indeed, this Court has “consistently observed” that “subjective issues such as good faith are singularly inappropriate for determination on summary judgment.” *Tiffany & Co.*, 971 F.3d at 88.

When it granted summary judgment dismissing Peju’s laches defense, the district court cited four factual bases for its “bad faith” finding. (*See* SPA53-55). First, it observed Peju continued to use its LIANA mark despite knowing about Cesari’s first-in-time registered mark LIANO and the 2004 Decision. (SPA53). But that reason is erroneous. “Prior knowledge of a senior user’s trademark does not necessarily give rise to an inference of bad faith and may actually be consistent with good faith.” *Tiffany & Co.*, 971 F.3d at 88.¹¹ Moreover, as even the district court

¹¹ *Tiffany & Co.*’s “bad faith” assessment was in the context of its *Polaroid* factors analysis to determine liability for infringement. That is the genesis of most courts’ analysis of bad faith. Of course, a *Polaroid* factors analysis never occurred here because of the district court’s (wrongful) determination that Peju was issue precluded from litigating a likelihood of confusion.

recognized in the next breath, the Board’s decision did not, and could not, prohibit Peju from using its LIANA mark. (SPA53). It is well-settled that the Board’s jurisdiction is strictly limited to determining an applicant’s right to register the mark and that the Board thus cannot determine an applicant’s right to use the mark. TBMP § 102.01; *B&B Hardware*, 575 U.S. at 152 (explaining that registration “is a separate proceeding to decide separate rights”); *Beasley v. Howard*, 14 F.4th 226, 232-33 (3d Cir. 2021); *Carefirst of Maryland, Inc. v. Firsthealth of the Carolinas Inc.*, 479 F.3d 825, 828 (Fed. Cir. 2007); 3 *McCarthy* § 20:99 & n.16.

Despite this hornbook trademark law, which Peju briefed at length, (ECF 342 at 14-17), the district court still concluded that “Peju dirtied its hands when it flouted the legal conclusion” of the Board. (SPA53). Peju did not “dirty its hands.” The district court’s contrary conclusion was based on its failure to apprehend how the Board’s limited jurisdiction impacts the analysis here. A defendant’s knowledge that the USPTO refused to register its mark does not equate with bad faith because the defendant could honestly believe a court could determine otherwise when weighing the relevant factors. *Triumph Hosiery Mills, Inc. v. Triumph Int’l Corp.*, 308 F.2d 196, 199 (2d Cir. 1962); *see also Kohler Co. v. Bold Int’l FZCO*, 422 F. Supp. 3d 681, 727-29 (E.D.N.Y. 2018) (rejecting that the defendant had a bad faith intent to confuse

just because the USPTO previously refused to register its mark based on its far more limited assessment of confusion).

The district court also held that, even assuming Lisa and Ariana were unaware of the 2004 Decision, Peju acted in bad faith because it was (i) put on notice of Cesari's registered mark in August 2016; and (ii) sent a cease-and-desist letter in November 2016, yet continued to use the LIANA mark on its wines until after the commencement of this action. (SPA54, A472-73). But a "cease and desist demand is not a command from a court of law. . . . The recipient's failure to agree with the sender's view of the legal rights of the parties can hardly be characterized as an intent to violate the law. It certainly cannot be interpreted as evidence of an intent to confuse customers." 3 *McCarthy* § 23:120 & n.8. The Supreme Court long ago in *Straus v. Notaseme Hosiery Co.*, 240 U.S. 179, 181-82 (1916), "held that 'defendants persistence in their use of the design after notice proves little or nothing against them.' Put another way, stubborn insistence on using a mark one believes it is lawfully entitled to use does not constitute bad faith." *Medici Classics Prods. LLC v. Medici Grp. LLC*, 590 F. Supp. 2d 548, 556-57 (S.D.N.Y. 2008) (quoting *Straus*, 240 at 181-82); *see also Kohler Co.*, 422 F. Supp. 3d at 727-29 (same); *Hypnotic Hats, Ltd. v. Wintermantel Enters., LLC*, 335 F. Supp. 3d 566, 591 (S.D.N.Y. 2018) (similar).

Nor did Peju ignore Cesari's cease-and-desist letter. Rather, Peju responded rationally, explaining why Peju believed it could register its LIANA mark. (A478-81).

Strikingly absent from the district court's bad-faith assessment is any consideration of a basic rule: "In analyzing whether a defendant has acted in bad faith, the question is whether the defendant attempted to exploit the good will and reputation of a senior user by adopting the mark with the intent to sow confusion between the two companies' products." *Tiffany & Co.*, 971 F.3d at 88. It is an undisputed fact here that Peju did not select its LIANA mark to capitalize on Cesari's goodwill. Again, Peju selected LIANA because it is a portmanteau of the Peju daughters' first names, Lisa and Ariana. (SPA22, A277, A310, A312-13, A325, A490, A502). This fact weighs heavily against a finding that Peju's infringement was willful or that Peju otherwise acted in bad faith. *See Constellation Brands, Inc. v. Arbor Hill Associates, Inc.*, 535 F. Supp. 2d 347, 369-70 (W.D.N.Y. 2008) (holding winemaker did not act in bad faith to capitalize on the plaintiff winemaker's goodwill where ARBOR MIST mark selected for reasons entirely unrelated to plaintiff's ARBOR HILL mark). Yet, the district court gave this fact no weight at all. (*See* SPA53-55).

It also failed to account for the fact that in January 2016, PFOP, through Ariana, sought trademark clearance and later received advice from its trademark

counsel that the LIANA mark could be registered and that PFOP could likely overcome any opposition. (*Compare* A445-48, A451-87 (counsel’s advice), *with* SPA53-55 (failing to consider advice of counsel)). Here too, the law is clear that if a defendant followed the advice of counsel concerning the trademark at issue, then that weighs against any finding of bad faith or willfulness. *Star Indus., Inc. v. Bacardi & Co.*, 412 F.3d 373, 388 (2d Cir. 2005); *Int’l Star Class Yacht Racing Ass’n v. Tommy Hilfiger, U.S.A., Inc.*, 80 F.3d 749, 754 (2d Cir. 1996) (holding “an infringer who acts in reasonable reliance on the advice of counsel generally cannot be said to have acted in bad faith”). But the district court ignored this fact when it found bad faith. (*See* SPA53-55).

Despite this evidence and these well-established principles, the district court reasoned that “bad faith” had been resolved on summary judgment. (SPA76, SPA74 n.11). Yes, bad faith was resolved (incorrectly), but “willfulness” was not. Again, the district court said in its later trial decision as to willfulness that “even if that issue had not been resolved,” willfulness was established based on the summary judgment facts in *Peju II*. (SPA76). In other words, the district court prevented Peju from trying the issue of willfulness, and then effectively and retroactively granted summary judgment on willfulness post-trial.

This Court’s willfulness jurisprudence confirms the district court’s error. In *4 Pillar Dynasty*, this Court found that the following facts adduced **at trial** were “sparse” evidence of willful infringement: (i) the defendants did not stop selling the infringing goods even after the case was filed; (ii) defendants did not call witnesses who they previously said would testify about the company’s decision to use the name at issue; and (iii) the defendants use of a key word on their products was blatant infringement. 933 F.3d at 210. The Court commented that defendants’ argument, that their decision to not cease infringing sales after litigation began could not support an inference of willfulness, had “some force.” *Id.* Nonetheless, the Court held that it could not conclude that the district court’s finding “which was aligned with the unanimous determination of an advisory jury and rendered after witnessing the trial—was clearly erroneous.” *Id.*

Here, unlike *4 Pillar Dynasty*, no trial was held on willfulness, and there was no basis on the thin summary judgment record for the district court to have concluded, as a matter of law, that Peju engaged in willful infringement under the governing standard in *4 Pillar Dynasty* — a conclusion it awkwardly later backed into by importing its prior bad faith holding that used a different legal standard. (SPA76, SPA53-55). If this Court found the trial evidence of willfulness in *4 Pillar Dynasty* “sparse,” then the evidence of willfulness here was effectively non-existent.

In sum, by no means was willfulness “beyond peradventure” here as is required to grant partial summary judgment. The district court ignored the above material evidence that cuts against willfulness. For these reasons, the Court should reverse and vacate the district court’s willfulness determination in the bench trial decision and in *Peju II*, as well as the Judgment based on it. (SPA53-55, SPA76, SPA1). Of course, if Cesari on remand cannot prove a likelihood of confusion without the crutch of issue preclusion, then willfulness becomes moot.

III. The district court’s refusal to equitably adjust downward the disgorged profits was based on its erroneous finding of willful infringement.

The Court should also vacate the Judgment because the district court’s faulty willfulness finding infected its bench trial decision on disgorgement. (SPA60-111).

Concerning disgorgement of a defendant’s profits, the Lanham Act states as follows: “If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case.” 15 U.S.C. § 1117(a). Under this provision, even where willfulness is found, this Court instructs that “courts should consider not only whether an enhanced profits award is appropriate, but also whether the disgorgement of all profits attributable to the infringing product is necessary to achieve the desired deterrent effect.” *4 Pillar*

Dynasty, 933 F.3d at 214-15 (emphasis original) (observing “an award of something less than full profits” could have been appropriate under the facts of the case).

In *Island Software*, this Court explained that where a district court’s damages determination was based at least in part on a prior premature summary judgment finding of willful infringement, the Court is compelled to vacate that damages award, and the district court must assess damages anew. 413 F.3d at 264-65.

Here, the district court’s trial decision recognized the governing equitable adjustment principles, (SPA78-79), but rejected Peju’s request to equitably adjust downward its profits determination under 15 U.S.C. § 1117(a) and *4 Pillar Dynasty*. (SPA105-06). The district court did so because it found Peju’s infringement was willful based on its prior finding on summary judgment that Peju acted in bad faith. (SPA106). But because that willfulness ruling was erroneous and premature for the reasons discussed in Section II, the Court must vacate the district court’s disgorgement award. *See Island Software*, 413 F.3d at 265. The district court must reassess whether an equitable adjustment is appropriate after the issue of willfulness is properly adjudicated. *See id.*; *see also 4 Pillar Dynasty*, 933 F.3d at 214-15 (permitting equitable adjustment of profits). Again, if Cesari on remand cannot prove a likelihood of confusion, then disgorgement becomes moot.

IV. The district court’s “exceptional case” finding is based substantially on its legal error that misconstrued the effect of the 2004 Decision.

Once the Court reverses *Peju I*, *Peju II*, or both, then it must also necessarily vacate the district court’s finding that this was an “exceptional case” under 15 U.S.C. § 1117(a) because Cesari is no longer a “prevailing party.” But even if the Court does not reverse any of the preceding decisions, the Court should still vacate the district court’s exceptionality ruling and Judgment. (SPA112-43). That is because the ruling suffers from several legally infirm bases, the most glaring of which is that the district court punished Peju for **using** its LIANA mark after the 2004 Decision that concerned merely the right to **register** the LIANA mark. (SPA116-119, SPA122-23). As described above, the district court accorded the 2004 Decision the effect of a permanent injunction barring Peju’s use of its mark.

“The court in exceptional cases may award reasonable attorney fees to the prevailing party.” 15 U.S.C. § 1117(a). “An ‘exceptional’ case is simply one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.” *Sleepy’s LLC v. Select Comfort Wholesale Corp.*, 909 F.3d 519, 530 (2d Cir. 2018). To determine this, courts consider “the totality of the circumstances” using factors like “[1] frivolousness, [2] motivation, [3] objective unreasonableness (both in the factual and legal components

of the case) and [4] the need in particular circumstances to advance considerations of compensation and deterrence.” *Id.*

There is no presumption that a case is exceptional just because there is a finding of willful infringement. *4 Pillar Dynasty*, 933 F.3d at 216. In fact, “courts routinely decline to award attorneys’ fees in cases involving willful infringement.” *Coty Inc. v. Excell Brands, LLC*, 277 F. Supp. 3d 425, 469 (S.D.N.Y. 2017). Prevailing on summary judgment in convincing fashion does not establish exceptionality either. *Sleepy’s LLC v. Select Comfort Wholesale Corp.*, 612 F. Supp. 3d 115, 133 (E.D.N.Y. 2020).

Like most everything else in this case, the keystone to the district court’s conclusion that this case was “exceptional” is wrong. The court held that, during this litigation, Peju “took the ‘untenable position’ that the TTAB’s 2004 decision did not enjoin them from using the LIANA mark and that they were free to use the brand as they wished,” and so, “when Peju continued to use the LIANA mark in blatant disregard for the TTAB’s ruling, it did so at its own risk.” (SPA122; *see also* SPA119 (“Peju had no viable merits defenses or right to use the LIANA mark.”)). In this same vein, the district court erroneously faulted Peju because it was “not deterred” when it learned of the 2004 Decision “and continued the production and sale of LIANA-branded wines.” (SPA118). And the district court further found there

“should have been no need for the filing of this case at all” because Peju was “well aware that the use of the LIANA mark infringed on plaintiff’s LIANO mark” and could have ceased infringement but failed to do so. (SPA119). The district court concluded its reasoning in similar fashion: “A party who loses before the TTAB and fails to challenge that result, but continues to use a mark which it cannot, does not cease when its erroneous continued use is brought to its attention and persists, after being sued and even after agreeing to cease its unlawful use, must compensate the trademark holder and a message of deterrence must be sent.” (SPA123).

The fundamental premise of these interrelated conclusions is legally flawed for one crucial reason. As set forth above, the 2004 Decision did not, and could never, prohibit or otherwise negatively affect Peju’s ability to **use** its LIANA mark. Again, the Board “is not authorized to decide who is entitled to the use or exclusive use of a mark or to decide questions of trademark infringement.” 3 *McCarthy* § 20:99; *see also* TBMP § 102.01; *Beasley*, 14 F.4th at 232-33. Nor did the TTAB purport to do so in the 2004 Decision. (A127-131). Because this is such a well-established principle of trademark law, Peju’s merits defense that it was not prohibited from using LIANA and that the 2004 Decision was not issue preclusive was a far cry from being untenable or frivolous. In fact, the district court’s issue

preclusion decision in *Peju I* is wrong. *See supra*, Section I. *Peju I* is the main predicate for the district court's inaccurate view that *Peju* engaged in exceptional conduct.

And although this Court should reverse *Peju I*, this case should not be deemed exceptional under any circumstances. The district court's reliance on "a cease-and-desist letter demanding that *Peju* terminate its use of the LIANA mark and withdraw the 2016 Application" or the fact that *Peju* continued to use its LIANA mark for roughly a year and a half after the litigation commenced, (SPA118-19), far from establishing an exceptional case, actually amounts to a rather routine trademark dispute. *See Green v. Fornario*, 486 F.3d 100, 104-07 (3d Cir. 2007); *4 Pillar Dynasty*, 933 F.3d at 210 (noting the record of willfulness was sparse where, among other things, the defendant decided not to cease selling after litigation began); *3 McCarthy* § 23:120 ("[D]efendant's continued use . . . after plaintiff . . . filed suit is usually not grounds for concluding that defendant is operating in bad faith or has an intent to confuse. The same considerations that control in continued use after receiving a cease-and-desist demand also apply here.").

While *Peju* may have lost on summary judgment in *Peju I*, *Peju*'s position on the merits of liability *vis-à-vis* issue preclusion was not baseless. It was objectively reasonable. *See 3 Gilson* § 13:20[5][c][iii] (agreeing with *Peju*'s position concerning preclusion). The arguments in the preceding sections and decisions that they are

predicated on demonstrates as much. For example, Peju argued that the 2004 Decision did not consider the entire marketplace usage of the marks and that the Board's procedures were defective, either of which alone nullify the application of issue preclusion under *B&B Hardware* — and under *Levy* too for that matter. (ECF 29 at 6-25).

Finally, Peju had no choice but to defend this case through the damages trial, had a very strong position on disgorgement, and largely prevailed at trial. Cesari initially sought to disgorge \$19.5 million, (ECF 212-5 at 8), sought to disgorge \$17.95 million in its FAC, (A440 ¶¶ 181-82), and sought to disgorge \$13.68 million at trial, (SPA84 n.18, A433, A440 ¶¶ 137, 180-82 (trebling), ECF 440-4 ¶ 40), the vast majority of which was predicated on an “unaccounted for bottles” theory of recovery that the trial court rejected outright in its post-trial decision. (SPA86-91). In fact, the district court, in its post-trial memorandum and order on fees, costs, and pre- and post-judgment interest, hinted at the unreasonableness of Cesari's monetary demands. (SPA119 n.4). Post-trial, Cesari was awarded only \$666,214, which is less than four percent of the amount it sought in its FAC and less than five percent of what it sought at trial. (SPA106).

This gross disparity between the disgorgement Cesari sought and the profits it was awarded weighs heavily against finding this case to be an exceptional one. *See*

Gidatex, S.R.L. v. Campaniello Imports, Ltd., 82 F. Supp. 2d 136, 149 (S.D.N.Y. 2000); *MyPlayCity, Inc. v. Conduit Ltd.*, No. 10-cv-1615, 2013 WL 4105698, at *12 (S.D.N.Y. Aug. 12, 2013), *vacated and remanded on other grounds*, 589 F. App'x 559 (2d Cir. 2014); *see also Lontex Corp. v. Nike, Inc.*, 107 F.4th 139, 157 (3d Cir. 2024) (holding plaintiff's "victory on the merits of a hard-fought case does not, by itself, render its position 'exceptional' — especially since the jury largely rejected [plaintiff's] damages claims"). Peju's position on disgorgement was substantively very strong. The district court erred when it refused to acknowledge this strength, despite Peju arguing exactly this. (*Compare* SPA112-43, *with* ECF 489 at 21-22).

At bottom, the district court very early on in this case made an error in *Peju I* and then unjustifiably faulted Peju for still using its LIANA mark after 2004. (SPA2, SPA5). This was wrong. Contrary to the district court's conclusion, there was nothing frivolous or objectively unreasonable about Peju's litigating positions. Peju's defense on the merits was, in fact, meritorious and therefore requires this Court to reverse here. *See supra*, Section I. For much the same reason, there is no basis for the district court's reliance on considerations of compensation and deterrence. (SPA123). It is undisputed that Peju selected and used its LIANA mark long ago because it is derived from the Peju daughters' names. (SPA22, A277, A310, A312-

13, A325, A490, A502). It is also undisputed that Peju ceased using the LIANA mark in July 2018. (SPA27-28, SPA 54, SPA126).

Finally, Cesari never proved or sought to prove that it lost a single sale based on confusion between its mark and Peju's mark. The district court recognized this undisputed fact. (SPA125-26 & n.9). This should have weighed against a finding of exceptionality. *See Coty Inc.*, 277 F. Supp. 3d at 469; *Omega SA v. 375 Canal LLC*, No. 12-cv-6979, 2019 WL 2442434, at *4 (S.D.N.Y. June 12, 2019), *aff'd*, 984 F.3d 244 (2d Cir. 2021). But the district court's exceptionality determination did not properly consider this important fact. (*See* SPA114-23).

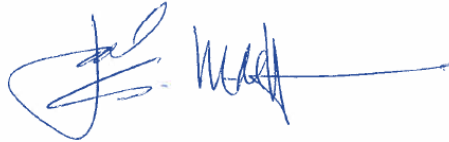
There is nothing exceptional about this case that would warrant the affirmance of the district court's award of attorneys' fees and costs to Cesari. The district court abused its discretion when it concluded to the contrary. The Court should reverse.

CONCLUSION

The Supreme Court never intended issue preclusion to apply to the circumstances presented here. If issue preclusion applies under these circumstances, then there is no Board proceeding that it does not apply to, thereby eviscerating *B&B Hardware's* narrow holding. Unfortunately, Peju bore the brunt of the district court's preclusion error, which was then compounded by the procession of errors that followed.

This Court should vacate the Judgment of the district court. The Court should further reverse and vacate each of the underlying orders appealed from — *Peju I*, *Peju II*, the bench trial decision, and the attorneys' fees and cost decision — and remand the case on all issues.

Respectfully submitted,
MANDELBAUM BARRETT PC

A handwritten signature in blue ink, appearing to read "Joel G. MacMull", with a long horizontal flourish extending to the right.

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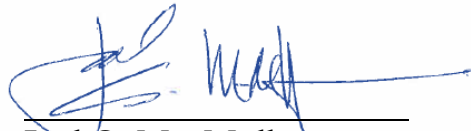
*Attorneys for Defendants-Appellants/
Cross Appellees*

Dated: December 9, 2024

**CERTIFICATE OF COMPLIANCE
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This brief complies with the type-volume limitation of Fed. R. App. P. 32(a)(7)(B) because this brief contains 13,961 words, excluding the parts of the brief exempted by Fed. R. App. P. 32(f).

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Dated: December 9, 2024

SPECIAL APPENDIX

SPECIAL APPENDIX
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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

-----X
CESARI S.R.L.,

Plaintiff,

17 **CIVIL** 0873 (NRB)

-against-

AMENDED JUDGMENT

PEJU PROVINCE WINERY L.P., PEJU
FAMILY OPERATING PARTNERSHIP L.P.,
and PEJU PROVINCE CORPORATION,

Defendants.

-----X

It is hereby **ORDERED, ADJUDGED AND DECREED:** That for the reasons stated in the Court's Opinion and Order dated September 22, 2023, the Court concludes that plaintiff is entitled to profits in the amount of \$666,214 and Memorandum and Order dated July 11, 2024, plaintiff's motion is granted in part and denied in part. Plaintiff is entitled to attorney's fees of \$666,214, costs of \$14,661.97, expert witness fees under Rule 26(b)(4)(E)(i) of \$2,697.75, and post judgment interest.

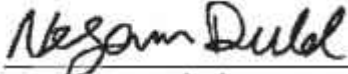
Judgment is entered for the plaintiff in accordance with the opinion, and the case is closed.

Dated: New York, New York
July 12, 2024

DANIEL ORTIZ

Acting Clerk of Court

BY:



Deputy Clerk

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
CESARI S.R.L.,

Plaintiff,

- against -

MEMORANDUM AND ORDER

PEJU PROVINCE WINERY L.P., PEJU
PROVINCE CORPORATION, and PEJU
FAMILY OPERATING PARTNERSHIP, L.P.,

17 Civ. 873(NRB)

Defendants.

-----X

NAOMI REICE BUCHWALD
UNITED STATES DISTRICT JUDGE

In 2004, the Trademark Trial and Appeal Board ("TTAB") of the United States Patent and Trademark Office ("USPTO") adjudicated a trademark opposition proceeding between two vintners: Cesari S.r.L. ("Cesari") and Peju Province Winery L.P. ("Peju Province"). The TTAB ultimately refused Peju Province's pending trademark application upon concluding that its mark, LIANA, was likely to cause confusion with Cesari's previously registered mark, LIANO. After Peju Province persisted in using the refused mark over the next thirteen years, Cesari filed this infringement action. Cesari now moves for partial summary judgment on a narrow issue: whether Peju Province is—along with its co-defendants, Peju Family Operating Partnership, L.P. ("Peju Partnership"), and Peju Province Corporation ("Peju Corporation," and collectively, "defendants")—precluded from re-litigating the likelihood of

confusion between the parties' marks. For the reasons discussed below, Cesari's motion is granted in part and denied in part.

Background¹

Cesari is an Italian winery based in San Pietro that produces wine bearing the mark LIANO. See Ariana Peju Declaration ("Peju Decl.") ¶ 8.² In August 2001, Cesari filed an application with the USPTO to register the "LIANO" mark with respect to wines in International Class 33. Plaintiff's Rule 56.1 Statement ("Pl.'s 56.1") ¶ 2. The application was granted in January 2003. Id. ¶ 3. Meanwhile, in 2002, Peju Province, a family-operated winery in Northern California,³ began producing a wine named LIANA. Peju Decl. ¶ 4. In February 2003, Peju Province filed its own application with the USPTO to register "LIANA" with respect to wines in International Class 33. Pl.'s 56.1 ¶¶ 8, 27.

1 The following facts are undisputed except where otherwise noted.

2 Citations to "SJX" refer to the Summary Judgment Appendix.

3 The Peju winery was formed by Anthony and Herta Peju, husband and wife, in 1982. Peju Decl. ¶ 2; Pl.'s 56.1 ¶ 5. Anthony and Herta formed Peju Province and Peju Corporation in 1995. Peju Decl. ¶ 2. Peju Partnership was formed in 2012 as part of a corporate restructuring "to convey ownership of the Peju winery business" to Anthony and Herta's daughters, Ariana and Lisa. Id.; Pl.'s 56.1 ¶ 9. Anthony is the President, and Ariana is the Executive Vice President, of Peju Province. Pl.'s 56.1 ¶¶ 16-17. Anthony is the CEO of Peju Partnership, id. ¶ 21, and along with Herta, a director of Peju Corporation. Id. ¶ 26. The three entities share an address in Rutherford, California. Id. ¶¶ 13, 19, 24. The parties dispute the identity of Peju Province's general partner. Cesari notes that Anthony and Herta Peju were listed as the general partners in Peju Province's 2003 trademark application. SJX-162. Ariana Peju, however, declares that was incorrect, "[t]he general partner of Peju Province Winery L.P. is and has always been Peju Province Corporation." Peju Decl. ¶ 2.

Cesari opposed Peju Province's application, initiating an opposition proceeding before the TTAB. Id. ¶ 28. Cesari asserted, *inter alia*, that Peju Province's applied-for mark was likely to cause confusion with its own. SJX-036. In a July 2004 ruling, the TTAB agreed, granting summary judgment to Cesari and refusing Peju Province's registration application. Cesari S.r.L. v. Peju Province, No. 91158374, 2004 WL 1703103 (T.T.A.B. July 20, 2004).⁴

The TTAB applied several of the factors enumerated in In re E.I. DuPont DeNemours & Co., 476 F.2d 1357, 1361, 177 U.S.P.Q. 563, 567 (C.C.P.A. 1974), to assess the likelihood of confusion between the parties' marks. Cesari, 2004 WL 1703103, at *2. In considering the marks themselves, the TTAB noted that LIANO and LIANA were "almost identical": "The sole distinction between the two marks is the last letter, which is insufficient to distinguish the marks' high degree of similarity." Id. There was also "no genuine issue" that the goods of the pleaded registration and the application-wines-were "identical." Id. The TTAB rejected Peju Province's effort to distinguish the goods based on the types of wines the parties produced: that Cesari's wine was "an Italian red

⁴ Cesari had originally moved, pursuant to Rule 12(c) of the Federal Rules of Civil Procedure, for judgment on the pleadings. Id. at *1. Because Cesari had attached a certified status and title copy of its pleaded registration to its motion, the TTAB *sua sponte* (and apparently without prior notice) converted Cesari's motion to one for summary judgment under Rule 56 of the Federal Rules of Civil Procedure. See id.

Sangiovese/Cabernet Sauvignon," whereas Peju Province's wine "originate[d] from Napa Valley and [wa]s 'a late harvest Chardonnay Dessert wine.'" Id. at *1-2. "[R]egistrability of an applicant's mark," the TTAB explained, "must be decided on the basis of the identification of goods set forth in the application regardless of what the record may reveal as to the particular nature of an applicant's goods." Id. at *2 (quoting Octocom Sys., Inc. v. Houston Computs. Servs., Inc., 918 F.2d 937, 942, 16 U.S.P.Q.2d 1783, 1787 (Fed. Cir. 1990)).

Rather than appealing the TTAB decision, or even filing a new application to register LIANA with respect to narrower usages, Peju Province simply continued using the LIANA mark. Indeed, since 2003 approximately 460 cases of the 2002 LIANA wine have been sold. See Peju Decl. ¶ 4. Moreover, in 2013, defendants began producing yet another "'LIANA' late harvest white dessert wine," this time from 100% Orange Muscat grapes. Id. ¶ 5. The first release of the 2013 LIANA wine was in September 2014; defendants subsequently produced 2014 and 2015 vintages. Id. As of June 2017, over 530 cases of the 2013-15 LIANA wines have been sold. Id. Defendants also founded an entirely new winery, Liana Estates, "based on the 'LIANA' name given to the California dessert wines offered by the Peju winery since 2003." Id. ¶¶ 6-7.

Finally, in March 2016, Peju Partnership submitted a new application with the USPTO to register LIANA, this time for all

alcoholic beverages except for beer.⁵ SJX-130-35. Cesari, in turn, filed an opposition to this new application with the USPTO;⁶ soon thereafter, Cesari brought the instant trademark infringement action before this Court. SJX-145-55; Pl.'s 56.1 ¶ 39.

Discussion

A motion for summary judgment may be granted if there is no genuine dispute as to any material fact and the moving party is entitled to judgment as a matter of law. Fed. R. Civ. P. 56(a). The court's function is not to "weigh the evidence and determine the truth of the matter but to determine whether there is a genuine issue for trial." Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 249 (1986); see Ideal Steel Supply Corp. v. Anza, 652 F.3d 310, 326 (2d Cir. 2011). In ruling on a summary judgment motion, we are to "resolve all ambiguities, and credit all factual inferences that could rationally be drawn, in favor of the party opposing summary judgment." McCarthy v. Dun & Bradstreet Corp., 482 F.3d 184, 202 (2d Cir. 2007)(internal quotation marks omitted).

⁵ While both the 2003 and 2016 applications bear Anthony Peju's signature, Ariana Peju declares that she, who has power of attorney for her parents, signed the 2016 application in his name. Peju Decl. ¶¶ 11-12. She has also declared that she "had no knowledge" of Peju Province's prior application to register the LIANA mark. Id. ¶ 12.

⁶ The opposition proceeding is suspended pending final disposition of this action. Notice, Cesari S.r.l v. Peju Family Operating Partnership, LP, No. 91232542 (Mar. 14, 2017).

I. Issue Preclusion

The issue pending before this Court is whether defendants are precluded from relitigating the TTAB's determination that the LIANA mark is likely to cause confusion with Cesari's mark, LIANO.

"[I]ssue preclusion," also known as collateral estoppel, bars "successive litigation of an issue of fact or law," New Hampshire v. Maine, 532 U.S. 742, 748-49 (2001), when (1) "the issues in both proceedings are identical," (2) "the issue in the prior proceeding was actually litigated and actually decided," (3) "there was a full and fair opportunity for litigation in the prior proceeding," and (4) "the issues previously litigated were necessary to support a valid and final judgment on the merits." Ali v. Mukasey, 529 F.3d 478, 489 (2d Cir. 2008)(internal quotation marks omitted). Only the first and third elements are disputed in this case.

The Supreme Court has recently addressed the applicability of issue preclusion to TTAB adjudications, concluding that "[s]o long as the other ordinary elements of issue preclusion are met, when the usages adjudicated by the TTAB are materially the same as those before the district court, issue preclusion should apply." B&B Hardware, Inc. v. Hargis Indus., Inc., 135 S. Ct. 1293, 1310 (2015).

A. Identity of Issues

In a trademark infringement action, a court determines the likelihood of confusion between the parties' marks by "analyz[ing] the defendant's 'use in commerce' of its mark and compar[ing] that use to that of the plaintiff and its mark." 3 Anne Gilson LaLonde, *Gilson on Trademarks* § 11.08[4][i][iv][C][I] (Matthew Bender ed.); see id. ("Federal courts are focused on what is happening in the marketplace rather than in an application or registration."). The court does "not look just at the typewritten and aural similarity of the marks, but how they are presented in the marketplace." Sports Auth., Inc. v. Prime Hosp. Corp., 89 F.3d 955, 962 (2d Cir. 1996); accord GMA Accessories, Inc. v. BOP, LLC, 765 F. Supp. 2d 457, 468 (S.D.N.Y. 2011).

By contrast, in a TTAB opposition proceeding, "a party opposing an application to register a mark . . . often relies only on its federal registration, not on any common-law rights in usages not encompassed by its registration." B&B Hardware, 135 S. Ct. at 1307 (internal quotation marks omitted). The TTAB "typically analyzes the marks, goods, and channels of trade only as set forth in the application and in the opposer's registration, regardless of whether the actual usage of the marks by either party differs." Id. (internal quotation marks omitted). Thus, unlike in infringement litigation, the TTAB's "determination that a likelihood of confusion does or does not exist will not resolve

the confusion issue with respect to non-disclosed usages.” Id.
at 1308 (internal quotation marks omitted).

Accordingly, “[i]f a mark owner uses its mark in ways that are materially the same as the usages included in its registration application, then the TTAB is deciding the same likelihood-of-confusion issue as a district court in infringement litigation.”

Id. On the other hand,

if a mark owner uses its mark in ways that are materially unlike the usages in its application, then the TTAB is not deciding the same issue. Thus, if the TTAB does not consider the marketplace usage of the parties’ marks, the TTAB’s decision should have no later preclusive effect in a suit where actual usage in the marketplace is the paramount issue.

Id. (internal quotation marks omitted).

The parties each use their mark in ways that are materially the same as the usages adjudicated by the TTAB. Cesari registered its trademark, LIANO, with respect to “wines” in International Class 33. Pl.’s 56.1 ¶ 2. Peju Province applied to register its mark, LIANA, with respect to “wine” in International Class 33.

Id. ¶ 27. Cesari has continued to use its LIANO mark on wines. See, e.g., Peju Decl. ¶ 8. Likewise, Peju Province has used its LIANA mark on the 2002, 2013, 2014, and 2015 LIANA vintages and the 2014 Liana Estates vintage. See id. ¶¶ 4-7.

Defendants, however, argue that their *actual* marketplace usage of LIANA is materially different from that which the TTAB adjudicated. This usage, according to defendants, is limited to:

wines from grapes grown in Northern California, wines purchased by sophisticated customers; new world wines; wines priced between \$40 and \$60 a bottle; and wines sold on specific websites and at specific wineries. Defs.' Supp'l 56.1 Statement ¶¶ 8, 10-14.

Defendants' argument is a distinction without a difference in this context. "In the absence of any limitations in the parties' identifications of goods, [the TTAB] must presume that the goods move through all reasonable trade channels for such goods to all usual classes of consumers for such goods." C&N Corp. d/b/a/ Door Peninsula Winery v. Ill. River Winery, Inc., No. 91174718, 2008 WL 4803896, at *3 (T.T.A.B. Oct. 21, 2008). The specific trade channels and classes of consumers that purportedly characterize the LIANA mark's usage are among the "reasonable trade channels" and "usual classes of consumers" the TTAB considered. In other words, the marketplace usage the TTAB considered, wines, entirely encompasses the narrower usages defendants proffer in this litigation. Wines purchased by sophisticated consumers, after all, are still wines. Because defendants have not offered any evidence that LIANA is used with respect to goods other than wines (bicycles or soda, for instance), there are no "non-disclosed" usages that might necessitate a successive adjudication. See B&B Hardware, 135 S. Ct. at 1307-08.

B. Full and Fair Opportunity to Litigate

Defendants claim Peju Province was deprived of a full and fair opportunity to litigate before the TTAB because the TTAB converted Cesari's motion for judgment on the pleadings into a motion for summary judgment without affording the parties prior notice. Defs.' Opp'n at 22-25. Defendants allege that, by doing so, the TTAB violated not only its own internal rules of procedure (i.e., the TTAB Manual of Procedure), but also Rule 12(d) of the Federal Rules of Civil Procedure.⁷ Defendants' argument is entirely unpersuasive.

Issue preclusion will not apply "if there is reason to doubt the quality, extensiveness, or fairness of procedures followed in prior litigation." Montana v. United States, 440 U.S. 147, 164 n.11 (1979); see Restatement (Second) of Judgments § 28(5)(c) ("[R]elitigation . . . in a subsequent action between the parties is not precluded [if] . . . [t]here is a clear and convincing need for a new determination of the issue . . . because the party sought to be precluded . . . did not have an adequate opportunity . . . to obtain a full and fair adjudication in the initial action."). The requisite showing of unfairness must be "compelling"; "such instances must be the rare exception, and litigation to establish an exception in a particular case should not be encouraged." Restatement (Second) of Judgments § 28 cmts. g, j. While there

⁷ Rule 12(d) is among many of the Federal Rules of Civil Procedure made applicable to TTAB proceedings. See 37 C.F.R. § 2.116(a).

is no categorical "reason to doubt the quality, extensiveness, or fairness [of] the [TTAB's] procedures," it is "conceivable" that they may prove "ill-suited" for a particular case, such as if a party is prevented from introducing material evidence. B&B Hardware, 135 S. Ct. at 1309.

The TTAB converted Cesari's motion for judgment on the pleadings into one for summary judgment, without prior notice, because Cesari had attached a copy of its trademark registration to its motion. See Cesari, 2004 WL 1703103, at *1. Peju Province, however, did not suffer any resulting prejudice. Regardless of the designation, the TTAB was entitled to take judicial notice of Cesari's trademark registration, a public record of the USPTO. See Staehr v. Hartford Fin. Servs. Grp., Inc., 547 F.3d 406, 426 (2d Cir. 2008)("[M]atters judicially noticed by the District Court are not considered matters outside the pleadings."); Wells Fargo Bank, N.A., v. Wrights Mill Holdings, LLC, 127 F. Supp. 3d 156, 166 (S.D.N.Y. 2015)("When considering a . . . Rule 12(c) motion, the Court may take judicial notice of certain matters of public record without converting the motion into one for summary judgment."); Telebrands Corp. v. Del Labs., Inc., 719 F. Supp. 2d 283, 287 n.3 (S.D.N.Y. 2010)("The Court may properly take judicial notice of official records of the United States Patent and Trademark Office."); cf. Island Software & Comput. Serv., Inc. v. Microsoft Corp., 413 F.3d 257, 261 (2d Cir. 2005)(taking judicial

notice of federal copyright registration, as published in the Copyright Office's registry).

Moreover, even if, *arguendo*, Peju Province had suffered prejudice from the conversion *sans* notice, it had multiple forms of recourse at its disposal. Not only could Peju Province have appealed to the Federal Circuit, it could also have brought a new action in federal district court, in which the parties would have been permitted to conduct additional discovery, and registration would have been decided *de novo*. See 15 U.S.C. § 1071. Instead, Peju Province ignored the TTAB's order and continued to produce wines bearing the refused mark.

II. Non-Party Preclusion⁸

Cesari seeks to extend the preclusive effect of the TTAB judgment to Peju Partnership and Peju Corporation, neither of which were parties to the 2003 TTAB litigation. This extension is warranted, Cesari claims, because these entities are "owned, controlled or in privity with Anthony and Herta Peju and with Peju Province . . . who use all three defendant entities to run their family owned wine business." Pl.'s Supp. at 18.

In general, "one is not bound by a judgment *in personam* in a litigation in which he is not designated as a party or to which he has not been made a party by service of process." Hansberry v.

⁸ Defendants did not brief this issue.

Lee, 311 U.S. 32, 40 (1940); Briscoe v. City of New Haven, 654 F.3d 200, 203 (2d Cir. 2011). There are, however, multiple recognized exceptions to this rule. See Taylor v. Sturgell, 553 U.S. 880, 893-95 (2008) (categorizing exceptions to the non-party preclusion rule). “[A] nonparty is bound by a judgment if she ‘assume[d] control’ over the litigation in which that judgment was rendered.” Id. at 895 (quoting Montana, 440 U.S. at 154). Preclusion is also “appropriate when a nonparty later brings suit as an agent for a party who is bound by a judgment,” i.e., “if the putative agent’s conduct of the suit is subject to the control of the party who is bound by the prior adjudication.” Id. at 895, 906. A “mere whiff of ‘tactical maneuvering,’” however, “will not suffice.” Id. at 906.

According to Cesari, preclusion is appropriate because members of the Peju family serve as directors, executives, and partners of all three entities. See Pl.’s Supp. 18-19; see also supra at note 3. As an initial matter, simply holding these positions is not enough to extend preclusive effect to the Pejus themselves; “active participation” or “control” of litigation is necessary. See Restatement (Second) of Judgments §§ 59(3)(a) (“The judgment in an action by or against the [closely held] corporation is conclusive upon the holder of its ownership if he actively participated in the action on behalf of the corporation.”); 60(1)(b)(ii) (“A judgment in an action by an

injured person against a partner upon an obligation or liability incurred in the course of partnership business . . . [i]f in favor of the injured person . . . is not otherwise binding on a partner who was not a party to the action unless he controlled or participated in controlling the defense of the action.").

More importantly, it is not the Pejus as individuals, but the other entities, whom Cesari seeks to bind. To extend the preclusive effect of the TTAB judgment to Peju Province and/or Peju Corporation, Cesari must show either that (a) Peju Corporation and/or Peju Partnership controlled Peju Province in the TTAB litigation, or (b) Peju Province is controlling Peju Corporation and/or Peju Partnership in the instant litigation. As the record currently stands, the strongest connection between any of these entities is disputed; Cesari contends that Anthony and Herta Peju are the general partners of Peju Province, whereas defendants assert that Peju Corporation is the sole general partner. See supra at note 3.

Because the record is insufficiently developed at this time, summary judgment with respect to this issue is denied without prejudice to refiling following further development of the record. See Brown v. City of Syracuse, 673 F.3d 141, 147 n.2 (2d Cir. 2012)(recognizing the district court's discretion to permit successive summary judgment motions, particularly where the movant has expanded the record on which summary judgment is sought).

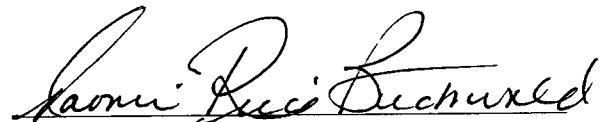
However, non-party preclusion notwithstanding, we find it very difficult to envision a scenario in which Peju Corporation and Peju Partnership would be entitled to use the LIANA mark. Therefore, the issue of preclusion may be academic.

Conclusion

For the reasons discussed, Cesari's motion for partial summary judgment is granted in part and denied in part. Peju Province is precluded from re-litigating the likelihood of confusion between the parties' marks. Cesari's motion to similarly preclude Peju Corporation and Peju Partnership, however, is denied without prejudice.

Counsel are directed to appear telephonically for a status conference on Thursday, January 4, 2018, at 3:00 pm.

Dated: New York, New York
December 11, 2017


NAOMI REICE BUCHWALD
UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK
-----X
CESARI S.R.L.,

Plaintiff,

MEMORANDUM AND ORDER

- against -

17 Civ. 873 (NRB)

PEJU PROVINCE WINERY L.P., PEJU
FAMILY OPERATING PARTNERSHIP
L.P., and PEJU PROVINCE
CORPORATION,

Defendants.

-----X

NAOMI REICE BUCHWALD
UNITED STATES DISTRICT JUDGE

For the past five and a half years, the Italian winemaker Cesari S.r.L. (“Cesari” or “plaintiff”) has been embroiled in a trademark litigation against Napa Valley-based vintners Peju Province Winery L.P. (“Peju Province”), Peju Family Operating Partnership L.P. (“Peju Partnership”), and Peju Province Corporation¹ (collectively, “Peju” or “defendants”). This conflict dates back to January 2003, when Cesari obtained a United States federal trademark registration for its “LIANO” wine brand. By happenstance, around the same time, Peju Province began promoting a wine dubbed “LIANA.” In February 2003, Peju Province submitted

¹ Peju Province Corporation is the general partner of Peju Province and Peju Partnership. See ECF No. 58 at 3. In a joint letter to the Court dated September 9, 2021, plaintiff sought leave to dismiss Peju Province Corporation from this action and included a proposed order. ECF No. 298 at 4. Defendants did not oppose the request. *Id.* The Court signed plaintiff’s proposed order on October 5, 2021. ECF No. 299.

an application to the United States Patent and Trademark Office (“USPTO”) to register the LIANA mark. Upon learning of Peju Province’s application, Cesari filed an opposition with the Trademark Trial and Appeal Board (“TTAB”). Cesari ultimately prevailed before the TTAB. In a decision rendered in July 2004, the TTAB rejected Peju Province’s trademark application on the grounds that the proposed LIANA mark was confusingly similar to Cesari’s registered LIANO mark. Unbeknownst to Cesari, Peju Province nevertheless continued to sell its LIANA-branded wine until 2007, after which the mark lay dormant until 2014.

In 2014, Peju Partnership sought to resurrect the LIANA brand. Allegedly unaware of its affiliate’s prior attempt, Peju Partnership submitted an application to the USPTO to register the “LIANA” mark in March 2016. In August 2016, Cesari discovered Peju Partnership’s application and thereafter the parties attempted to reach a consensual resolution regarding Peju’s use of the LIANA brand. After negotiations failed, on January 30, 2017, Cesari once again commenced opposition proceedings before the TTAB. One week later, Cesari brought this action, alleging federal and state trademark infringement and unfair competition claims

arising from Peju's use of the LIANA mark from 2014 through the filing of the complaint.²

After years of contentious litigation, defendants now move for summary judgment, seeking dismissal of all of plaintiff's claims as untimely under the applicable statute of limitations and the equitable doctrine of laches.³ In its opposition, plaintiff

² The First Amended Complaint sets forth two causes of action. See First Am. Compl. ("FAC"), ECF No. 197. The first cause of action asserts two claims: trademark infringement under Section 32 of the Lanham Act (15 U.S.C. § 1114(1)(A)), and false designation of origin (also known as "unfair competition") under Section 43(a) of the Lanham Act (15 U.S.C. § 1125(a)(1)(A)). *Id.* ¶¶ 116-31. The second cause of action asserts corresponding claims under New York state and common law. *Id.* ¶¶ 187-93. Neither party raised the issue of choice of law with respect to what state's substantive law controls and simply assumed New York law governs. Since courts are "not required to conduct a choice of law analysis *sua sponte*, and instead may apply the state law assumed by the parties in their papers," the Court will apply New York substantive law where applicable. *Henneberry v. Sumitomo Corp. of Am.*, 415 F. Supp. 2d 423, 439 n.7 (S.D.N.Y. 2006) (citing *Lehman v. Dow Jones & Co.*, 783 F.2d 285, 294 (2d Cir. 1986) (Friendly, J.)).

³ Defendants also moved for summary judgment on the merits of plaintiff's federal unfair competition claim under 15 U.S.C. § 1125(a)(1)(A) and corresponding state law claims. Defendants' argument centers on the Supreme Court's decision in *Lexmark Int'l, Inc. v. Static Control Components, Inc.*, 572 U.S. 118 (2014), which held that to assert a cause of action for false advertising under 15 U.S.C. § 1125(a)(1)(B) – a provision not at issue in this case – a plaintiff must establish that the defendant proximately caused an injury to a commercial interest in reputation or sales. Defendants argue that this requirement also applies to unfair competition claims under 15 U.S.C. § 1125(a)(1)(A) and that plaintiff has failed to make the requisite showing. Plaintiff disagrees. Section 1125(a)(1)(A) imposes liability for infringements of unregistered marks. This case, however, involves a registered mark, the validity of which has never been called into question. As such, plaintiff's infringement claims, as pled, arise under 15 U.S.C. § 1114(1)(A), the Lanham Act section that governs violations of registered trademarks. At oral argument, the Court confirmed that defendants do not seek dismissal of plaintiff's Section 1114 claims on the merits and that a cause of action under Section 1114 was sufficient for plaintiff's purposes. June 14, 2022 Hr'g Tr. at 2:16-24; 4:12-5:24. Accordingly, there is no need to engage in the debate about the scope of *Lexmark*, and we decline to do so. Defendants' recent letter of July 8, 2022, which cites an out of Circuit case involving yet another section of the Lanham Act that is even further afield, does not change our analysis.

seeks dismissal of defendants' affirmative defenses, arguing that they fail as a matter of law. Plaintiff also seeks summary judgment on an issue previously litigated in this case, which was reignited by defendants' motion — namely, whether Peju Partnership, an entity that was not party to the original TTAB proceedings, is collaterally estopped from relitigating the TTAB's 2004 ruling that the LIANA mark was confusingly similar to LIANO.⁴ Oral argument on defendants' present motion was held on June 14, 2022. For the reasons discussed below, defendants' motion for summary judgment is denied in its entirety and the statute of limitations and laches defenses are dismissed. Plaintiff's request for summary judgment on the issue of collateral estoppel is granted.

RULE 56.1 STATEMENTS

Three Rule 56.1 Statements of Material Facts were filed in connection with this motion: (1) defendants' Rule 56.1 Statement

⁴ This Court previously held that defendant Peju Province Winery, the party to the 2003-2004 TTAB proceedings, was precluded from relitigating the issue of likelihood of confusion. Cesari S.r.L. v. Peju Province Winery L.P., No. 17 Civ. 873 (NRB), 2017 WL 6509004, at *3-*5 (S.D.N.Y. Dec. 11, 2017) (granting in part and denying in part plaintiff's motion for partial summary judgment). That ruling, however, did not extend to co-defendants Peju Partnership or Peju Province Corporation, neither of which were party to the prior TTAB dispute, as plaintiff had failed to establish, based on the record then before the Court, the requisite relationship between the entities for the purposes of issue preclusion. Id.; see also Cesari S.r.L. v. Peju Province Winery L.P., No. 17 Civ. 873 (NRB), 2018 WL 5831315, at *2-*3 (S.D.N.Y. Nov. 7, 2018) (denying plaintiff's renewed motion for partial summary judgment).

("SOF"), ECF No. 330, (2) plaintiff's counter Rule 56.1 Statement ("Counter SOF"), ECF No. 351, and (3) defendants' reply Rule 56.1 Statement ("Reply SOF"), ECF No. 363. Both parties' submissions were problematic. Many of defendants' statements were not material or were not supported by the evidence cited, and many of plaintiff's counter statements deny basic facts without substantiation or are argumentative assertions. The Court disregarded all such improper statements.

Further, plaintiff's hearsay objections to the defendants' supporting declarations and materials are without merit. Declarations are admissible forms of evidence under Federal Rule of Civil Procedure 56, and plaintiff has not shown that any declarant lacks personal knowledge or is incompetent to testify about the matters discussed therein. See Fed. R. Civ. P. 56(c)(1)(A). With respect to the advertisements cited by defendants, the Court "has the discretion to consider unauthenticated . . . evidence where it is apparent that the party may be able to authenticate and establish the admissibility of those documents at trial." Bhd. Mut. Ins. Co. v. Ludwigsen, No. 16 Civ. 6369 (CS), 2018 WL 4211319, at *5 n.6 (S.D.N.Y. Sept. 4, 2018) (citations omitted). Defendants could easily authenticate the promotional materials at trial. Finally, defendants'

objection to the declaration of Stewart Gitler submitted in support of plaintiff's opposition is rejected for the reasons set forth in n.12 infra.

In light of the foregoing, where the Court relies on facts drawn from any of the 56.1 Statements, it has done so because the record evidence duly supports the statements, no rule of evidence bars admission, and the opposing party has not disputed the facts or has not done so with citations to admissible evidence.

FACTUAL BACKGROUND

A. The Parties and Their Marks

Cesari S.r.L., an Italian wine producer that sells its wine globally, including in the United States, has sold wine under the brand name "LIANO" since 1989. SOF ¶¶ 1, 5; Counter SOF ¶ 1. In January 2003, Cesari obtained a federal trademark for "LIANO" for the sale of wine in International Class 33. SOF ¶ 4.

Peju Province Winery L.P. is a family-owned and operated winery founded by Anthony and Herta Peju and located in Napa, California. Id. ¶ 2. In December 2012, Peju Family Operating Partnership L.P. was formed as part of a corporate restructuring "to convey ownership of the Peju winery business" to the Peju daughters, Ariana and Lisa. Decl. of Ariana Peju in Opp. to Pl. Mot. for Partial Summary Judgment ¶ 2, ECF No. 32. One of Peju's wine brands was "LIANA," a portmanteau of the daughters' names.

SOF ¶ 40. In 2003 and then again in 2016, Peju attempted to register the LIANA mark with the USPTO. Those attempts, and what transpired during the years in between, are discussed in detail below.

B. Defendants' First Attempt to Trademark "LIANA"

In 2003, Peju Province began promoting a 2002 Late Harvest Chardonnay under the brand "LIANA." SOF ¶ 20. On February 4, 2003, Peju Province submitted an application (the "2003 Application"), signed by Anthony Peju, to the USPTO to register the mark "LIANA" on an intent-to-use basis for the sale of wine in International Class 33. Id. ¶ 6. On September 3, 2003, the USPTO filed a notice that the 2003 Application would be published for opposition on September 23, 2003. Decl. of Joel G. MacMull in Support of Defs. Mot. for Summary Judgment ("MacMull Decl."), Ex. A., ECF No. 325. Shortly thereafter, Cesari learned of Peju Province's Application through a trademark watch alert. Decl. of Gianmaria Cesari ("Cesari Decl.") ¶ 5, ECF No. 348.

Believing the proposed LIANA mark would be damaging to its registered LIANO mark, Cesari Decl. ¶ 5, Cesari filed an opposition to the 2003 Application with the TTAB on October 20, 2003, SOF ¶ 8. Peju Province subsequently served Cesari with its answer to the opposition. SOF ¶ 9. On February 7, 2004, Cesari moved for judgment on the pleadings on the grounds that the marks were

virtually identical and that Cesari, having registered its LIANO mark in January 2003, had uncontested first use of the registered mark in commerce. MacMull Decl., Ex. F. On March 2, 2004, Peju Province filed its opposition to Cesari's motion, arguing, inter alia, that the LIANA mark is used only in the United States and that there is no likelihood of confusion between the two marks. MacMull Decl., Ex. G.

On July 20, 2004, the TTAB granted summary judgment in favor of Cesari, finding that "[t]here is no genuine issue of fact as to [Cesari's] priority." Cesari S.r.L. v. Peju Province, 2004 WL 1703103, at *2 (T.T.A.B. 2004). The TTAB also concluded that there is a likelihood of confusion between the marks because the marks are "almost identical," "there is no genuine issue that the parties' goods are identical," and "neither [Cesari's] pleaded registration nor [Peju's] application has restrictions as to the channels of trade or purchasers." Id. Peju Province failed to appeal or otherwise challenge the TTAB's ruling and elected not to submit a revised application narrowing its target market. Thereafter, on September 28, 2004, the USPTO issued a "Notice of Abandonment" for the 2003 Application, stating that "[t]he trademark application . . . was abandoned on 07-20-2004 as a result

of the Trademark Trial and Appeal Board proceedings.” MacMull Decl., Ex. H.

Despite the TTAB’s ruling and the deemed abandonment of the 2003 Application, the next year, Peju Province began commercial sales of its LIANA-branded 2002 Late Harvest Chardonnay. SOF ¶ 22. Peju produced approximately 350 cases of the wine, which almost entirely sold out by 2007. Decl. of Kandiss Schulz in Support of Defs. Mot. for Summary Judgment (“Schulz Decl.”), Ex. A, ECF No. 328.

C. Defendants’ Second Attempt to Trademark “LIANA”

In the summer of 2014, Peju published a newsletter announcing “the return of Liana” with a new 2013 vintage, “the first [Liana-branded] vintage since 2002.” Pl. Mot. for Partial Summary Judgment, Ex. 4 at 70, ECF No. 24. The following year, Peju Partnership acquired a new winery that began doing business as Liana Estates. SOF ¶¶ 25-26. In January 2016, Ariana Peju asked Peju’s then-trademark counsel, Scott Gerien, to investigate the availability of the “LIANA” trademark. Id. ¶ 27. Ms. Peju maintains that at that time, she was unaware of Peju Province’s 2003 Application and the prior dispute with Cesari before the TTAB. Decl. of Ariana Peju in Support of Defs. Mot. for Summary Judgment (“Ariana Peju Decl.”) ¶ 20, ECF No. 326.

After completing an initial trademark search, Mr. Gerien informed Ms. Peju that the LIANA mark was unregistered and opined that although there were several other marks encompassing the word "LIANA," there were sufficient differences to overcome opposition. Ariana Peju Decl., Ex. A at 2. The next month, Ms. Peju again asked Mr. Gerien to investigate the LIANA mark among several other potential marks. Ariana Peju Decl., Ex. B at 1. The list of results from Mr. Gerien's subsequent trademark search included Cesari's LIANO mark. Decl. of Valeria Calafiore Healy dated January 24, 2022 in Support of Cesari's Opp. to the Peju Defs. Mot. for Summary Judgment ("Healy Decl."), Ex. 10, ECF No. 349. However, according to Ms. Peju, Mr. Gerien did not explicitly identify Cesari's LIANO mark as a potential obstacle to registration. Ariana Peju Decl. ¶ 10. Rather, Mr. Gerien reiterated his position that Peju likely could overcome opposition, noting only that there was "some higher than normal risk" with the mark. Ariana Peju Decl., Ex. B.

On March 11, 2016, Peju Partnership submitted an application (the "2016 Application"), again signed by Anthony Peju, to register the mark "LIANA" on an intent-to-use basis for the sale of wines and spirits in International Class 33, the same class cited in the 2003 Application. SOF ¶ 29; see MacMull Decl., Ex. L. The USPTO

published the 2016 Application for opposition on August 2, 2016. SOF ¶ 30. As in 2003, soon after publication, Cesari received a trademark watch alert for the 2016 Application, Counter SOF ¶ 31, and promptly acted on the information. On August 31, 2016, Cesari filed a request for an extension of time to oppose the 2016 Application, which was granted. SOF ¶ 32. Cesari then sent Peju a cease-and-desist letter, demanding that Peju terminate its use of the LIANA mark and withdraw the 2016 Application. Ariana Peju Decl., Ex. F. Between November 2016 and January 2017, Cesari and Peju engaged in negotiations in an attempt to consensually resolve Cesari's objections to Peju's use of the LIANA mark. SOF ¶ 34. In the midst of these negotiations, the fact of the 2003 TTAB proceedings came to light, see Ariana Peju Decl., Ex. I, and communications eventually broke down, SOF ¶ 35.

On January 30, 2017, Cesari filed an opposition to the 2016 Application, citing its first-in-time priority and the TTAB's prior ruling against Peju's 2003 Application. SOF ¶ 36. Cesari then commenced this action on February 6, 2017.⁵ Id. ¶ 37. Peju nevertheless continued the production and sale of its LIANA-

⁵ The next day, Cesari moved to suspend the TTAB proceedings pending the disposition of this action. See Cesari S.r.L. v. Peju Family Operating Partnership L.P., Opp. No. 91232542 (T.T.A.B. 2017) at Doc. No. 4. The TTAB granted Cesari's motion on March 14, 2017. Id. at Doc. No. 5.

branded wines through July 2018,⁶ when in response to plaintiff's pending preliminary injunction motion defendants ceased using the LIANA mark and rebranded their winery. July 16, 2018 Letter, ECF No. 82. On March 6, 2019, Peju filed a notice with the TTAB "expressly abandon[ing]" the 2016 Application with prejudice. Healy Decl., Ex. 12.

LEGAL STANDARD

Summary judgment is appropriate when "the movant shows that there is no genuine dispute as to any material fact and the movant is entitled to judgment as a matter of law." Fed. R. Civ. P. 56(a). On a motion for summary judgment, the initial burden rests with the moving party to make a prima facie showing that no material fact issues exist for trial. See Celotex Corp. v. Catrett, 477 U.S. 317, 323 (1986). Once that showing is made, "[t]o defeat summary judgment, the non-movant must produce specific facts" to rebut the movant's showing. Wright v. Coughlin, 132 F.3d 133, 137 (2d Cir. 1998) (citing Celotex, 477 U.S. at 322). In ruling on a summary judgment motion, a court "must resolve all ambiguities, and credit all factual inferences that could rationally be drawn, in favor of the party opposing summary

⁶ As the resolution of this motion does not turn on the amount of sales, cost of goods sold, or net profit, we will not attempt to specify any such numbers or amounts.

judgment.” McCarthy v. Dun & Bradstreet Corp., 482 F.3d 184, 202 (2d Cir. 2007) (internal quotation marks and citation omitted).

DISCUSSION

Defendants seek summary judgment dismissing all of plaintiff’s claims on the grounds that they are time-barred under the applicable statute of limitations and by laches. Mem. of Law of Peju Province Winery L.P. and Peju Family Operating Partnership L.P. in Support of Their Mot. for Summary Judgment (“Def. Br.”) at 3, 21, ECF No. 331. Plaintiff counters that defendants’ statute of limitations and laches defenses fail as a matter of law. Pl. Cesari S.r.L.’s Opp. to the Peju Defs. Mot. for Summary Judgment (“Pl. Opp. Br.”) at 1, ECF No. 350. In addition, plaintiff seeks summary judgment on the issue of whether this Court’s prior collateral estoppel ruling against Peju Province should extend to Peju Partnership. Id. The Court first addresses plaintiff’s collateral estoppel argument. The Court then turns to defendants’ statute of limitations and laches defenses.

A. Collateral Estoppel

In light of the TTAB’s 2004 ruling rejecting Peju Province’s trademark application, one of the earliest issues litigated in this suit was whether defendants were precluded from relitigating the issue of likelihood of confusion. This issue is pivotal to plaintiff’s case. To prevail on an infringement claim under

Section 1114(1)(A) of the Lanham Act, “a plaintiff must show, first, that its mark merits protection, and, second, that the defendant’s use of a similar mark is likely to cause consumer confusion.” Int’l Info. Sys. Sec. Certification Consortium, Inc. v. Sec. Univ., LLC, 823 F.3d 153, 160 (2d Cir. 2016). It is undisputed that plaintiff’s registered LIANO trademark is valid. SOF ¶ 4.⁷ Thus, plaintiff’s infringement claims turn on whether there is a likelihood of confusion between the parties’ marks.

In a Memorandum and Order dated December 11, 2017 addressing plaintiff’s first motion for partial summary judgment, this Court held that Peju Province Winery, the party to the 2003 TTAB proceedings, was precluded from relitigating the TTAB’s determination that the LIANA mark was confusingly similar to LIANO. Cesari S.r.L. v. Peju Province Winery L.P., No. 17 Civ. 873 (NRB), 2017 WL 6509004, at *3-*5 (S.D.N.Y. Dec. 11, 2017) (the “2017 Order”). In reaching that conclusion, the Court relied on the Supreme Court’s decision in B&B Hardware, Inc. v. Hargis Indus., Inc., 575 U.S. 138, 160 (2015), which held that “[s]o long as the other ordinary elements of issue preclusion are met, when the

⁷ Moreover, “[a] certificate of registration with the [Patent and Trademark Office] is prima facie evidence that the mark is registered and valid.” Lane Capital Mgmt., Inc. v. Lane Capital Mgmt., Inc., 192 F.3d 337, 345 (2d Cir. 1999). Plaintiff has produced a copy of its USPTO certificate. See Compl., Ex. 1, ECF No. 1.

usages adjudicated by the TTAB are materially the same as those before the district court, issue preclusion should apply.” Id. at *3. Rejecting defendants’ attempt to identify divergences in use, this Court concluded that each party uses its “mark in ways that are materially the same as the usages adjudicated by the TTAB.” Id. at *3-*4. Specifically, “Cesari registered its trademark, LIANO, with respect to ‘wines’ in International Class 33” and “Cesari has continued to use its LIANO mark on wines.” Id. at *3. Likewise, “Peju Province applied to register its mark, LIANA, with respect to ‘wine’ in International Class 33,” and “Peju Province has used its LIANA mark on the 2002, 2013, 2014, and 2015 LIANA vintages and the 2014 Liana Estates vintage.” Id. Further, “[t]he specific trade channels and classes of consumers that purportedly characterize the LIANA mark’s usage are among the reasonable trade channels and usual classes of consumers the TTAB considered.” Id. at *4 (internal quotation marks and citations omitted). As such, upon concluding the ordinary elements of issue preclusion were satisfied with respect to Peju Province, this Court held that Peju Province was precluded from relitigating the issue of likelihood of confusion. Id. at *3-*5.

However, the Court declined to extend its ruling to Peju Partnership and Peju Corporation, neither of which participated in

the original TTAB dispute, because the record before the Court at that time did not establish a sufficient connection between the various Peju entities for the purposes of collateral estoppel. Id. at *5. As the Court observed, “the strongest connection between any of these entities is disputed; Cesari contends that Anthony and Herta Peju are the general partners of Peju Province, whereas defendants assert that Peju Corporation is the sole general partner.” Id. Moreover, Peju Partnership was not formed until 2012. Id. at *2. The Court explained that to extend the preclusive effect of the TTAB judgment to the co-defendants, “Cesari must show either that (a) Peju Corporation and/or Peju Partnership controlled Peju Province in the TTAB litigation, or (b) Peju Province is controlling Peju Corporation and/or Peju Partnership in the instant litigation.” Id. at *5.

Cesari again raised the issue of collateral estoppel in a renewed motion for partial summary judgment filed on May 4, 2018. See ECF No. 51. Concluding plaintiff’s additional allegations still did not suffice to link the Peju entities for the purposes of issue preclusion,⁸ this Court denied plaintiff’s renewed motion.

⁸ In a sparse Rule 56.1 Statement filed alongside its motion, plaintiff asserted that Peju Corporation is the general partner of both Peju Province and Peju Partnership, that Anthony and Herta Peju are the directors of Peju Corporation, and that Anthony and Herta Peju own and manage Peju Partnership. See ECF No. 51-2.

Cesari S.r.L. v. Peju Province Winery L.P., No. 17 Civ. 873 (NRB), 2018 WL 5831315, at *2-*3 (S.D.N.Y. Nov. 7, 2018). Not only in their oppositions to plaintiff's summary judgment motions but also throughout the years that followed, defendants consistently maintained that Peju Province and Peju Partnership were distinct entities and that plaintiff failed to establish the requisite control needed to extend this Court's collateral estoppel ruling.⁹

Now, after more than five years of litigation, defendants have reversed position. In their moving brief on the present motion, defendants concede for the purposes of this litigation that Peju Province and Peju Partnership "are effectively one and the same entity because, inter alia, they share common ownership and control." Def. Br. at 11 n.5. In her declaration submitted in support of defendants' motion, Ariana Peju states that Peju Province and Peju Partnership "exercise joint control over their respective Liana-branded products" and "share common ownership and

⁹ During the six-and-a-half-hour discovery conference held on June 9, 2021, counsel for defendants stated for the first time that defendants might be willing to stipulate to the issue of "the interrelationship and the control of the three [defendants]." June 9, 2021 Hr'g Tr. at 27:2-7, ECF No. 289. However, as reported to the Court in a joint status update letter filed on September 9, 2021, Peju clarified that any such stipulation could not be used for the purposes sought by Cesari in this case, namely, "to hold the remaining defendant Peju [Partnership] liable under the collateral estoppel and related theories Cesari has plead [sic] in its complaint, as amended." ECF No. 298 at 4. Such a caveat would make defendants' proposed stipulation meaningless. Given this bait-and-switch, it would not be too cynical to conclude that the raising of the proposed stipulation during oral argument was a diversionary tactic to dissuade the Court from addressing the issue during the conference.

control.” Ariana Peju Decl. ¶¶ 7, 8. Ms. Peju explains that she and her sister Lisa “are trustees and beneficiaries of a trust that is the majority shareholder in both” Peju Province and Peju Partnership. Id. ¶ 8. She also states that “[t]o this day, certain business decisions, including those sometimes involving branding and marketing of both [Peju Province] and [Peju Partnership] wines are often made with one or more family members sharing information and collaborating.” Id. Ms. Peju identifies herself, her father, her mother, and her sister as the “decision makers at both” Peju Province and Peju Partnership. Id. ¶ 9.

Defendants make no effort to hide the impetus behind this about-face. In their motion, defendants invoke statute of limitations and laches defenses on behalf of both Peju Province and Peju Partnership. However, since Peju Partnership did not exist prior to December 2012 and did not use the LIANA brand until 2014, that defendant could not assert timeliness defenses unless it could claim Peju Province’s longevity as its own. Thus, defendants now concede a single enterprise-type connection between the two Peju entities in order to argue that “a finding of terminal delay by this Court as to [Peju Province] also applies with equal force to [Peju Partnership].” Def. Br. at 11 n.5.

In its opposition brief, plaintiff contends that defendants' concession and invocation of their affirmative defenses on behalf of both Peju entities "is sufficient as a matter of law to establish the requisite control" needed "to extend [the Court's] collateral estoppel ruling to Peju Partnership." Pl. Opp. Br. at 12. The Court agrees. Defendants' concession, illuminated by the color Ms. Peju provides in her supporting declaration, confirms that there is a sufficient identity between Peju Province and Peju Partnership such that the latter may be bound by judicial determinations made against the former.

At oral argument, defense counsel unsuccessfully attempted to backtrack, stating:

I acknowledge now it may be poor language in footnote -
- what was it footnote 5? . . . But I do want to maintain that what we are talking about in terms of the commonality is specifically referenced in the declaration so that has its limitations, and that's my fault. I understand that there is maybe some loose language in there.

June 14, 2022 Hr'g Tr. at 24:19-25:2, ECF No. 369. There is nothing inartful about defendants' admission, however, and Ms. Peju's declaration does not articulate any limits to the connection between the two co-defendants, other than to say that they are not literally the same entities. Ariana Peju Decl. ¶ 6.

Defendants also tried to argue that footnote 5 notwithstanding, plaintiff has not proven that Peju Province is

controlling Peju Partnership in this suit, per this Court's 2017 Order. June 14, 2019 Hr'g Tr. at 9:24-11:7; see Cesari, 2017 WL 6509004 at *5. Defendants' reliance on that language is misplaced. The explanation of the required showing for issue preclusion set forth in the 2017 Order was made in the context of what the Court knew at the time, which was precious little about the overlap in operations and decision-making authority between the two entities. However, demonstrating control in the instant litigation is but one way of establishing privity such that a non-party may be bound by a judgment rendered in another proceeding.

As the Second Circuit explained in Expert Elec., Inc. v. Levine, whether there is an identity between parties for the purposes of collateral estoppel "is a factual determination of substance, not mere form. Generally speaking, one whose interests were adequately represented by another vested with the authority of representation is bound by the judgment, although not formally a party to the litigation." 554 F.2d 1227, 1233 (2d Cir. 1977) (citations omitted), cert. denied, 434 U.S. 903 (1977); see also Alpert's Newspaper Delivery Inc. v. The New York Times Co., 876 F.2d 266, 270 (2d Cir. 1989) (rejecting argument that "literal privity must exist among the parties for them to be termed identical" for collateral estoppel purposes). Thus, collateral

estoppel may be appropriate where “the party bound is in substance the one whose interests were at stake in the prior litigation.” Expert Elec., Inc., 554 F.2d at 1233.

The record evidence presently before the Court clearly establishes that Peju Province and Peju Partnership are “effectively one and the same,” Def. Br. at 11 n.5, with the same interests at stake and the same authority of representation in both the 2003 TTAB proceedings and the present action. In addition to the details supplied by Ms. Peju, the Court notes that Anthony Peju signed both the 2003 Application submitted by Peju Province and the 2016 Application submitted by Peju Partnership, and that the same website was used to promote the LIANA wines marketed by Peju Province between 2005 and 2007 and by Peju Partnership starting in 2014. Further, notably absent from Ms. Peju’s declaration is any disavowal of joint control over the present litigation.

At bottom, defendants cannot ask the Court to find such interconnectedness between the Peju entities for the purposes of their affirmative defenses, but not for issue preclusion. Accordingly, the collateral estoppel ruling set forth in the 2017 Order extends to defendant Peju Partnership such that Peju Partnership, like Peju Province, is precluded from relitigating

the TTAB's determination that Peju's LIANA mark is likely to cause confusion with Cesari's LIANO mark.¹⁰

B. Statute of Limitations

Turning to the heart of defendants' motion, defendants seek dismissal of all of plaintiff's claims as time-barred under the applicable statute of limitations. "Because the statute of limitations is an affirmative defense, the defendant bears the burden of establishing by prima facie proof that the limitations period has expired since the plaintiff's claims accrued." Szymanski v. Local 3, Int'l Bhd. of Elec. Workers, 577 F. App'x 52, 53 (2d Cir. 2014) (quoting Overall v. Estate of Klotz, 52 F.3d 398, 403 (2d Cir. 1995)). The Lanham Act establishes no specific limitations period for trademark infringement or unfair competition claims. See 15 U.S.C. §§ 1114(1)(A), 1125(a)(1)(A).

¹⁰ On a motion for summary judgment, "a district court may grant summary judgment to any party - including a non-movant," First Fin. Ins. Co. v. Allstate Interior Demolition Corp., 193 F.3d 109, 115 (2d Cir. 1999), so long as the moving party had notice and an opportunity to respond, such that it is not prejudiced, Bridgeway Corp. v. Citibank, 201 F.3d 134, 139 (2d Cir. 2000); see Fed. R. Civ. P. 56(f)(1), (3). Where "the [moving] party either cannot claim to have been surprised by the [granting of summary judgment to a non-movant] or if, notwithstanding its surprise, the party had no additional evidence to bring, it cannot plausibly argue that it was prejudiced by the lack of notice." Bridgeway, 201 F.3d at 140. Further, "the likelihood of prejudice is greatly reduced, even when summary judgment is based upon issues raised by the nonmoving party, if the moving party speaks to those issues in the course of the district court proceedings." Id. Here, given defendants' opportunistic change of heart at this late stage, they can hardly claim surprise at plaintiff's resurrection of this previously litigated issue. Moreover, defendants do not contend that they have additional evidence to bring. There is thus no prejudice to defendants in granting plaintiff's request for summary judgment.

Accordingly, Second Circuit “courts have looked to the most analogous state statute of limitations: [New York’s] six-year statute of limitations for fraud claims.” Charles Atlas, Ltd. v. DC Comics, Inc., 112 F. Supp. 2d 330, 334 (S.D.N.Y. 2000) (citing Conopco, Inc. v. Campbell Soup Co., 95 F.3d 187, 192 (2d Cir. 1996)).¹¹ In general, “a plaintiff’s cause of action accrues when he discovers, or with due diligence should have discovered, the injury that is the basis of the litigation.” Guilbert v. Gardner, 480 F.3d 140, 149 (2d Cir. 2007). However, a plaintiff is not “obligated to sue until its right to protection has ripened such that plaintiff knew or should have known, not simply that defendant

¹¹ Both sides have assumed that New York’s statute of limitations controls. See FAC ¶¶ 30-34; Def. Br. at 11. Although neither party raises the issue, New York’s borrowing statute, N.Y. C.P.L.R. § 202, arguably may compel application of a different state law. Under C.P.L.R. § 202, “when a nonresident plaintiff sues upon a cause of action that arose outside of New York, the court must apply the shorter limitations period . . . of either: (1) New York; or (2) the state where the cause of action accrued.” Thea v. Kleinhandler, 807 F.3d 492, 497 (2d Cir. 2015) (internal quotation marks and citation omitted). Typically, “[t]he burden is on [d]efendants to show . . . that [p]laintiff’s cause of action ‘accrued’ outside New York.” Estate of Mantle v. Rothgeb, 537 F. Supp. 2d 533, 541 n.14 (S.D.N.Y. 2008). Defendants have made no such showing. In any event, the Court’s present ruling would be the same even if applying the statute of limitations period of the other potentially applicable forum, California, the site from where the LIANA-branded wines were marketed, packaged, and sold. California courts apply a three-year statute of limitations to Lanham Act claims, which begins to run upon a plaintiff’s “actual or constructive knowledge of the wrong.” Karl Storz Endoscopy America, Inc. v. Surgical Technologies, Inc., 285 F.3d 848, 857 (9th Cir. 2002). As discussed herein, the earliest infringements for which plaintiff seeks recovery date back to August 17, 2014 – just under two and a half years prior to the commencement of this action – when Peju Partnership made its first sales of the 2013 vintage LIANA wine. See Healy Decl., Ex. 1 at 2. For the reasons explained below, the Court concludes that plaintiff had neither actual nor constructive knowledge of defendants’ infringing conduct prior to that date.

was using the potentially offending mark, but that plaintiff had a provable infringement claim against defendant.” ProFitness Physical Therapy Ctr. v. Pro-Fit Orthopedic & Sports Physical Therapy, 314 F.3d 62, 70 (2d Cir. 2002).

Defendants argue that plaintiff’s Lanham Act claims are barred under New York’s six-year statute of limitations because plaintiff had notice that defendants were using the LIANA mark as early as 2003, when defendants began advertising their 2002 vintage LIANA-branded wine. Def. Br. at 11-13. This argument is meritless for two reasons. First, defendants have failed to show that plaintiff knew or reasonably should have known that defendants continued using the LIANA mark after their trademark application was rejected by the TTAB and deemed abandoned by the USPTO in 2004. Second, and relatedly, plaintiff’s claims arise solely from infringing conduct starting in 2014, when defendants began marketing new vintages of wine branded with the LIANA label, and thus are not barred by the applicable statute of limitations.

1. Cesari Did Not Have Notice of Peju’s Conduct After the Conclusion of the 2003 TTAB Proceedings

Defendants fail to show that Cesari had notice of Peju’s infringing conduct because: (a) defendants offer no evidence establishing actual or constructive knowledge; (b) Cesari did not have a duty of inquiry to continue monitoring Peju’s conduct after

Cesari prevailed before the TTAB; and (c) even if Cesari had such a duty (which it did not), reasonable diligence would not have revealed Peju's infringements.

(a) Actual or Constructive Knowledge

Defendants' primary argument in support of their statute of limitations defense is that plaintiff knew or should have known that they were using the LIANA mark in a potentially infringing way as early as 2003. In support, defendants identify six examples of advertisements, filings, and other documents that purportedly demonstrate Cesari's actual or constructive knowledge of Peju's continued use of the LIANA mark:

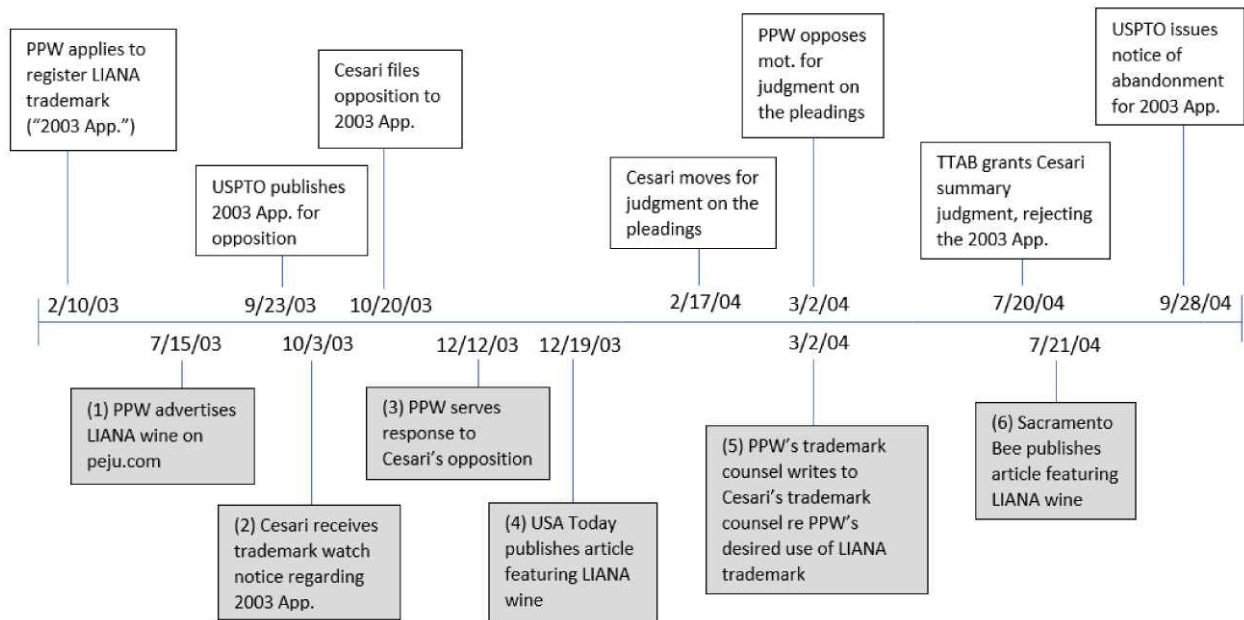
- (1) a July 15, 2003 advertisement for a LIANA-branded wine on its website www.peju.com;
- (2) the October 3, 2003 trademark watch alert that notified Cesari of Peju's filing of the 2003 Application;
- (3) the December 12, 2003 answer that Peju served to Cesari in response to Cesari's opposition to the 2003 Application;
- (4) a December 19, 2003 article published by USA Today featuring a LIANA-branded wine;
- (5) a March 2, 2004 letter from Peju's trademark counsel to Cesari's trademark counsel;¹² and

¹² Cesari's trademark counsel, Stewart Gitler, disclaims ever receiving this letter. Decl. of Attorney Stewart L. Gitler ("Gitler Decl.") ¶¶ 9-10, ECF No. 347. Defendants argue the Gitler Declaration is inadmissible because plaintiff did not disclose Mr. Gitler as a witness as required by Fed. R. Civ. P. 26. Reply SOF ¶ 12. The Court disagrees. The sole purpose of the Gitler Declaration is to refute the assertions defendants made for the first time in connection with the present motion in support of their statute of limitations and laches defenses. Gitler Decl. ¶ 4. Since the use of Mr. Gitler's testimony is "solely

(6) a July 21, 2004 article published by the Sacramento Bee featuring a LIANA-branded wine.

Def. Br. at 12. These examples are utterly insufficient.

First and foremost, as the below timeline makes plain, every single one of defendants' examples (the numbered and shaded boxes) predates the USPTO's notice of abandonment of the 2003 Application, and all but one was published before the issuance of the TTAB's ruling rejecting the 2003 Application.



None of these examples reveal Peju's intention to continue using the LIANA brand regardless of how the TTAB ruled on their trademark application. At most, they show Peju was using the mark at the time the 2003 Application was pending. Such a showing is

for impeachment," plaintiff was not obligated to identify Mr. Gitler as a witness under Rule 26. Fed. R. Civ. P. 26(a) (1) (A) (i).

hardly sufficient to establish actual knowledge or to place Cesari on constructive notice that Peju would continue using the LIANA mark despite its defeat before the TTAB.

(b) Duty of Inquiry

Furthermore, while defendants are correct that as a general matter a trademark owner has a duty to actively police its mark against infringers, see Black Diamond Sportswear, Inc. v. Black Diamond Equipment, Ltd., No. 06-3508, 2007 WL 2914452, at *3 (2d Cir. Oct. 5, 2007), there are limits to that guiding principle. Importantly, “[a]bsent actual knowledge,” a trademark owner is chargeable only “with such knowledge as he might have obtained upon inquiry, provided the facts already known by him were such as to put upon a man of ordinary intelligence the duty of inquiry.” Advanced Cardiovascular Systems, Inc. v. Scimed Life Systems, Inc., 988 F.2d 1157, 1162 (Fed. Cir. 1993) (quoting Johnston v. Standard Mining Co., 148 U.S. 360, 370 (1893)). As such, to “constitute a legal imputation of knowledge,” as defendants urge, Def. Br. at 13, infringing conduct must be sufficiently public and widespread such that the trademark owner reasonably should have been on alert. Compare Black Diamond, 2007 WL 2914452 at *3 (concluding plaintiff had duty of inquiry and failed to undertake reasonable due diligence where defendant “marketed its products in

widely distributed catalogues, at yearly trade shows in which [plaintiff and defendant] both participated, and through retail stores nationwide, including in [plaintiff's] home state of Vermont."); with *Borghese Trademarks, Inc. v. Borghese*, No. 10 Civ. 5552 (JPO), 2013 WL 143807, at *9 (S.D.N.Y. Jan. 14, 2013) (refusing to conclude that plaintiff knew or should of known of infringements, noting "[i]t is one thing to expect a company to monitor for infringements; it is quite another to expect it to spot several isolated minutes of infomercial footage over several years.").

The facts known to Cesari in the wake of the 2003 TTAB proceedings did not create a duty of inquiry obligating Cesari to continue monitoring Peju's conduct. At that time, Cesari knew that Peju had applied to register the LIANA mark for the sale of wine, that the TTAB had rejected Peju's application on the grounds that the LIANA mark was confusingly similar to Cesari's registered LIANO trademark, that Peju had not appealed or otherwise challenged the TTAB's ruling, and that the USPTO had subsequently deemed Peju's application abandoned. Given these circumstances, it was entirely reasonable for Cesari to assume that Peju would cease using the LIANA mark.

In rebuttal, defendants spill much ink arguing that the TTAB's ruling did not legally enjoin them from using the LIANA mark in commerce, the implication being that Peju was free to use the brand as it wished and that Cesari should not have assumed otherwise. Def. Br. at 7-10 (citing Beasley v. Howard, 14 F.4th 226 (3d Cir. 2021)).¹³ Not so. "While a successful [TTAB] opposition only acts to prevent registration and not use, as a practical matter, it puts the defendant on notice that, at the least, the plaintiff is not going to sleep on its rights, and indeed . . . goes even further and puts the defendant on notice that the opposer also protests its use of the confusingly similar mark." Citibank, N.A. v. Citytrust, 644 F. Supp. 1011, 1014 (E.D.N.Y. 1986) (quoting Alfred Dunhill of London, Inc. v. Kasser Distillers Prods. Corp., 350 F. Supp. 1341, 1367 (E.D. Pa. 1972), aff'd 480 F.2d 917 (3d Cir. 1973)). Here, the TTAB proceedings put Peju on notice that the LIANA mark was deemed to be confusingly similar with that of a first-in-time registrant, that the registrant actively opposed Peju's use of the mark, and that Peju was not permitted to

¹³ Beasley has no bearing on this case. There, after the TTAB dismissed the plaintiff's petitions to cancel the defendant's registered trademark, the plaintiff brought a civil suit for trademark infringement. 14 F.4th at 229. This gave rise to the question of whether res judicata precluded the plaintiff from litigating his infringement claim in federal court. Id. In concluding that claim preclusion did not apply, the Court explained that questions of infringement or unfair competition exceed the scope of the TTAB's jurisdiction, so the TTAB could never have granted the plaintiff the relief he sought in federal court. Id. at 233-34.

trademark the name. Thus, when Peju continued to use the LIANA mark in blatant disregard for the TTAB's ruling, it did so at its own risk. In arguing otherwise, defendants take the untenable position that although Cesari defeated Peju's trademark application, the burden was on Cesari to continue monitoring Peju's conduct, seemingly indefinitely, lest Cesari be deemed to "sleep on its rights." Def. Br. at 14. The Court cannot and will not endorse such an inequitable allocation of burdens or reward such defiance of authority.

(c) Reasonable Diligence

Even if Cesari had a duty of inquiry, which it did not, reasonable diligence would not have revealed Peju's use of the LIANA mark because there was nothing to discover. From the conclusion of the TTAB proceedings in 2004 until 2014, Peju's use of the LIANA mark was minimal to nonexistent. Peju's records show that it produced roughly 350 cases of its 2002 LIANA-branded wine, which it began selling commercially in 2005 and which almost entirely sold out by 2007. See Schulz Decl., Ex. A. Such sales were so minimal that it appears not even Anthony Peju knew about them at the time. See Decl. of Anthony Peju in Support of Defs. Mot. for Summary Judgment ¶ 11, ECF No. 327 ("I have come to learn in recent days that PPW's first LIANA-branded wine, a 2002 Late

Harvest Chardonnay, was available for sale on www.peju.com beginning in 2005.”). Moreover, it is undisputed that Peju did not sell any LIANA-branded wine from 2008 until August 2014. See Healy Decl., Exs. 1-4. In the summer of 2014, Peju published a newsletter announcing “the return of Liana” and proclaiming that the “2013 vintage will be the first vintage since 2002.” ECF No. 24-4. In fact, the Liana Estates winery was not formally launched until 2016. SOF ¶ 25.

In this regard, Peju’s conduct bears no resemblance to the facts in Charles Atlas, Ltd. v. DC Comics, Inc., 112 F. Supp. 2d 330 (S.D.N.Y. 2000), the primary case upon which defendants rely. In Charles Atlas, the plaintiff, a bodybuilding instructor who used a comic strip story in his advertisements, alleged that the defendant misappropriated his story in one of defendant’s comic books. 112 F. Supp. at 331-32. The comic book at issue was first published by the defendant in 1991 and the disputed portrayals reappeared in several miniseries that came out in the following years. Id. at 332-33. Plaintiff did not learn of the alleged infringement until 1998 and so did not bring suit until 1999. Id. at 332. In concluding that the “[p]laintiff could have, with reasonable diligence, discovered the alleged infringement upon [the book’s] publication or shortly thereafter,” the Court

observed that “[t]he allegedly infringing material was a nationwide mass-market publication by DC Comics, the industry leader,” and plaintiff “was a large advertiser in DC comic books, even at the time that the infringing work appeared.” Id. at 331-33 (internal quotation marks and citation omitted).

By contrast, here, Peju was not even selling, let alone publicly promoting and advertising, any LIANA-branded wine for the vast majority of time that Cesari was supposedly sleeping on its rights. The handful of advertisements to which defendants cite are far cries from the sort of widespread, industry marketing campaigns at issue in cases such as Charles Atlas and Black Diamond. Defendants identify two articles that referenced the LIANA wine, both of which were printed in American publications that do not focus on wine. One is a USA Today article dated December 19, 2003, which mentions the LIANA wine in a single sentence (ironically, about “niche and obscure wines”). MacMull Decl., Ex. J. The other is an article from the Sacramento Bee, a regional newspaper circulated in the Northern Sacramento Valley, which merely lists the LIANA wine among the winners of a Long Beach, California wine competition. Id. The Sacramento Bee article is dated July 21, 2004, which is just one day after the TTAB issued its ruling rejecting the 2003 Application.

Additionally, defendants point to a single advertisement of the LIANA-branded wine on Peju's website, which predates the TTAB's ruling by a year. Defendants do not indicate how long the advertisement ran or how many people saw it. As such, even if Cesari had investigated Peju's conduct earlier, it would not have discovered anything actionable.¹⁴

In sum, the record demonstrates that plaintiff did not know, had no obligation to investigate, and with reasonable diligence would not have known, that it had a ripe trademark infringement claim until August 2014 at the earliest, a date well within the applicable statutory window. Accordingly, defendants' statute of limitations defense fails as a matter of law.

2. Plaintiff's Claims Arise from Conduct That Began in 2014

Defendants' statute of limitations defense fails for the additional reason that the claims asserted in plaintiff's First Amended Complaint arise entirely within the statutory period. Plaintiff commenced this suit on February 6, 2017. Even if defendants could show that plaintiff had actual or constructive knowledge of defendants' infringing conduct dating back to the 2003 TTAB proceedings - which, as explained above, they cannot -

¹⁴ Plaintiff maintains that it never saw any of these advertisements, see Cesari Decl. ¶ 9, and there is no basis in the record to question Cesari's denial of knowledge. Rather, the record is that Cesari promptly sprang into action each time it learned of Peju's efforts to trademark the LIANA brand.

the statute of limitations defense would only “operate to bar monetary recovery for conduct which a fact-finder determines to be beyond the six-year period prior to the time of filing” the complaint; “it does not bar recovery within the statutory period.” Broecker v. Widows Sons Grand Chapter the King’s Guard Inc., No. 21 Civ. 6309 (CJS), 2021 WL 5309716, at *6 (W.D.N.Y. Nov. 15, 2021).¹⁵ So at most, plaintiff would be barred from seeking damages for infringements that occurred prior to February 6, 2011.¹⁶

It is undisputed that defendants’ first sale of wine with the resurrected LIANA brand occurred in August 2014. See Healy Decl., Ex. 1 at 2. Moreover, the Liana Estates winery did not commence operations until the fall of 2016. SOF ¶ 25. In total, “[Peju Partnership] sold, offered for sale, distributed and advertised wines using LIANA for 22 months from the fall of 2016 until July 2018.” Id. ¶ 52. Accordingly, plaintiff seeks disgorgement of profits calculated based on “the total infringing sales [plaintiff] has been able to estimate were actually made by the

¹⁵ To the extent defendants take the position that plaintiff’s alleged failure to timely sue for claims from 2003 to 2005 prevents it from suing for any subsequent, albeit related, acts of infringement, they are wrong as a matter of law. See Gucci America, Inc. v. Guess?, Inc., 868 F. Supp. 2d 207, 246 (S.D.N.Y. 2012) (“[T]he statute of limitations defense only applies to bar monetary recovery beyond the statutory period.”).

¹⁶ Or, as discussed supra at n.11, February 6, 2014, if California law controls.

Peju defendants from 2014 to the present date.” FAC ¶ 181. Plaintiff does not claim damages before that time.

The single case defendants offer in rebuttal is a Fourth Circuit decision that directly undermines defendants’ argument. In Lyons P’ship, L.P. v. Morris Costumes, Inc., the district court had ruled that since some of the alleged acts of copyright infringement occurred outside the applicable limitations period, subsequent infringing activity that occurred within the limitations period was time barred as well. 243 F.3d 789, 797 (4th Cir. 2001). In so holding, the district court assumed that defendants’ actions comprised “one act of infringement.” Id. Reversing, the Fourth Circuit explained that “a party does not waive the right to sue for infringements that accrue within three years of filing by not asserting related claims that accrued beyond three years.” Id. (internal quotation marks, alteration, and citation omitted). “This well-established rule recognizes that the statute of limitations does not shield the defendant from liability for wrongful acts actually committed during the limitations period, and its rationale applies equally to trademark infringement claims brought under the Lanham Act.” Id.

Here, it is undisputed that defendants took actions in August 2014 and thereafter that gave rise to the claims asserted in the

First Amended Complaint, and plaintiff does not seek damages for any conduct outside the applicable lookback window. All of plaintiff's claims thus are timely. Accordingly, defendants' statute of limitations defense is dismissed and summary judgment is denied.

C. Laches

In the same vein as their statute of limitations argument, defendants assert that plaintiff's claims are barred as unduly delayed under the equitable doctrine of laches. Defendants' effort to rely on a laches bar fails for two fundamental and independent reasons. First, defendants cannot satisfy the threshold requirement of every assertion of a laches defense – namely, that the party invoking laches come to court with clean hands. See Hermes Intern. v. Lederer de Paris Fifth Ave., Inc., 219 F.3d 104, 107 (2d Cir. 2000) (“Th[e] good-faith component of the laches doctrine is part of the fundamental principle that ‘he who comes into equity must come with clean hands.’”) (quoting Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co., 324 U.S. 806, 814-15 (1945)). Second, when, as the Court holds here, the applicable statute of limitations did not expire prior to the filing of the complaint, the burden remains on the defendant to prove all elements of the laches defense: (1) “that plaintiff had knowledge of defendant's use of its marks,” (2) “that plaintiff

inexcusably delayed in taking action with respect thereto,” and (3) “that defendant will be prejudiced by permitting plaintiff inequitably to assert its rights at this time.” Saratoga Vichy Spring Co. v. Lehman, 625 F.2d 1037, 1040 (2d Cir. 1980) (citation omitted); see Ikelionwu v. United States, 150 F.3d 233, 238 (2d Cir. 1998) (“[I]f the applicable legal statute of limitations has not expired, there is rarely an occasion to invoke the doctrine of laches and the burden remains on the defendant to prove all elements of the defense.”). Defendants have not satisfied this burden of proof.

1. Bad Faith

First, defendants’ laches defense fails because Peju did not use the LIANA mark in good faith. As discussed above, between 2005 and 2007, Peju continued to use the LIANA mark despite actual knowledge of Cesari’s first-in-time registered trademark, Cesari’s opposition to Peju’s use of the LIANA mark, and the TTAB’s ruling that Peju’s mark was likely to cause confusion with Cesari’s mark. Although the TTAB’s ruling may not have legally enjoined Peju from using the LIANA mark, Peju dirtied its hands when it flouted the legal conclusion of a judicial authority and disregarded its duty as a second comer “to avoid all likelihood of consumers confusing it with the product of the first comer.” Nikon, Inc. v. Ikon Corp., 803 F. Supp. 910, 922 (S.D.N.Y. 1992); see Thursday LLC v.

DNVB, Inc., No. 20 Civ. 9142 (AKH), 2021 WL 2689061, at *5 (S.D.N.Y. June 29, 2021) (concluding plaintiff sufficiently stated claim for unfair competition under New York law, which required showing of bad faith or intent, where plaintiff alleged, inter alia, defendant “began using the marks despite the USPTO’s refusal to register their mark due to the likelihood of confusion with the [plaintiff’s] Marks”).

With respect to Peju’s second attempt to register the LIANA mark, Peju again acted in bad faith. Even assuming the Peju daughters were unaware of the original dispute with Cesari when they sought to resurrect the LIANA brand in 2014, Peju was put on notice of Cesari’s registered mark and opposition in August 2016, when Cesari filed a request for an extension of time to oppose the 2016 Application. See Ariana Peju Decl., Ex. E. Cesari then sent Peju a cease-and-desist letter in November 2016. Id., Ex. F. In January 2017, Cesari apprised Peju of the TTAB’s prior determination that the LIANA mark was likely to cause confusion with Cesari’s mark. Id., Ex. I. Peju nevertheless continued to use the LIANA mark. It wasn’t until July 2018 – one and a half years after this action was commenced – that Peju finally terminated its use of the LIANA brand. See July 16, 2018 Letter, ECF No. 82.

In their reply, defendants argue, without citing to any authority from the Second Circuit, that the unclean hands doctrine requires a showing of fraudulent intent and that no such showing has been made here. Mem. of Law of Peju Province Winery L.P. and Peju Family Operating Partnership L.P. in Further Support of their Mot. for Summary Judgment ("Def. Reply Br.") at 7, ECF No. 362. To the contrary, "[a]ny willful act concerning the cause of action which rightfully can be said to transgress equitable standards of conduct is sufficient." Precision Instrument Mfg. Co., 324 U.S. at 815. Further, although "prior knowledge of a senior user's mark does not in itself imply bad faith . . . actual or constructive knowledge may signal bad faith." Nikon, 803 F. Supp. at 924.

In more ways than one, the foregoing demonstrates that Peju does not "possess a right which is firmly planted in good faith." Id. Peju "took a calculated risk in utilizing [the] mark and the aid of a court of equity should not be invoked on behalf of one who lost such a gamble." Fusco Group, Inc. v. Loss Consultants Int'l, Inc., 462 F. Supp. 2d 321, 330 (N.D.N.Y. 2006) (internal quotation marks and citation omitted).

2. Laches Elements

Even if defendants could demonstrate good faith, their laches defense still fails because they have not established any of the three required elements. First, as discussed above, defendants

have not shown that Cesari had actual or constructive knowledge of Peju's infringing use of the LIANA mark in the aftermath of the 2003 TTAB proceedings. That alone is sufficient to defeat defendants' laches defense. Second, Cesari did not inexcusably delay in taking action against Peju's infringing conduct. Upon discovering each of Peju's applications to register the LIANA trademark, Cesari promptly and diligently commenced opposition proceedings. Furthermore, defendants cannot claim a delay for any period in which they made no infringing use of the LIANA mark. Contrary to defendants' position, plaintiff need not prove that defendants abandoned the LIANA mark as a matter of law; extensive non-use of the mark is sufficient to toll any laches delay. See Grotrian, Helfferich, Schulz, Th. Steinweg Nachf. v. Steinway & Sons, 523 F.2d 1331, 1343 (2d Cir. 1975) (noting district court excluded from laches delay all years of non-use and restarted laches analysis only upon infringer's re-entry in the market). As discussed above, Peju sold out of its initial batch of LIANA-branded wine in 2007. From 2008 until 2014, Peju did not sell any wine bearing the LIANA label and defendants offer no evidence showing that they utilized or publicly promoted the LIANA brand during that period.

Third, defendants have failed to establish that they were prejudiced by the timing of plaintiff's lawsuit. Cesari's opposition to Peju's 2003 Application put Peju on notice that Cesari contested Peju's use of the LIANA mark. See Broecker, 2021 WL 5309716, at *7 ("[B]ased on Plaintiffs' TTAB opposition . . . Defendants were clearly on notice that Plaintiffs[] contested their registration and use of the . . . Mark."); Tri-Star Pictures, Inc. v. Unger, 14 F. Supp. 2d 339, 360-361 (S.D.N.Y. 1998) ("Plaintiffs' warning letters placed Defendants on notice of Plaintiffs' objections to his use of the [mark]."). As such, any subsequent investment or expenditure of resources Peju made in connection with developing the LIANA brand was at its own risk. See Alfred Dunhill, 350 F. Supp. at 1367 (concluding "the defendant acted at its own peril when it continued to use the mark after" receiving plaintiff's notice of opposition to defendant's trademark application"); Fitzpatrick v. Sony-BMG Music Ent., Inc., No. 07 Civ. 2933 (SAS), 2008 WL 84541, at *3 (S.D.N.Y. Jan. 8, 2008) (rejecting laches defense where defendants "were actively involved in a dispute over the trademark, and were therefore on notice that any expansion of their business around the disputed trademark was risky"); Floralife, Inc. v. Floraline Int'l, Inc., 633 F. Supp. 108, 113 (N.D. Ill. 1985) ("[A] notice of opposition

sufficiently informs the registrant of the trademark holder's objections and renders unreasonable any detriment the registrant may suffer in reliance on the plaintiff's delay in filing suit."). Even if Cesari had delayed in filing suit against Peju, which it did not, it was unreasonable for Peju to rely on that delay and any detriment Peju suffered was of its own making.

As a final point, the facts of this case undermine defendants' contention that they would have chosen another brand name had Cesari brought suit earlier. In 2005, despite Cesari's objection to Peju's application to register the LIANA trademark and the TTAB's ruling that the LIANA mark was likely to cause confusion, Peju sold several hundred cases of its LIANA-branded wine. Schulz Decl., Ex. A. Then in 2016, when Cesari objected to Peju's renewed trademark application, Peju refused to cease and desist from using the infringing mark even after this action was commenced. ECF 348. For the foregoing reasons, defendants' laches defense fails as a matter of law and summary judgment is denied.


CONCLUSION

Defendants' motion for summary judgment is denied in its entirety and defendants' statute of limitations and laches affirmative defenses are dismissed with prejudice. Summary judgment is granted to plaintiff with respect to the extension of

this Court's prior collateral estoppel ruling to Peju Partnership.
The Clerk of Court is respectfully directed to terminate the motion
pending at ECF No. 324.

SO ORDERED.

Dated: New York, New York
August 3, 2022


NAOMI REICE BUCHWALD
UNITED STATES DISTRICT JUDGE

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

-----X

CESARI S.R.L.,

Plaintiff,

- against -

PEJU PROVINCE WINERY L.P., PEJU FAMILY
OPERATING PARTNERSHIP L.P., and PEJU
PROVINCE CORPORATION,

Defendants.

OPINION AND ORDER

17 Civ. 873 (NRB)

-----X

NAOMI REICE BUCHWALD
UNITED STATES DISTRICT JUDGE

In 2017, plaintiff Cesari S.r.l. ("plaintiff" or "Cesari"), an Italian winery based in San Pietro that produces wine bearing the mark "LIANO," brought this trademark infringement action against defendants Peju Province Winery L.P. ("PPW"), Peju Family Operating Partnership L.P. ("PFOP"), and Peju Province Corporation ("Peju Corporation") (collectively, "Peju"), a family-operated winery in Northern California that has produced wines branded "LIANA." After the Court granted plaintiff's unopposed application to dismiss Peju Corporation from this action and resolved the issue of liability in favor of plaintiff, the Court held a bench trial on the sole remaining issue of disgorgement of profits from PPW and PFOP (collectively, "defendants"). This opinion constitutes the Court's findings of fact and conclusions of law.

Having considered all of the evidence, the Court concludes that plaintiff is entitled to profits in the amount of **\$666,214** plus interest. In so holding, the Court makes the following factual determinations, discussed at length below: (1) defendants earned **\$1,070,879** in revenues from the sale of infringing wines; (2) defendants incurred costs of **\$404,665 (including excise taxes)** related to these sales; and (3) an equitable adjustment is unnecessary.

PROCEDURAL HISTORY

A. Initial Pleadings

On February 6, 2017, plaintiff filed its initial complaint and asserted five causes of action: (1) federal trademark infringement under 15 U.S.C. §§ 1114, 1117; (2) federal unfair competition under 15 U.S.C. § 1125(a); (3) common law trademark infringement; (4) common law unfair competition; and (5) cyber-squatting under 15 U.S.C. § 1125(d). See ECF No. 1 ("Compl."). For relief, plaintiff sought a declaratory judgment, a permanent injunction, disgorgement of profits, damages, and attorneys' fees and costs.

The crux of plaintiff's complaint is that Peju's sales of its "LIANA" branded wines infringed upon plaintiff's "LIANO" mark, which was federally registered with the United States Patent and Trademark Office ("USPTO") for wines in International Class 33 on

January 7, 2003. See ECF Nos. 1-1; 15 (“Answer”) ¶ 3¹; 42 at 1. Around the time that plaintiff obtained its mark, Peju began promoting its wine dubbed “LIANA.” See ECF No. 372 at 1. Indeed, in February 2003, PPW filed its own application with the USPTO to register “LIANA,” which was opposed by plaintiff and ultimately rejected by the Trademark Trial and Appeal Board (“TTAB”) of the USPTO on July 20, 2004 on the grounds that Peju’s “LIANA” mark was confusingly similar to plaintiff’s registered “LIANO” mark. See id. at 2; ECF No. 1-2 at 2.

Rather than appealing the TTAB decision, or even filing a new application to register “LIANA” for narrower usages, PPW simply continued using the “LIANA” mark until 2007, after which the mark lay dormant until 2014. See ECF Nos. 42 at 4; 372 at 2; Answer ¶ 36. Beginning in 2014, Peju sought to resurrect the LIANA brand. See ECF No. 372 at 2. The following year, Peju “founded an entirely new winery, Liana Estates” and began “promot[ing] [its] wines under the LIANA ESTATES label.” ECF Nos. 42 at 4; 372 at 2, 5; Answer ¶ 36. Allegedly unaware of its affiliate’s prior attempt, in March 2016, PFOP also “submitted a new application with the USPTO to register LIANA, this time for all alcoholic beverages except for beer.” ECF No. 42 at 4-5. In response, plaintiff sent Peju a

¹ In its answer to plaintiff’s original complaint, Peju admitted that “Cesari is the listed owner of a U.S. trademark registration for the LIANO mark for wines, and that Cesari filed a declaration of incontestability under Section 15 in support of the registration.” Answer ¶ 3; see also id. ¶¶ 19, 20.

cease-and-desist letter, and attempted to negotiate a resolution. See Compl. ¶ 42; Answer ¶ 42, ECF No. 372 at 11.² After negotiations failed, on January 30, 2017, plaintiff, once again, commenced opposition proceedings before the TTAB and, one week later, brought this action. See ECF No. 372 at 11.

B. Preclusive Effect of TTAB's Prior Ruling on Likelihood of Confusion as to PPW

After Peju answered plaintiff's complaint, see Answer, the Court granted plaintiff leave to move for partial summary judgment on the issue of whether Peju is "precluded from relitigating the TTAB's determination that the LIANA mark is likely to cause confusion with Cesari's mark, LIANO." ECF No. 42 at 6. In its December 11, 2017 decision on plaintiff's motion, the Court granted in part and denied in part plaintiff's motion for partial summary judgment. See id. at 3-6.

First, the Court held that issue preclusion should apply, given "the usages adjudicated by the TTAB are materially the same as those before the [Court]." See id. at 6 (quoting B&B Hardware, Inc. v. Hargis Indus., Inc., 575 U.S. 138, 160 (2015)). In doing so, the Court rejected Peju's argument that "their actual marketplace usage of LIANA is materially different from that which

² "Peju admits that Cesari's trademark counsel sent a cease-and-desist letter to the attorney of record for the LIANA application filed by Defendant Peju Family Operating Partnership, L.P." Answer ¶ 42.

the TTAB adjudicated,"³ id. at 8-9, as the TTAB had broadly concluded that plaintiff's mark, LIANA, was likely to cause confusion with Cesari's previously registered mark, "LIANO," given "[t]he sole distinction between the two marks is the last letter," and the parties' goods (i.e., wines in International Class 33) are "identical." Id. at 3; ECF Nos. 1-2 at 2, 4; 437 at 1. Moreover, the Court noted that "[t]he specific trade channels and classes of consumers that purportedly characterize the LIANA mark's usage are among the reasonable trade channels and usual classes of consumers the TTAB considered." ECF No. 42 at 9.

However, the Court also concluded that the record was insufficiently developed to permit the Court to extend the preclusive effect of the TTAB decision rejecting PPW's application to PFOP and Peju Corporation. See id. at 12-15. Thus, "summary judgment with respect to [that] issue [was] denied without prejudice to refile following further development of the record." Id. at 14.

Following the Court's ruling, Peju represented to this Court that "the only issues remaining in this case are whether Peju Province Corporation and/or Peju Family Operating Partnership, L.P. controlled Peju Province Winery L.P. in the previous TTAB

³ In so holding, the Court rejected defendants' argument that the TTAB failed to consider the differences between defendants' labels, such as one iteration in which "LIANA ESTATES appears only on the back of the wine bottle." See ECF Nos. 29 at 8-10; 437 at 1-2.

litigation, whether Peju Province Winery L.P. controls one or both of these entities in the instant litigation, and whether Plaintiff is entitled to any remedies, and, if so, the nature of those remedies.” ECF No. 55 at 2.

C. Peju’s Use of the Infringing Mark Until July 2018

On March 12, 2018, the Court entered a scheduling order governing discovery. See ECF No. 50. Shortly thereafter, on May 10, 2018, plaintiff sought leave to file yet another motion for partial summary judgment, which included a request for injunctive relief because Peju “willfully continue[d] to infringe [upon] Cesari’s registered mark, as if this Court’s ruling hadn’t issued” and had “ignored Cesari’s requests that they cease and desist from their willful infringement.” ECF No. 53 at 1-2. However, “[o]n June 12, 2018, this Court held a lengthy teleconference with counsel for all parties,” during which the Court determined that “plaintiff’s request to file a motion for injunctive relief . . . had essentially been mooted by defendants’ counsel’s representation that defendants would cease using the disputed mark within two weeks.” ECF No. 79 at 1.

In letters of June 28, 2018, see ECF No. 75, and July 9, 2018, see ECF No. 78, plaintiff alerted the Court to the fact that Peju had not followed through on their counsel’s representations, see ECF No. 79 at 1. As such, on July 10, 2018, the Court gave plaintiff permission to move for a preliminary injunction. See

id. at 2. As a result, defendants' counsel made another representation to the Court on July 16, 2018 that Peju will completely cease using "LIANA" by July 24, 2018. See ECF No. 82 at 2 ("[W]e wish to inform Your Honor that LE Wines, formerly Liana Estates, remains in the process of relabeling its wines bearing the LIANA mark. This undertaking, which has been substantial, is expected to be complete by no later than July 24, 2018. Accordingly, we are informed that no sales of wine bearing the LIANA mark will occur after this date."); ECF No. 82-1 (attaching photographs showing removal of "LIANA Estates" from the winery's signage). Accordingly, plaintiff's motion was no longer necessary and was not made at that time. See ECF No. 84 (order stating that motion for injunction was no longer "necessary or appropriate").

D. Amended Pleadings

The parties continued to engage in discovery, which became highly contentious. See ECF No. 84. Indeed, during the course of this litigation, the Court has resolved an overwhelming number of discovery disputes, particularly for a case lacking substantial complexity.⁴ See e.g., ECF Nos. 71, 79, 84, 104, 150, 182, 188, 189, 210, 231, 240, 243, 254, 255, 289, 297, 308, 333, 375, 391, 427. Indeed, the Court has noted that it had "invested such an

⁴ The Court has provided the parties with an extraordinary amount of assistance in this regard. For example, during a five-hour conference on plaintiff's motion for sanctions, the Court permitted plaintiff to question defendants' deposition witness, Kandiss Schulz, in Court. See ECF No. 289.

inordinate amount of time assisting the parties to resolve discovery disputes and move this case" forward, ECF No. 297, against a backdrop where the parties "resorted to filing documents with errors that, quite frankly should not be made," ECF No. 137 at 7.

On November 7, 2018, after plaintiff again sought to extend the preclusive effect of the TTAB decision to PFOP and Peju Corporation through a renewed motion for summary judgment,⁵ the Court clarified that the parties should focus their discovery efforts on two areas: the first being "the preclusive effect of the 2004 TTAB proceeding" on PFOP and Peju Corporation; and the second being "the remedies available to plaintiff." ECF No. 137 at 8. On the second area, the Court explained:

If plaintiff cannot extend the TTAB determination to Peju Corporation and Peju Partnership, the Court will need to determine the likelihood of confusion between the LIANO and LIANA marks by analyzing Peju Corporation and Peju Partnership's "use in commerce" of the LIANA mark and comparing that use to that of Cesari and its LIANO mark. See 3 Anne Gilson LaLonde, Gilson on Trademarks § 11.08[4][i][iv][C][I] (Matthew Bender ed.); see also *id.* ("Federal courts are focused on what is happening in the marketplace rather than in an application or registration."). In addition, to recover profits, as plaintiff seeks, from any defendant, Cesari must prove only the defendants' sales, and defendants must prove any costs or deductions from its gross revenues. See 15 U.S.C. § 1117(b).

⁵ In its November 7, 2018 decision, the Court again declined to extend the preclusive effect of the TTAB decision to these two entities because the factual record continued to be insufficiently supported. The Court also noted that plaintiff's renewed motion for summary judgment and discovery dispute letters had a "sense of impatience." ECF No. 137 at 7.

Id. at 8-9.⁶

At a January 17, 2019 conference, plaintiff's counsel informed the Court that discovery from Peju's former accountant had revealed various transactions among PPW, PFOP, and Peju Corporation, including a transfer of PPW's assets to PFOP, thereby supporting plaintiff's argument that the preclusive effect of the TTAB decision should be extended to PFOP and Peju Corporation. See ECF No. 150 at 50:12-14. Plaintiff's counsel also stated that it decided to "not pursue a theory of lost profits," see id. at 3:20-22; see also id. at 4:4-5 ("[W]e focused our entire discovery on the disgorgement of profits."), and notified the Court that it

⁶ Years later, Peju argued that plaintiff could not prove trademark infringement, even with respect to PPW, unless plaintiff established that it has a valid mark entitled to protection and that defendants used the same or similar mark in commerce. See ECF Nos. 248; cf. ECF No. 431 (raising same argument). In its December 10, 2020 opinion, this Court rejected defendants' argument, explaining:

TTAB previously held in its summary judgment ruling that "[t]here is no genuine issue of fact [that] . . . the registration [of the LIANO mark] is subsisting and is owned by [Cesari], a conclusion that necessarily involved a finding that the mark was used by Cesari in commerce.

ECF No. 255 at 6-7; see also ECF No. 437.

The Court further noted that "regardless of the preclusive effect of the TTAB's judgment as to specific defendants, that Cesari owns a valid registered trademark in LIANO is an established fact, which the Court observes has never previously been challenged in this litigation." ECF No. 255 at 7. Consistent with the Court's guidance on November 7, 2018, however, the Court permitted defendants to explore the "use of commerce" issue in its 30(b)(6) deposition "at a basic level," while acknowledging "if plaintiff's non-use of the trademark were truly a defense in this nearly four-year-old case, it would have been raised and pursued years ago." Id. After the Court ruled that the preclusive effect of the TTAB decision could be extended, this area of inquiry was no longer relevant. Accord ECF No. 375 at 4:5-9 (transcript from September 25, 2022 conference in which the Court stated that the issue of liability has been resolved, and neither party disagreed or objected).

was withdrawing its request for permanent injunctive relief because Peju had represented that they had ceased using the LIANA mark, see ECF No. 191 at 4. Plaintiff accordingly requested permission to move to amend its complaint. See ECF No. 150 at 53:16-18.

Three years after the filing of the initial complaint and after a full briefing, on February 24, 2020, the Court granted plaintiff's motion for leave to amend its complaint to incorporate facts obtained during discovery to support a finding that PFOP and Peju Corporation could be held indirectly liable for PPW's infringement through means other than collateral estoppel. See ECF No. 191 at 15. On March 2, 2020, plaintiff filed its amended complaint, which made these additions and omitted plaintiff's cyber-squatting claim⁷ and requests for injunctive relief and damages, thereby concentrating on obtaining disgorgement of profits. See ECF No. 197 ("Am. Compl.").

As a result of these amendments, on April 30, 2020, the Court instructed the parties to "focus[] on the discovery" and "these sales and cost records." See ECF No. 210 at 43:8-10. Peju filed

⁷ Plaintiff consolidated its remaining claims into two causes of action: (1) federal trademark infringement and unfair competition under 15 U.S.C. §§ 1114, 1125(a), 1117; and (2) New York trademark infringement and unfair competition. See Am. Compl.

an answer to the amended complaint on May 14, 2020.⁸ See ECF No. 213.

E. Dismissal of Peju Corporation

On September 5, 2021, in a joint letter, the parties informed the Court that they “have agreed that Cesari will drop Peju Province Corporation as a party defendant” and thus requested that the Court drop Peju Corporation as a party pursuant to Federal Rule of Civil Procedure 21. See ECF No. 298 at 4. On October 5, 2021, the Court granted the application, dismissing Peju Corporation, the general partner of PPW and PFOP, from the action. See ECF No. 299; cf. ECF Nos. 58 at 3; 372 at 1 n.1.

F. Extension of Preclusive Effect of TTAB Decision to PFOP and Finding of Bad Faith

After additional years of combative litigation, the parties filed another round of summary judgment motions. See ECF No. 372 at 3. Defendants sought dismissal of all of plaintiff’s claims as untimely under the applicable statute of limitations and the equitable doctrine of laches, while plaintiff, once again, sought dismissal of defendants’ same affirmative defenses and renewed its

⁸ Before filing an answer, defendants sought leave to file a motion to dismiss on the grounds that “plaintiff’s claims are barred by the statute of limitations, and by laches and acquiescence.” See ECF No. 198 at 2. The Court held a pre-motion conference on April 30, 2018 to address defendants’ request, during which it instructed defendants to raise their arguments in a motion for summary judgment, rather than a motion to dismiss, given that defendants acknowledged that they would need to go outside the record to substantiate their arguments. See ECF Nos. 210 at 3:6-14; 255 at 3-4.

motion for partial summary judgment to extend the preclusive effect of the TTAB decision to PFOP.⁹ See id. at 3-4.

On August 3, 2022, the Court granted plaintiff's motion to extend the preclusive effect of the TTAB decision to PFOP, after defendants conceded, five years into the litigation, that PPW and PFOP "are effectively one and the same entity because, inter alia, they share common ownership and control." Id. at 17. The Court also dismissed defendants' affirmative defenses with prejudice. See id. at 13-43. On defendants' statute of limitations argument, the Court reasoned, in part, that the claims asserted in the amended complaint arise from defendants' conduct since 2014, which is within New York's six-year statutory period. See id. at 24, 33-35. With respect to defendants' laches defense, the Court held, in part, that defendants could not even satisfy the threshold requirement that the party invoking laches come to court with clean hands. See id. at 36. The Court explained:

Peju did not use the LIANA mark in good faith. As discussed above, between 2005 and 2007, Peju continued to use the LIANA mark despite actual knowledge of Cesari's first-in-time registered trademark, Cesari's opposition to Peju's use of the LIANA mark, and the TTAB's ruling that Peju's mark was likely to cause confusion with Cesari's mark. Although the TTAB's ruling may not have legally enjoined Peju from using the LIANA mark, Peju dirtied its hands when it flouted the legal

⁹ As the Court explained in its August 3, 2022 decision, the preclusive effect of the TTAB decision to PFOB could not be made during plaintiff's previous summary judgment motions because "plaintiff had failed to establish, based on the record before the Court, the requisite relationship" among the entities. Id. at 4 n.4.

conclusion of a judicial authority and disregarded its duty as a second comer "to avoid all likelihood of consumers confusing it with the product of the first comer." Nikon, Inc. v. Ikon Corp., 803 F. Supp. 910, 922 (S.D.N.Y. 1992); see Thursday LLC v. NVB, Inc., No. 20 Civ. 9142 (AKH), 2021 WL 2689061, at *5 (S.D.N.Y. June 29, 2021) (concluding plaintiff sufficiently stated claim for unfair competition under New York law, which required showing of bad faith or intent, where plaintiff alleged, inter alia, defendant "began using the marks despite the USPTO's refusal to register their mark due to the likelihood of confusion with the [plaintiff's] Marks").

With respect to Peju's second attempt to register the LIANA mark, Peju again acted in bad faith. Even assuming the Peju daughters were unaware of the original dispute with Cesari when they sought to resurrect the LIANA brand in 2014, Peju was put on notice of Cesari's registered mark and opposition in August 2016, when Cesari filed a request for an extension of time to oppose the 2016 Application. See Ariana Peju Decl., Ex. E. Cesari then sent Peju a cease-and-desist letter in November 2016. Id., Ex. F. In January 2017, Cesari apprised Peju of the TTAB's prior determination that the LIANA mark was likely to cause confusion with Cesari's mark. Id., Ex. I. Peju nevertheless continued to use the LIANA mark. It wasn't until July 2018 – one and a half years after this action was commenced – that Peju finally terminated its use of the LIANA brand. See July 16, 2018 Letter, ECF No. 82.

In their reply, defendants argue, without citing to any authority from the Second Circuit, that the unclean hands doctrine requires a showing of fraudulent intent and that no such showing has been made here. Mem. of Law of Peju Province Winery L.P. and Peju Family Operating Partnership L.P. in Further Support of their Mot. for Summary Judgment ("Def. Reply Br.") at 7, ECF No. 362. To the contrary, "[a]ny willful act concerning the cause of action which rightfully can be said to transgress equitable standards of conduct is sufficient." Precision Instrument Mfg. Co., 324 U.S. at 815. Further, although "prior knowledge of a senior user's mark does not in itself imply bad faith . . . actual or constructive knowledge may signal bad faith." Nikon, 803 F. Supp. at 924. In more ways than one, the

foregoing demonstrates that Peju does not “possess a right which is firmly planted in good faith.” Id. Peju “took a calculated risk in utilizing [the] mark and the aid of a court of equity should not be invoked on behalf of one who lost such a gamble.” Fusco Group, Inc. v. Loss Consultants Int’l, Inc., 462 F. Supp. 2d 321, 330 (N.D.N.Y. 2006) (internal quotation marks and citation omitted).

Id. at 37-39.

Finally, the Court’s decision of August 3, 2022 “resolve[d] the issue of liability.” ECF No. 375 at 4:8; see also Reply All Corp. v. Gimlet Media, LLC, 843 F. App’x 392, 395 (2d Cir. 2021); The Sports Auth., Inc. v. Prime Hosp. Corp., 89 F.3d 955, 960 (2d Cir. 1996). Thus, the sole issue remaining in this litigation was the disgorgement of defendants’ profits. See ECF Nos. 391, 440-4 at 13.

G. Preparation for Trial on Disgorgement of Profits

Following the Court’s August 3, 2022 decision, plaintiff sought to reopen discovery with demands on defendants that spanned 88 pages and contained 553 numbered paragraphs plus an additional three pages titled “Document Request List.” ECF No. 391; see also ECF Nos. 382-390. On January 3, 2023 the Court granted defendants’ application for a protective order striking these demands and set a trial date of July 10, 2023. See ECF No. 391 at 2.¹⁰ In advance

¹⁰ However, the Court further directed: “[t]o the extent that defendants have failed to produce specific sales records created in the ordinary course of business that were requested by plaintiff during fact discovery, defendants are instructed to produce such records by January 13, 2023.” ECF No. 391. As such, certain remaining sales records were produced by defendants in January 2023.

of the bench trial, the Court directed plaintiff to “serve by February 10, 2023 an expert report on the single issue of defendants’ sales, on which it bears the burden of proof”; defendants to “serve by March 13, 2023 an expert report on all elements of costs or deductions claimed, on which they bear the burden of proof,” which “may also challenge plaintiff’s sales figures”; and plaintiff to, “if it wishes to do so, serve a rebuttal expert report limited to the elements of costs and deductions claimed by defendants by April 14, 2023.” Id. The January 3, 2023 Order also directed that the parties shall make the “data upon which each party’s expert(s) rely . . . available to the other party prior to the depositions of the experts, which will be concluded by May 15, 2023”; and to submit to the Court proposed findings of fact and conclusions of law and any pretrial memoranda no later than June 15, 2023. Id.¹¹

¹¹ On February 6, 2023, the Court denied defendants’ application for leave to file an expert report to pursue an advice of counsel defense, which defendants argued “goes to the issue of willfulness which, in turn, may be relevant in mitigating the amount of damages awarded to plaintiff.” ECF No. 397 at 2; see also ECF No. 406. The Court reasoned that “defendants cite no case authority in this Circuit permitting an advice of counsel defense to reduce profits at the disgorgement phase of a trademark case” and that “the issue of good faith has already been resolved in the context of defendants’ own motion for summary judgment.” ECF No. 406 at 3-4. On June 14, 2023, the Court also denied defendants’ request for a Daubert hearing, given that “Daubert has a very limited role in the non-jury context” and given that “plaintiff’s expert is a forensic accountant whose testimony is derived from documents provided by defendants.” See ECF No. 438 at 1.

LEGAL STANDARD

Before moving to this Court's findings, we first provide the legal context for the trial, namely, the calculation of an infringer's profits under the Lanham Act.

A. Remedies Under the Lanham Act

Once a violation of the Lanham Act is established, the plaintiff is 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. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

15 U.S.C. § 1117(a).

As noted, plaintiff is only seeking disgorgement of defendants' profits. See Am. Compl. at 31-32; ECF No. 150 at 3:20-4:5. In Romag Fasteners, Inc v. Fossil, Inc., the Supreme Court clarified that a "showing of willfulness" is not a "precondition"

to awarding profits in trademark cases. 140 S. Ct. 1492, 1496-97 (2020). Nevertheless, "a trademark defendant's mental state is a highly important consideration in determining whether an award of profits is appropriate," id. at 1497, as an "award of profits for innocent or good-faith trademark infringement would not be consonant with the 'principles of equity' referenced in § 1117(a)," id. at 1498 (Sotomayer, J., concurring). Here, however, the issue of good faith has already been resolved in the context of defendants' own motion for summary judgment, as noted supra at 12-14. See ECF No. 372 at 37-39. Moreover, even if that issue had not been resolved, willfulness has clearly been established here, based on the same facts described in the Court's August 3, 2022 decision. See id. Accordingly, an award of profits is appropriate.

B. Sales

When an award of profits is appropriate, the plaintiff need only prove the defendant's sales, and the defendant bears the burden of proving appropriate costs or deductions. See 15 U.S.C. § 1117(a); ECF Nos. 137 at 8-9; 391 at 1; Am. Honda Motor Co. v. Two Wheel Corp., 918 F.2d 1060, 1063 (2d Cir. 1990); Merck Eprova AG v. Gnosis S.p.A., 901 F. Supp. 2d 436, 459 (S.D.N.Y. 2012), aff'd, 760 F.3d 247 (2d Cir. 2014). The law places the initial burden on a plaintiff to prove sales, despite the fact that sales

information typically can be obtained only through discovery from the infringer. See 5 McCarthy on Trademarks § 30:66 (5th ed.).

C. Costs

Under the Lanham Act, while the plaintiff has the burden to prove sales, the burden falls on the defendant to establish costs. 15 U.S.C. § 1117(a). "Ordinarily, a plaintiff that has proved the amount of infringing sales would be entitled to that amount unless the defendant adequately proved the amount of costs to be deducted from it." Am. Honda Motor Co., 918 F.2d at 1063.

The Circuits vary on what costs can be deducted, but this Circuit applies the "full absorption" approach. Warner Bros., Inc. v. Gay Toys, Inc., 598 F. Supp. 424, 428 (S.D.N.Y. 1984). This approach permits the deduction of direct costs to produce the infringing goods, as well as certain fixed costs, like overhead. Id. In order to deduct specific costs, the infringer "must prove not only that it has borne the particular cost or expense but also that the cost or expense is attributable to its unlawful sales." Manhattan Indus., Inc. v. Sweater Bee by Banff, Ltd., 885 F.2d 1, 7 (2d Cir. 1989).

For overhead costs, courts use a two-step analysis:

The court must first "determine what overhead categories . . . are actually implicated by the production of the infringing product," a process that requires a determination whether there is a "sufficient nexus between a category of overhead and the production or sale of the infringing product." . . . The second step

is to determine "a fair, accurate, and practical method of allocating the implicated overhead to the infringement." The infringer has the burden of offering such a formula, which the court is to assess for reasonableness, a determination that requires a case-by-case factual assessment.

Fendi Adele S.R.L. v. Burlington Coat Factory Warehouse Corp., 642 F. Supp. 2d 276, 290 (S.D.N.Y. 2009) (quoting Hamil Am. Inc. v. GFI, 193 F.3d 92, 105 (2d Cir.1999)) (first alteration in original). Moreover, "[w]hen infringement is found to be willful, the district court should give extra scrutiny to the categories of overhead expenses claimed by the infringer to insure that each category is directly and validly connected to the sale and production of the infringing product." Hamil, 193 F.3d at 107.

That being said, disgorgement of profits remains an equitable remedy. Thus, "even where the infringer failed to produce evidence of either apportionment or cost deductions, to avoid a windfall to the mark owner, the court may award its own estimate of what is a fair recovery." 5 McCarthy on Trademark § 30.66 (5th ed.).

D. Equitable Adjustment

Finally, "[i]f the court shall find that the amount of the recovery based on profits is either inadequate or excessive," the court may make an equitable adjustment. 15 U.S.C. § 1117(a). In doing so, the Court can consider, for example: "(1) the degree of certainty that the defendant benefited from the unlawful conduct; (2) the availability and adequacy of other remedies; (3) the role

of a particular defendant in effectuating the infringement; (4) any delay by plaintiff; and (5) plaintiff's clean (or unclean) hands." 4 Pillar Dynasty LLC v. New York & Co., Inc., 933 F.3d 202, 214 (2d Cir. 2019). Ultimately, the Court should consider whether the "disgorgement of all profits attributable to the infringing product is necessary to achieve the desired deterrent effect." Id.

DISCUSSION

The trial began on July 10, 2023 and concluded on July 13, 2023, producing 702 pages of transcript.¹² During the course of the trial, the Court heard testimony from the Vice President of Finance at PPW, Kandiss Schulz ("Ms. Schulz"); and President of PPW, Oren Lewin ("Mr. Lewin").¹³ The Court also heard expert testimony from each side. Plaintiff called Beth Rubin ("Ms. Rubin"), who is the Managing Director in the Forensic and Litigation Consulting practice at FTI Consulting, Inc. and is a certified public accountant ("CPA"). See PX-01/DX-02. Defendants called Mr. David Duski ("Mr. Duski"), who is a Principal at Charles River Associates and had previously provided financial consulting

¹² "Trial Tr. _" refers to the trial transcripts, see ECF Nos. 461, 463, 465, 467.

¹³ The Court permitted Mr. Lewin to testify remotely without objection. See ECF No. 453 at 2.

services in connection with several commercial disputes. See DX-03. He is also a CPA. Id.

In advance of the trial the parties stipulated to 37 exhibits. See ECF No. 457. In addition, the Court received as direct testimony five declarations of Ms. Schulz, see DX-49, DX-50, DX-53, DX-54, DX-56; the declaration of Mr. Lewin, see DX-52; and the reports of the experts, see PX-01/DX-02, DX-03, PX-02/DX.¹⁴ The Court then admitted an additional 53 exhibits during trial.¹⁵

After the conclusion of the trial, the parties filed annotated findings of fact and conclusions of law on July 28, 2023. See ECF No. 469-71.

The Court makes the following findings and conclusions based on the exhibits stipulated to prior to trial, the sworn declarations and expert reports that were proffered as the witnesses' direct testimony, the testimony during the trial, and exhibits admitted at trial.

¹⁴ PX- refers to plaintiff's exhibits and DX- refers to defendants' exhibits. If a document was marked as both a plaintiff exhibit and defendants exhibit, the Court refers to both markings when citing the exhibits.

¹⁵ There was some confusion during trial regarding the admission of exhibits to the declarations of the defense witnesses, particularly the declarations of Ms. Schulz. As a result, defense counsel identified and moved these documents into evidence as exhibits to the underlying declaration (e.g., Ex K to DX-49), even though defendants had separately identified some of these documents as standalone exhibits in their pretrial exhibit list (e.g., DX-13, see ECF No. 457). Thus, for clarity and completeness, if a document was identified as both an attachment to an admitted declaration and as a separate exhibit, the Court provides both references in its opinion.

Further, to the extent that the Court refers to any evidence to which a party objected, the objection is overruled.

A. Background

1. Operation of the Business

The trial on damages provided the Court with clarity on defendants' business operations for the first time in this seven-year litigation. Defendants own and run a family winery, through which they produce, market, and sell wines under two brands relevant to this litigation -- the Peju brand and the Liana Estates brand.¹⁶ See Trial Tr. at 224:25-225:19. At the outset, defendants operated a single winery founded in 1982 known as Peju Province Winery at 8466 Saint Helena Highway, Rutherford, California, which sold Peju-branded wines ("Peju Winery"). Id. at 225:25-226:7. The operations of the company originally fell under PPW, but, in 2012, a corporate restructuring transferred the operations of the Peju Province Winery to the corporate operating company, PFOP. Id. at 331:4-332:18.

A few years later, in 2016, defendants acquired a second winery, known as Liana Estates Winery at 2750 Las Amigas Road, Napa, California. Id. at 226:4-7, 320:21-23, 342:5-12. From that winery, which opened to the public in October 2016, defendants launched the LIANA brand. Id. at 471:8-11. Although the Liana Estates Winery was a separate property, it was operated by the same corporate operating partnership, PFOP. Id. at 225:9-19. As

¹⁶ It is the Court's understanding that there may be other wine brands, but those other brands are not the subject of this litigation.

a result, for tax purposes, costs and revenues for the two properties were combined and reported under PFOP. Id. However, for operational purposes, defendants maintained separate records for each winery, which are discussed in detail below. Id.

To produce the Peju and Liana Estates branded wines, defendants either grew grapes at their own vineyards, namely Tess Winery and Persephone, or purchased grapes, known as bulk wine, from other vineyards. Trial Tr. at 240:8-22, 246:9-247:15. The farmed grapes were harvested, crushed, and fermented in tanks, while the bulk wine was delivered to defendants already crushed. Id. at 246:15-247:14. At that point, both types of wine were further processed at the wineries and blended before being bottled and stored. Id.

Once produced, the wines were sold at tasting rooms¹⁷ within the two wineries, as well as through online sales, wholesale, and through its wine club. See id. at 252:2-11. Throughout the course of the trial, the Court heard evidence regarding how these wineries operated, especially at the Liana Estates Winery. The wineries provided a chance for customers to sample the wines by purchasing tastings, individual glasses, or bottles. Id. at 322:8-323:1.

¹⁷ The tasting room is contained within the winery, and can be thought of as a register. See id. at 207:25-208:13. The witnesses and parties often used "tasting room" and "winery" interchangeably to refer to the physical locations in Napa and Rutherford, California. For simplicity, the Court refers to each location as a "winery," unless otherwise noted.

Customers could also drink the wines at events held at the wineries. Id. at 321:4-9, 322:8-323:1.

2. Records Maintained

In operating their business in the normal course, defendants maintain their records in a system called "Advanced Management Systems" or "AMS." Id. at 201:8-10; DX-49 ¶ 5. This is a suite of software that includes 25 modules designed for wineries, including ones for vineyard management, winemaking, bottling supplies, general inventory, order processing, sales analysis, purchasing, accounts receivable, tasting room cash register, and general ledgers. DX-49 ¶ 5. The system helps maintain records that are needed for reporting to the Alcohol and Tobacco Tax and Trade Bureau. Id. ¶ 6. Information is recorded and stored in this system and then queries are run to generate specific reports or cuts of the data. Id. ¶ 10. When a report is generated in this way, the set-up sheet that precedes the report indicates the specific inputs used to run the query. See id. ¶ 16.

Defendants record information within the system for individual wines. Each wine is assigned a 5-digit part or SKU number, with the first two digits representing the year and the next three digits indicating the varietal. See Trial Tr. at 210:10-18. The system then tracks sales for each wine. Because it is a point-of-sale system, when a sale is made online or at a tasting room, it is immediately and automatically logged in the

system. DX-49 ¶ 9. Similarly, wholesale wine sales are entered into the system after receipt of the purchase order. Id.

In addition to sales, AMS contains data on bottling and inventory. See Trial Tr. at 202:8-17, 250:9-14. For example, the trial record contains the inventory report for SKUs 13450 and 14450 as of November 30, 2018, showing the number of bottles stored in inventory on that date. See PX-3; PX-4/DX-9.

Finally, within AMS, defendants also maintain information regarding the costs to produce and sell the wines, and the costs to operate the tasting rooms. To do so, invoices or receipts are logged into the system and assigned to a cost center. Trial Tr. at 252:12-253:8. From there, AMS is used to generate profit and loss statements ("P&L Statements"). These are run on a monthly basis for each winery, see DX-3 at 51, and can either be generated with or without production costs. When the P&L Statements are labeled "No Production," it means that only the costs to produce the wines that were sold in that year were included. Id.

B. Calculation of Sales Revenues

Prior to trial, plaintiff and defendants prepared expert reports which calculated infringing sales at \$5,406,330¹⁸ and \$1,819,612, respectively. PX-01/DX-02 at 3; DX-03 at 41. The large difference in their calculations is attributable to four

¹⁸ In Ms. Rubin's rebuttal report, she reduced the total gross sales to \$4,560,629 after deducting discounts. See PX-02/DX-04.

main disputes: (1) which specific wines should be included in revenue calculations; (2) whether the sales records are incomplete and plaintiff should be able to recover for “unaccounted for” bottles; (3) whether sales after July 2018 should be considered infringing sales; and (4) whether the revenues from tasting fees or event fees are recoverable. We address each in turn.

1. Relevant SKUs

As noted, the Court has already determined that the wines that included “LIANA” on the front or back of the bottle were infringing. Accordingly, the Court finds that the Peju Late Harvest Orange Muscats (SKUs 13450, 14450, and 15450), which contained the word “LIANA” on the front of the label, below the Peju logo, were infringing (“Peju Branded Infringing Wines”), see DX-52 ¶ 8, as were the vast majority of the wines sold at the Liana Estates Winery, which did not contain a winery name on the front of the label, but contained “LIANA Estates” on the top of the back label (“Liana Estates Branded Infringing Wines”). Given the Court’s prior holdings, the parties’ experts calculated revenues for all of these wines.

The core dispute between the parties with respect to the scope of infringing wine is whether sparkling wines sold by defendants were infringing. Plaintiff argues that three sparkling wines are infringing because, during her deposition, Ariana Peju (“Ms. Peju”) was shown a list of wines prepared by plaintiff’s counsel

and Ms. Peju did not strike the sparkling wines from the list at that time and never retracted her testimony. Pl. Proposed Findings of Fact ¶ 61, ECF No. 471; PX-50-1.¹⁹

From the evidence presented at trial, however, the Court finds that the sparkling wines identified by plaintiff did not include the word "LIANA" on the bottle and thus were not infringing. See Trial Tr. at 481:8-14. Ms. Schulz noted that defendants did not bottle sparkling wine or possess a license to do so. See DX-54 at 8. While Ms. Peju may have been shown the list that plaintiff relies upon, subsequent testimony of Ms. Schulz clarified that the bottles of sparkling wine bottled by a third-party vendor, who labeled the sparkling bottles as either Peju or Carneros, not Liana. DX-54 at 8. We credit Ms. Schulz's testimony.

With this in mind, the Court does not award revenues for the sparkling wines. Appendix A lists all of the infringing wines ("Infringing Wines") and their assigned SKUs.

2. Sufficiency of Sales Records and Unaccounted for Bottles

The largest driver of the difference in the revenue calculations of Ms. Rubin and Mr. Duski, is that Ms. Rubin challenged the completeness of sales records maintained by

¹⁹ The list admitted into evidence as PX-50-1 is a list of 16 "Liana Wines Currently Known to Plaintiff" at the time of Ms. Peju's deposition. During the deposition, Ms. Peju crossed out some of the wines, but did not cross out the sparkling wines listed.

defendants in the AMS system. See PX-01/DX-02. Plaintiff argues that because “defendant does not competently account for infringing products that the defendant produced or acquired,” it can seek revenues from every bottle that was ever produced. Pl. Proposed Findings of Fact ¶ 42. On the other hand, Mr. Duski only calculated revenues for the sales documented in the AMS Sales Reports. See DX-03.

Testimony at trial established how sales of the Infringing Wines occurred and how they were recorded. Bottles of Infringing Wines were sold at the two physical wineries, through online and phone sales, through the wine club, and through wholesalers. See Trial Tr. at 252:2-11. In addition, Ms. Schulz testified that some of the wines were available by the glass at the Liana Estates Winery. Id. at 324:2-9.

All of these sales were recorded in the AMS system. See Trial Tr. at 252:2-11. The Court understands that PX-16/DX-25 and DX-33 represent all bottle sales for the Peju Branded Infringing Wines.²⁰ Similarly, PX-10/DX-18, PX-12/DX-20, PX-14, DX-22, and DX-29 (collectively, “AMS Sales Reports” or “Sales Reports”) include all sales for the Liana Estates Branded Infringing wines.

²⁰ PX-16/DX-25 and DX-33 show the same information, but PX-16 includes a longer time period and includes SKU 15450PP, which is discussed in more detail in the following section.

Additionally, for clarity of the record, the Court notes that defendants attempted to admit PX-16 as Exhibit B to DX-53.

Occasionally, discounts were offered on the wines for employees or members of the wine club, see DX-3 at 23, which were included in the AMS Sales Reports ("Sales Reports"). Both parties agree that the revenues defendants received were the gross sales net of discounts. Based on the evidence presented as part of trial, the Court has no reason to doubt the accuracy of the Sales Reports, which predate the litigation, were maintained in the regular course of business, and, in particular, were entered automatically at the point-of-sale.²¹

Nevertheless, plaintiff challenges the accuracy and completeness of the Sales Reports because plaintiff claims that the Sales Reports do not align with the number of bottles Ariana Peju previously testified were produced and because there are slight discrepancies between the inventory and sales figures. See Pl. Proposed Findings of Fact ¶ 44.

However, both arguments fail to meaningfully challenge the validity of the Sales Reports. First, the testimony of Ms. Peju was later modified and corrected by Ms. Schulz, who the Court finds has consistently provided credible testimony.²² DX-54 ¶¶ 30-39.

²¹ Plaintiff never raised an argument that the data in AMS was not entered in the normal course of business. We find these records to be admissible evidence under Federal Rule of Evidence 803(6).

²² Plaintiff claims that defendants are improperly using Ms. Schulz's testimony as a sword and a shield (i.e., seeking to protect documents Ms. Schulz provided Ariana Peju in preparation for a deposition while also affirmatively testifying to correct the evidentiary record). Pl. Proposed Findings of Fact at 19 n. 28. There is no indication that there is a basis for that argument. The Court previously ruled that the compilation of materials prepared by Ms. Schulz for

Second, the discrepancy between inventory and sales numbers is miniscule. For example, plaintiff's expert, Ms. Rubin, highlights that for SKU 14450, defendants' AMS data shows that 6,480 bottles were produced, and, as of 2021, 3,405 bottles remained in inventory. PX-1 at 8-9. The difference between the production and inventory should, in a perfect world, equal sales. Here, the difference between production and inventory is 3,075 bottles, which is 58 bottles more than the number of bottles reflected in the Sales Reports (3,017 bottles). This means that less than one percent of the bottles of SKU 14450 produced were not accounted for by the inventory or sales data.²³ The Court does not find that this is a convincing reason to question the validity of the Sales Reports, let alone entirely disregard them. Ms. Schulz further testified that it is normal for inventory to show small shortages or surpluses. Trial Tr. at 383:2-4.

Moreover, the caselaw plaintiff cites to justify the recovery of revenues for the unaccounted bottles is readily distinguishable. For instance, plaintiff relies on Chesa

Ms. Peju to review prior to her deposition were privileged work product. Although those documents prepared by Ms. Schulz were protected by the work product doctrine, there is no evidence that any document in that compilation which was otherwise a business record subject to discovery was independently withheld.

²³ Ms. Rubin performs a similar analysis for SKU 13450. This analysis shows a comparable discrepancy. She acknowledges that 5,892 bottles of the wine were produced and there were 1,112 left in inventory. See PX-1 at 6. However, the sales records only show that 4,699 bottles were sold, leaving a discrepancy of 81 bottles. Id.

International, Ltd. v. Fashion Assocs., Inc., 425 F. Supp. 234 (S.D.N.Y. 1977), in which defendant produced only eleven invoices purporting to show the possible infringing sales and was ultimately sanctioned for its failure to produce relevant documents. Still, in Chesa, the court did not allow plaintiff to recover for every item produced; instead, the court awarded revenues for all sales reflected in the invoices, even though defendant claimed, without evidence, that some of the items reflected in the invoices did not actually contain the infringing mark. 425 F. Supp. at 238; see also Deering, Milliken & Co. v. Gilbert, 269 F.2d 191, 193 (2d Cir. 1959) (allowing recovery when defendant was evasive, was “unworthy of belief,” and produced no evidence of sales); GTFM, Inc. v. Solid Clothing, Inc., 215 F. Supp. 2d 273, 304 (S.D.N.Y. 2002) (awarding damages for sales without style number or date in the record because defendant “systematically obstructed the discovery process”). The only case cited by plaintiff which allowed recovery for sales beyond recorded sales was With Love Designs Inc. v. Dressy Tessy Inc., No. 91-cv-4717 (RPP), 1992 U.S. Dist. LEXIS 15629 (S.D.N.Y. Oct. 9, 1992). However, there, the defendant admitted that it sold all of the goods in its inventory, contradicting the records. Id. at *8.

Here, defendants have produced detailed sales records that were kept in the normal course of business, have not been sanctioned for obstructing discovery, and have not admitted to

selling any additional inventory.²⁴ And as just discussed, the inventory records produced show that, for the SKUs reflected in the inventory data, practically all of the “unaccounted” bottles were accounted for in inventory. Even if plaintiff had proven that the Sales Reports were incomplete, which it has not, it would still not justify the assumption that every bottle ever produced was sold. Plaintiff’s argument assumes, contrary to any business reality, that companies can perfectly calibrate production to demand and sell all of their inventory. No matter how hard plaintiff tries, the record simply does not match the narrative it urges.

Therefore, the Court determines that the Sales Reports are the appropriate record of bottles sold and the Court does not award revenues for the so-called “unaccounted for bottles.”²⁵

3. Time Period of Infringing Sales

Even after determining the infringing SKUs and the relevant records of sales, a dispute remains regarding the time period of infringing sales. Defendants only include sales until July 2018,

²⁴ While plaintiff at one point moved for sanctions, see ECF No. 256, the Court in fact did not impose sanctions, see ECF No. 289 at 176:10-25.

²⁵ With regards to SKU 15450L, while Ms. Rubin acknowledges that there are no sales, she nonetheless seeks revenues for the produced bottles. See PX-01/DX02. Consistent with our general ruling to not award revenues for unaccounted for bottles, we do not award any revenue for SKU 15450L. Further, in this particular case, Ms. Schulz credibly testified as to why bottles of this wine were produced but not sold, namely that it was a “shiner,” meaning that it was bottled and not labeled, and thus there was a delay in offering these wines for sale. DX-54 ¶ 17.

because they maintain the bottles were relabeled and any sales after that date did not include "LIANA" on the bottle. DX-03 at 15-16. However, plaintiff argues that this is contradicted by the sales records themselves, which show sales for some infringing SKUs after July 2018. Pl. Proposed Findings of Fact ¶ 69. Based on the testimony at trial, the Court finds no contradiction.

During the course of this litigation, defendants eventually ceased selling wines with "LIANA" on the bottle. In 2018, the wines were either relabeled, dumped back into tanks to be made into Peju or Calmere wines, or dumped into storage tanks to be bottled at a later date. DX-52 ¶ 23. As explained through the credible testimony of Ms. Schulz and Mr. Lewin, defendants began the relabeling process first for the Liana Estates Branded Infringing Wines. Trial Tr. at 273:8-274:5; 681:25-682:13. The reason for the initial emphasis on the Liana Estates Branded Infringing Wines was that there were more of these infringing wines than Peju Branded ones, and the sales of the Peju Branded Infringing Wines were much slower. See id. at 273:8-274:5. Thus, to quickly ensure that no infringing sales would occur, according to Mr. Lewin, defendants began relabeling wines for Liana Estates in May 2018, and finished on July 23, 2018.²⁶ DX-52 ¶ 21.

²⁶ During Ms. Schulz's testimony, she stated that the relabeling began in July 2018. Trial Tr. 273:8-10. Whether the relabeling began in May or July is not material to the Court's ultimate calculation of profits.

The testimony of Ms. Schulz established that when defendants stopped selling the Liana Estates Branded Infringing Wines, the wines were selected for relabeling or, if not relabeled, were sequestered in defendants' warehouse, put on pallets, shrink-wrapped, and marked with a sign stating "do not sell." Trial Tr. at 308:19-309:10. Further, Ms. Schulz testified that she personally checked the bottles in the warehouse in late 2018 to confirm relabeling had, in fact, occurred.²⁷ Id.

It is significant for our purposes that after a wine was relabeled, defendants continued to use the same SKU number. Id. 273:4-7. Therefore, the system continued to use the same 5-digit identifier even though the bottle no longer contained the word "LIANA" on it. As such, the Court finds that revenues shown for infringing SKU numbers after July 2018 do not represent sales of Infringing Wines, because they contained a new label that did not use the "LIANA" name.²⁸

²⁷ Plaintiff routinely challenged the witness testimony regarding the relabeling process. While again, the Court found the testimony of Ms. Schulz and Mr. Lewin credible, the Court notes that in 2018 plaintiff had the option to demand inspection of defendants' warehouse to view the relabeled goods under Federal Rule of Civil Procedure 34, but never did so. Further, plaintiff's arguments that the new labels were not produced is hollow without pointing to a discovery request or a motion to compel seeking that information. Plaintiff cannot bury its head in the sand and then complain to the Court that it cannot see.

²⁸ At trial, plaintiff entered into evidence Exhibit PX-22A, which showed revenues for some SKU numbers associated with the Liana Estates Infringing Wines after July 2018. PX-22A. Given the credible testimony regarding the relabeling and the fact that defendants continued to use the same SKU after relabeling, the Court dismisses plaintiff's argument that the sales shown by PX-22A after July 2018 for SKU numbers previously associated with infringing wines discredit the validity of the Sales Reports. The Court also notes that while plaintiff relies on PX-22A to justify its desire to seek revenues for "unaccounted for"

For the wines that were not relabeled at the Liana Estates Winery, some were dumped into other wine tanks or storage tanks. DX-52 ¶¶ 23-24. But, this was not done all at once because there was limited space and the wine degrades in some of these tanks. Id. The trial record contains some limited records showing that wines were in fact dumped. See DX-55/DX-54, Ex. K. In the meantime, the Peju Branded Infringing Wines were pulled from inventory and isolated in the warehouse. Trial Tr. at 272:15-21. The Peju Branded Infringing Wines were relabeled beginning in 2019. Id. at 677:14-15.

Ms. Rubin includes in her revenue calculations sales of SKU 15450PP and 14450 after July 2018. PX-01/DX-02 at 7-11. For SKU 15450PP, the 2015 Liana Late Harvest Orange Muscat, the record established that that wine was bottled but never sold with an infringing label. DX-52 ¶ 12. Both the Sales Reports and the testimony of Mr. Lewin showed that the wine was not sold before July 2018. See DX-52 ¶ 12; PX-16/DX-25. The wine was then relabeled in December 2019, and the first sale of the wine occurred on December 10, 2019. DX-52 ¶¶ 14, 18. Despite having a new label, the wine continued to use the same SKU number, 15450PP, within the system. See id. ¶¶ 16, 18.

bottles, Ms. Rubin did not include the revenues shown in PX-22A in her initial or rebuttal report. This contention appeared for the first time on the day of trial.

However, the record established that the 2014 Liana Late Harvest Orange Muscat, SKU 14450, was not relabeled, and instead a "hold" was placed on the SKU within AMS. Trial Tr. at 264:5-265:22. This hold was meant to prevent any additional sales. DX-53 ¶ 13; DX-52 ¶ 11. That being said, a Sales Report that included sales of SKU 14450 for the remainder of 2018 showed an additional eight bottles were sold after July 2018, resulting in an additional \$104 in revenue.²⁹ PX-16/DX-25; DX-33. Because the testimony established that this wine was not relabeled, the Court finds the eight additional sales of this wine were infringing.

Given the record, the Court awards revenues for the sales of infringing wines as referenced in the Sales Reports until July 2018, with the exception of SKU 14450. The revenues awarded by SKU are listed in Appendix A.

4. Event and Tasting Fees

Finally, the parties disagree regarding the recovery of tasting and event fees earned at the Liana Estates Winery. In their calculation of revenues, defendants include over \$500,000 from events and tastings. DX-03, Ex. 5.1. Plaintiff however does not seek these revenues. PX-02/DX-04 at 9.

²⁹ Eight additional bottles were sold in 2018. In addition, five bottles were marked in the Sales Report for 2019 and 2020, but there was no revenue associated with those bottles. See PX-16/DX-25. According to Ms. Schulz, this represents that a bottle was removed from inventory and "no-charged," which represents the use of the bottle without a sale, like a giveaway. Trial Tr. at 209:13-20.

The record establishes that between 2014 and July 2018, Liana Estates earned \$280,991 in revenues from tasting fees. DX-03, Ex. 5.12. It is the Court's understanding that at tastings, pours of several Liana Estates Branded Wines were given to customers to try for a flat fee. See Trial Tr. at 376:16-20. Tastings included a discussion with a wine educator and sometimes food. Id. at 376:21-377:4, 379:4-8. The record however, does not contain any information regarding which wines or even how many were served in a tasting.

The record also shows that Liana Estates earned \$236,348 from "event fees." DX-03, Ex. 5.13. However, even after the four-day trial, it is unclear what was included in these events. Ms. Schulz testified that for the events the "director of experience" works with the guests to craft a menu and selects wines for a flat per person fee. See Trial Tr. at 328:10-329:10. From the record presented, it is unclear how much wine, let alone infringing wine, was served at these events.

Based on the information presented, the Court has no way to determine the percentage of the revenues from tasting or event fees attributable to the Infringing Wines. Further, plaintiff does not actually seek to recover these revenues. Therefore, the Court declines to award revenues for events and tastings.

5. Total Sales Awarded

As stated above, the Court finds that the sales shown in the AMS Sales Reports constitute the sales of Infringing Wines prior to July 2018. The total sales for each infringing SKU are shown in Appendix A.³⁰ Overall, the Court finds that there are **\$330,002** in bottle sales (wholesale and retail) of the Peju Branded Infringing Wines, and **\$732,686** for the Liana Estates Branded Infringing Wines.

In addition to bottle sales, there was testimony that glasses of infringing wine were sold at the Liana Estates Winery. See Trial Tr. at 324:2-11. The Court believes for the same reasons that bottle sales are recoverable, so are the by-the-glass pours. As such, the Court includes the **\$8,191** of by-the-glass revenues contained in DX-18, DX-20, DX-22, and DX-29 in its total revenues, as shown in Appendix A. Therefore, the total revenue from the sale of all Infringing Wines is **\$1,070,879**.

C. Calculation of Costs

Having determined the revenue from the sale of Infringing Wines, the burden shifts to defendants to prove deductible costs. Not only must defendants prove that they incurred specific costs, they must also prove that the costs were related to the sale of the Infringing Wines. Manhattan Indus., 885 F.2d at 7.

³⁰ Both experts ultimately agree that deducting the discounts from the gross sales is proper. Therefore, the Court also deducts the discounts shown in the Sales Reports.

Once again, the parties vastly disagreed on this calculation. In his expert report, Mr. Duski sought to deduct the cost of goods sold, overhead expenses included in P&L statements for the wineries, and excise taxes. See DX-03. Plaintiff challenged each of these, but did not otherwise suggest a more appropriate number. See PX-02/DX-04. The Court evaluates each category of cost below. For the reasons below we award the costs reflected in Appendix B, which include direct costs and excise taxes.

First, defendants seek to deduct \$641,018 in direct costs for the wines sold and for the tastings.³¹ DX-03, Ex. 3.0. For the wine sales, this number is derived from the “cost of goods sold” (“COGS”) calculated by defendants’ accountants. Trial Tr. at 562:7-11; DX-03 at 42.

Ms. Schulz and Mr. Duski testified that COGS is a standard accounting principle, typically prepared by accountants, and the best measure of direct costs. Trial Tr. at 543:2-17; 562:7-11, 570:5-10. In the wine context, it includes the cost to grow or buy the grapes, bottles, corks, costs related to processing, costs related to storing and aging the wines, and costs related to bottling and labeling the wines. See id. at 543:2-17; DX-3 at 42-43.

³¹ Because the Court does not award revenues related to tastings and events, we need not evaluate defendants’ calculation of costs related to those events.

Unfortunately, neither side chose to call an accountant specializing in wine as an expert, which would have been helpful in a disgorgement analysis. Nevertheless, the Court found credible the testimony of Ms. Schulz that these calculations were part of routine accounting practice and done in compliance with the accounting standards. Ms. Schulz testified that the cost of goods sold included the grape or bulk wine cost, cellar costs, and bottling costs (i.e., glass, corks, and labels). See Trial Tr. at 543:2-17. It also included an allocation for the square footage of the cellar devoted to these wines.³² Id. However, the measure excluded costs related to production of future wines. Id. 320:1-18. Additionally, Mr. Duski testified that in using the cost of goods metric, his conversations with Ms. Schulz describing how the number was calculated comported with his understanding of generally accepted accounting practices. Id. at 562:7-11. Originally, the figure was prepared by an external accountant, and then sometime in 2019 or 2020, defendants calculated the cost of goods sold themselves, and that calculation was then reviewed and signed off by an external accounting firm. See Trial Tr. at 543:20-544:19.

³² On his cross examination, Mr. Duski referred to this "indirect" cost as "manufacturing overhead" and testified that it is included in the cost of goods sold under generally accepted accounting principles. Id. at 569:12-23 ("I deducted all the manufacturing overhead because by definition they are tied directly to the sale of the complained of wines otherwise they would not be included as a component of cost of goods sold.").

The record contains the cost of goods sold for the Peju Branded Infringing wines by SKU. DX-11/DX-49, Ex. I; DX-34. However, for the Liana Estates Branded Infringing Wines, the cost of goods sold was not produced for each infringing SKU. See Trial Tr. 544:20-25. Instead, the aggregated cost of goods sold for all the wines sold at Liana Estates was contained in the P&L Statements. See DX-13/DX-49, Ex. K; DX-14; DX-30. These P&L Statements were run monthly and were reviewed by the management team to analyze the performance of the business. DX-3 at 51. From this Mr. Duski argues that you can calculate the cost of goods sold for only the infringing wines by multiplying the cost of goods sold in the P&L Statements by the ratio of infringing sales to all sales in each year at Liana Estates. Id.

Plaintiff however challenges the cost of goods sold as "unexplained." PX-02/DX-04 at 12. The Court finds this argument insufficient to challenge the record evidence of the cost of goods sold. While the underlying formula was not disclosed, both Ms. Schulz and Mr. Duski explained the accounting process used to calculate the cost of goods sold and the categories of costs included. Id. at 543:2-17, 562:7-11. Further, plaintiff's comparison to Judge Furman's decision in Coty Inc. v. Excell Brands, LLC, 277 F. Supp. 3d 425 (S.D.N.Y. 2017) misses the point. Pl. Proposed Findings of Fact ¶¶ 77-80. While Judge Furman ultimately rejected the cost of goods sold included in P&L

statements when calculating infringer's profits, it was not a general attack on this metric or on P&L statements. Instead, Judge Furman believed that the P&L statements themselves were "inaccurate and unreliable," because witnesses admitted that the statements were later revised when reviewed by outside accountants and a sufficient foundation had not been laid. Id. at 466-467. No similar testimony or basis to challenge the P&L Statements exists here.

Second, as discussed previously, the caselaw distinguishes between direct and indirect costs, applying a more stringent standard to recovery of indirect costs. As a result, plaintiff challenges the cost of goods sold used by defendants because it contains some overhead costs in its calculation. See Trial Tr. at 566:11-569:13. However, both Ms. Schulz and Mr. Duski testified that overhead cost included in the cost of goods sold is the allocation for the square footage of the facility used to produce the wine, in compliance with the standard accounting practice and calculated independent of this litigation. Id. at 543:2-17, 569:11-17. The inclusion of this cost does not taint the metric, since this is precisely the type of overhead cost that is recoverable, as it is tied to the production of the infringing product.

Third, plaintiff finds fault with the use of the P&L Statements that aggregate the cost of goods sold for the Liana

Estates Winery. The Court understands that the cost of goods sold within the Liana Tasting Room P&L Statement³³ is the aggregated amount of the cost of goods metric discussed earlier for all wines. However, the Court has no reason to question the P&L Statements that were generated in the normal course of running the wineries.³⁴ Therefore, multiplying the total cost of goods sold in the P&L by the percentage of wine sales from Liana Estates Branded Infringing Wines is a sufficient methodology to allocate evidence of direct costs.³⁵ Therefore, the direct costs associated with the Liana Estates Branded Infringing Wines are **\$374,459**.

Overall, we find that defendant has properly demonstrated a total of **\$396,053** in direct costs for all Infringing Wines (Peju Branded and Liana Estates Branded Infringing Wines).

1. Overhead Costs

Finally, defendants presented evidence regarding overhead costs. Mr. Duski argues that we should deduct over \$2 million in

³³ The P&L Statements refer to "Tasting Rooms," however as noted earlier in footnote 17, the Court believes this refers to the physical wineries. Therefore, for consistency, this P&L refers to the Liana Estates Winery.

³⁴ Throughout the trial, plaintiff questioned the validity of the P&L Statements by arguing they must have been produced for this litigation as defendants include both wineries under PFOP when reporting taxes. Plaintiff fundamentally misunderstands the difference between business documents created for tax purposes and those created to operate a business. Testimony established that defendants collect revenues, costs, and profits at each winery which are then rolled up into a single entity for taxes. Trial Tr. at 335:16-336: 17. There is nothing nefarious in monitoring the business at a more granular level than is required for tax reporting.

³⁵ This is particularly appropriate because the vast majority of wine sales were infringing. See Appendix B.

overhead costs. DX-03, Ex. 3.0. To calculate this figure for the Peju Winery, Mr. Duski relied on the costs in a 2017 P&L Statement for the Peju Tasting Room, and then followed the guidance of Ms. Schulz to allocate 20 percent and 50 percent of the net sales for "Fixed Admin Benefits" and "Tasting Room Costs," respectively. DX-3 at 46-48, Exhibit 4.2. In calculating the "Fixed Admin Benefits," there was no testimony regarding the type of employees included, their role in the company, and their connection to the Infringing Wines. Similarly, Mr. Duski largely regurgitated Ms. Schulz's analysis to calculate the "Tasting Room Costs" without providing further explanation linking the costs and the infringing products. See DX-3, Exhibit 4.2, ns. 2, 3, 5,

Defendants adopted a different approach for the Liana Estates Winery. Here, Mr. Duski attempted to deduct practically every line item on the P&L Statements for the Liana Estates Winery. This included categories such as "Salaries and Wages" and "Supplies," as well as more nebulous categories like "General Expenses," "Outside Serv / Consulting Fees," and "Travel and Entertainment." See DX-3, Exhibit 5.14. However, there was no additional explanation provided for these categories, and when questioned in Court, Mr. Duski at times was unaware of what was captured by the categories. See Trial Tr. at 615:9-14 ("Q: Do you know what the outside service and consulting fees include? A: As I sit here right now, I don't have an exact definition for you. I do know

that they are directly attributable to the Liana brand or else they would not have appeared on this profit and loss statement.”)

Plaintiff challenges the overhead costs as not sufficiently related to the Infringing Wines, and the Court agrees. Mr. Duski has failed to link any of the overhead cost categories to the production of the Infringing Wines and at times could not explain what was captured by the specific cost categories.

Simply, there is an insufficient nexus between the overhead costs and the infringing goods. Use of broad categories which are not described “beyond a one- or two-word label . . . make it impossible for the court -- even if we disregarded defendant’s burden of proof - to determine the nature of the linkage of the cost category to the sale of [infringing] goods.” Fendi, 642 F. Supp. 2d at 293. This problem is even more serious here; since the Court has already found the infringement to be willful, the caselaw requires the Court to be more discerning when deciding whether to award overhead costs. Hamil, 193 F.3d at 107. Defendants have failed to meet their burden on the first step of the overhead cost analysis. Thus, the Court need not analyze whether the allocation methodology was proper.

2. Excise Taxes

Finally, defendants maintain that they should be permitted to deduct excise taxes. Mr. Duski noted in his analysis that California imposes an excise tax on the sale of beer and wine.

DX-3 at 52. As such, the excise taxes are directly related to the sale of the infringing wine. The excise taxes are reported for the Liana Estates Winery in its P&L Statement. Id. Using the same methodology as Mr. Duski, the Court allocates a portion of those excise taxes to the sales of Infringing Wines and tasting fee revenue, as shown in Appendix B. Overall, the Court finds defendants paid **\$8,612** in excise taxes on the infringing wine sales.

While federal income tax is often not deducted in disgorgement analyses, the Court has the discretion to deduct excise taxes. 5 McCarthy on Trademarks § 30:67 (5th ed.). The tax here is a state tax that is levied on the sale of the exact infringing products at issue. Thus, the Court holds it is proper to deduct the excise taxes related to the sale of Infringing Wines.

D. Profits and Equitable Adjustments

Given the findings above, we award plaintiff a total of **\$666,214** in profits, as shown in Appendix C.

Defendants then urge the Court to make an equitable adjustment to the award of profits to further reduce the award. Def. Proposed Findings of Fact ¶ 139, ECF No. 469. The Lanham Act permits an equitable adjustment “[i]f the court shall find that the amount of the recovery based on profits is either inadequate or excessive” and thus “the court may in its discretion enter judgment for such sum as the court shall find just, according to the circumstances

of the case.” 15 U.S.C. § 1117(a). Defendants argue that because “there is no evidence in the record of actual confusion,” the Court should decrease the award. Def. Proposed Findings of Fact ¶ 139. However, the Court in evaluating the award in its equity power can also consider the actions of defendants, including that they continued to sell the Infringing Wines after receiving a cease-and-desist letter and after the initiation of this lawsuit, which resulted in our finding of bad faith in response to a motion for summary judgment. See supra at 6-7, 12-14; ECF No. 372 at 37-39. With that in mind, the Court finds that the award of **\$666,214** is not excessive and declines to make any equitable adjustment.

CONCLUSION

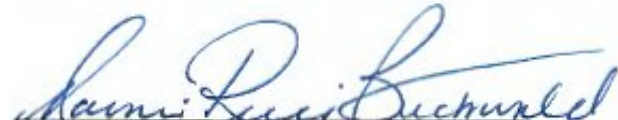
For the reasons stated above, the Court awards profits in the amount of **\$666,214**.

It is hereby ordered that the deadline for plaintiff to file a motion for attorneys’ fees and costs, if any, is October 20, 2023. That application shall include: (i) caselaw support for plaintiff’s application demonstrating that this action is an exceptional case; (ii) a sworn declaration providing each attorney and legal support staff’s background, experience, and billing rate at the time the work was expended; (iii) copies of contemporaneous time sheets that include the date, hours expended, and nature of work completed, specifically noting the filings or motions that were worked on in that entry; (iv) a chart aggregating the fees

and costs sought by plaintiff to each stage of the litigation (e.g., particular motions, letters, deposition preparation, depositions taken, court appearances and related preparation, etc.); (v) a chart describing any costs sought by plaintiff; and (vi) a chart detailing the attorneys' fees and costs already paid by plaintiff and those outstanding as of the date of the submission.³⁶ If necessary, the deadline for defendant to file an opposition to plaintiff's motion is October 20, 2023.

SO ORDERED.

Dated: New York, New York
September 22, 2023


NAOMI REICE BUCHWALD
UNITED STATES DISTRICT JUDGE

³⁶ The Court reminds the parties that under Section 35(a) of the Lanham Act, a court "in exceptional cases may award reasonable attorney fees to the prevailing party." 15 U.S.C. § 1117(a). The Court reviews these submissions to ensure that the attorney's fees hours are not "excessive, redundant, or otherwise unnecessary." Hensley v. Eckerhart, 461 U.S. 424, 433-34 (1983).

Additionally, in its post-trial submission, plaintiff noted that it would also seek interest under 15 U.S.C. 1117(a). Pl. Post-Trial Memorandum at 1 n.2, ECF No. 470. Similarly, "Section 1117(a) does not provide for prejudgment interest," but "such an award is within the discretion of the trial Court" and is "reserved for 'exceptional' cases." Am. Honda, 918 F.2d at 1064. It is far from clear that prejudgment interest is warranted in this case.

Appendix A: Sales

SKU	Wine	Gross Sales	Discount	Net Sales	Source
PEJU PROVINCE WINERY WINES					
13450	2013 Liana North Coast Orange Muscat	\$208,665	\$6,140	\$202,525	PX-16/DX-25; DX-33
14450	2014 Liana North Coast Orange Muscat	\$133,326	\$5,849	\$127,477	PX-16/DX-25; DX-33
15450PP	2015 Liana Late Harvest	No revenues awarded			
LIANA ESTATES WINES (Retail and Wholesale)					
14231	2014 Pinot Noir NV	\$193,712	\$29,962	\$163,750	PX-10/DX-18; PX-12/DX-20; PX-14/DX-22; DX-29
14691	2014 Vintner's Red	\$59,750	\$14,119	\$45,631	PX-10/DX-18; PX-12/DX-20; PX-14/DX-22; DX-29
14801L	2014 Sparking RO	No revenues awarded			
14811L	2014 Sparkling Bru	No revenues awarded			
14281L	2014 Blanc de Blanc	No revenues awarded			
15071L	2015 Chardonnay N	\$92,372	\$19,838	\$72,534	PX-10/DX-18; PX-12/DX-20; PX-14/DX-22; DX-29
15101L	2015 Vintners Pink	\$0	\$0	\$0	PX-10/DX-18; PX-12/DX-20; PX-14/DX-22; DX-29
15101LSE	2015 Vintners	\$6,358	\$1,217	\$5,141	PX-10/DX-18; PX-12/DX-20; PX-14/DX-22; DX-29
15101LTR	2015 Vintners	\$33,291	\$5,573	\$27,718	PX-10/DX-18; PX-12/DX-20; PX-14/DX-22; DX-29
15651	2015 Orange Muscat Dry	\$0	\$0	\$0	PX-10/DX-18; PX-12/DX-20; PX-14/DX-22; DX-29
15651SE	2015 Orange Muscat	\$29,036	\$3,189	\$25,847	PX-10/DX-18; PX-12/DX-20; PX-14/DX-22; DX-29
15651TR	2015 Orange Muscat	\$34,238	\$3,731	\$30,507	PX-10/DX-18; PX-12/DX-20; PX-14/DX-22; DX-29
15671	2015 Viognier Mendocino	\$0	\$0	\$0	PX-10/DX-18; PX-12/DX-20; PX-14/DX-22; DX-29
15671SE	2015 Viognier - S	\$14,816	\$2,162	\$12,654	PX-10/DX-18; PX-12/DX-20; PX-14/DX-22; DX-29
15671TR	2015 Viognier - T	\$28,103	\$3,810	\$24,293	PX-10/DX-18; PX-12/DX-20; PX-14/DX-22; DX-29
15681	2015 Vintners White Blend	\$0	\$0	\$0	PX-10/DX-18; PX-12/DX-20; PX-14/DX-22; DX-29
15681SE	2015 Vintners W	\$62,804	\$14,397	\$48,407	PX-10/DX-18; PX-12/DX-20; PX-14/DX-22; DX-29
15681TR	2015 Vintners W	\$82,013	\$18,133	\$63,880	PX-10/DX-18; PX-12/DX-20; PX-14/DX-22; DX-29

Appendix A: Sales

SKU	Wine	Gross Sales	Discount	Net Sales	Source
15691	2015 Vintners Red	\$25,538	\$3,527	\$22,011	PX-10/DX-18; PX-12/DX-20; PX-14/DX-22; DX-29
16101L	2016 Vintners Pink NV	\$0	\$0	\$0	PX-10/DX-18; PX-12/DX-20; PX-14/DX-22; DX-29
16331L	2016 Rose of Pinto	\$29,216	\$3,481	\$25,735	PX-10/DX-18; PX-12/DX-20; PX-14/DX-22; DX-29
16431L	2016 Riesling No	\$14,720	\$1,682	\$13,038	PX-10/DX-18; PX-12/DX-20; PX-14/DX-22; DX-29
16651L	2016 Orange Muscat	\$204	\$0	\$204	PX-10/DX-18; PX-12/DX-20; PX-14/DX-22; DX-29
16671L	2016 Viognier Mendocino	\$0	\$0	\$0	PX-10/DX-18; PX-12/DX-20; PX-14/DX-22; DX-29
	2014 Pinot Noir NV	\$43,320	\$0	\$43,320	PX-11/DX-10; PX-13/DX-21; PX-15/DX-24; DX-31
	2014 Vintners Red Blend	\$78,630	\$0	\$78,630	PX-11/DX-10; PX-13/DX-21; PX-15/DX-24; DX-31
	2015 Chardonnay NV Peju	\$1,280	\$0	\$1,280	PX-11/DX-10; PX-13/DX-21; PX-15/DX-24; DX-31
	2015 Vintners Pink - TR	\$528	\$0	\$528	PX-11/DX-10; PX-13/DX-21; PX-15/DX-24; DX-31
	2015 Vintners White TR Only	\$24,372	\$0	\$24,372	PX-11/DX-10; PX-13/DX-21; PX-15/DX-24; DX-31
	2015 Vintners White -SH/DE	\$3,408	\$202	\$3,206	PX-11/DX-10; PX-13/DX-21; PX-15/DX-24; DX-31
BY THE GLASS POURS LIANA ESTATES					
BTG-CHL	BTG Chardonnay	\$1,486	\$0	\$1,486	DX-18; DX-20; DX-22; DX-29
BTG-MISCL	BTG - Misc Liana	\$16	\$0	\$16	DX-18; DX-20; DX-22; DX-29
BTG-OM	BTG - Orange Muscat	\$576	\$0	\$576	DX-18; DX-20; DX-22; DX-29
BTG-PN	BTG - Pinot Noir	\$2,676	\$0	\$2,676	DX-18; DX-20; DX-22; DX-29
BTG-VP	BTG - Vintners Pink	\$485	\$0	\$485	DX-18; DX-20; DX-22; DX-29
BTG-VI	BTG - Viognier	\$552	\$0	\$552	DX-18; DX-20; DX-22; DX-29
BTG-VR	BTG - Vintners Red	\$1,230	\$0	\$1,230	DX-18; DX-20; DX-22; DX-29
BTG-VW	BTG - Vintner's White	\$1,170	\$0	\$1,170	DX-18; DX-20; DX-22; DX-29
Total Peju Branded Infringing Wine Revenue		\$341,881	\$11,984	\$330,002	
Total Liana Estates Branded Infringing Wine Revenue		\$857,709	\$125,023	\$732,686	
Total Liana Estates Branded Infringing Wine By-the-Glass Revenue		\$8,191	\$0	\$8,191	
Total Revenues				\$1,070,879	

Appendix B: Costs

Peju Branded Infringing Wine

Cost of Goods Sold

SKU	2014	2015	2016	2017	2018	Total	Source
13450	\$3,167	\$8,591	\$1,298	\$9	\$0	\$13,065	<i>DX-11; DX-34</i>
14450	\$0	\$41	\$3,536	\$3,559	\$1,393	\$8,529	<i>DX-11; DX-34</i>
Total	\$3,167	\$8,632	\$4,834	\$3,568	\$1,393	\$21,594	

Liana Estates Branded Infringing Wines

Cost of Goods Sold (Bottles and By-the-Glass Sales)

	2016	2017	2018	Total	Source
Cost of Wine in P&L [a]	\$259,367	\$174,435	\$85,416	\$519,218	<i>DX-13; DX-14; DX-30</i>
All Wine Revenues in P&L [b]	\$252,254*	\$564,203	\$357,784	\$1,174,241	<i>DX-03, Ex. 5.14; DX-13; DX-14; DX-30</i>
Infringing Wine Net Revenues [c]	\$221,769	\$319,533	\$199,576	\$740,878	
Percentage of Wine Sales from Infringing Wines ([d]=[c]/[b])	87.91%	56.63%	55.78%		
Total Costs for Infringing Wines ([d] x [a])	\$228,022	\$98,790	\$47,646	\$374,459	

*The Court found credible the testimony of Mr. Duski that there was an incorrect debit from retail wine sales for \$49,760. DX-03, Ex. 5.14; Trial Tr. at 604:10-605-14. We include the same adjustment in our calculation.

Excise Taxes

	2016	2017	2018	Total	Source
Excise Taxes [g]	\$6,853	\$2,558	\$2,041	\$11,452	<i>DX-13; DX-14; DX-30</i>
Allocation of Excise Taxes to Bottle Sales [g] x [d]	\$6,025	\$1,449	\$1,138	\$8,612	

Appendix C: Profits

	Peju-Branded Wines	Liana-Branded Wines (including By-the-Glass Sales)	Total
Revenues	\$330,002	\$740,877	\$1,070,879
Cost of Goods Sold	\$21,594	\$374,459	\$396,053
Excise Taxes	\$0	\$8,612	\$8,612
Operating Costs	\$0	\$0	\$0
Profits	\$308,408	\$357,806	\$666,214

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

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CESARI S.R.L.,

Plaintiff,

MEMORANDUM AND ORDER

- against -

17 Civ. 873 (NRB)

PEJU PROVINCE WINERY L.P., PEJU FAMILY
OPERATING PARTNERSHIP L.P., and PEJU
PROVINCE CORPORATION,

Defendants.

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NAOMI REICE BUCHWALD
UNITED STATES DISTRICT JUDGE

After a four-day bench trial in July 2023, the Court awarded plaintiff Cesari S.r.l., an Italian winemaker, (“plaintiff” or “Cesari”) \$666,214 in disgorged profits from defendants Peju Province Winery L.P. (“PPW”) and Peju Family Operating Partnership L.P., Napa Valley vintners, (“PFOP”, and together with PPW “defendants” or “Peju”). Plaintiff now seeks, pursuant to Section 35(a) of the Lanham Act, over \$1.7 million in attorney’s fees, nearly \$300,000 in costs, and pre- and post-judgment interest. For the reasons stated below, plaintiff’s motion is granted in part and denied in part.¹

¹ Plaintiff filed the instant motion on October 30, 2023. ECF No. 478 (“Mot.”). In support of its motion, plaintiff filed a number of declarations and exhibits including: (1) the declaration of plaintiff’s counsel, Valeria Calafiore Healy, submitting exhibits, ECF No. 479; (2) the second declaration of plaintiff’s counsel detailing costs for plaintiff’s damages expert which included biographies of the expert witness team and detailed invoices, ECF No. 480 (“Expert Decl.”); (3) the third declaration of plaintiff’s counsel detailing other costs and charges plaintiff incurred with invoices, ECF No. 481 (“Other Costs Decl.”); (4) the

The pre-litigation history between the parties and the history of this trademark infringement litigation, including the Court's evaluation of the substantive positions asserted by the parties, as well as their strategic approaches, have been the subject of two lengthy opinions by this Court: the first on the parties' cross-motions for summary judgment, Cesari S.r.L. v. Peju Province Winery L.P., No. 17 Civ. 873 (NRB), 2022 WL 3082960, (S.D.N.Y. Aug. 3, 2022) ("August 2022 Summary Judgment Opinion"), and the second resolving the remaining issue of damages post-trial, Cesari S.r.l. v. Peju Province Winery L.P., 693 F. Supp. 3d 375, 400 (S.D.N.Y. 2023) ("September 2023 Post-Trial Opinion").² The Court assumes familiarity with these opinions and will not repeat their content,

fourth declaration of plaintiff's counsel describing the attorney's fees incurred by plaintiff and summarizing the time keepers, invoices, and nature of the work completed for the hours reflected in the invoices, ECF No. 482 ("First Attorney's Fees Decl."); (5) the declaration of plaintiff's expert, Beth Rubin, CPA, in support of plaintiff's request for pre-judgment interest, ECF No. 483; and (6) a further attorney's fees declaration with the total attorney's fees sought, invoices, and various charts noting the hours expended by counsel and the nature of the work completed and the stage of the litigation, ECF No. 486 ("Second Attorney's Fees Decl."). On December 6, 2023, defendants submitted their opposition memorandum, ECF No. 489 ("Opp."), and two supporting declarations: (1) a declaration by Mr. Joel MacMull, defendants' counsel, ECF No. 490 ("MacMull Decl.") and (2) the declaration of defendants' expert David Duski regarding pre-judgment interest, ECF No. 491.

² In addition to these two decisions, the Court filed decisions on December 11, 2017, November 7, 2018, October 4, 2019, February 24, 2020, December 10, 2020, and February 6, 2023, *see, e.g., Cesari S.r.L. v. Peju Province Winery L.P.*, No. 17 Civ. 873 (NRB), 2017 WL 6509004 (S.D.N.Y. Dec. 11, 2017); *Cesari S.r.L. v. Peju Province Winery L.P.*, No. 17 Civ. 873 (NRB), 2018 WL 5831315 (S.D.N.Y. Nov. 7, 2018); *Cesari S.r.l. v. Peju Province Winery L.P.*, No. 17 Civ.873 (NRB), 2019 WL 5460379 (S.D.N.Y. Oct. 4, 2019); *Cesari S.r.L. v. Peju Province Winery L.P.*, No. 17 Civ. 873 (NRB), 2020 WL 1126833 (S.D.N.Y. Feb. 24, 2020); *Cesari S.r.L. v. Peju Province Winery L.P.*, No. 17 Civ. 873 (NRB), 2020 WL 7261105 (S.D.N.Y. Dec. 10, 2020); *Cesari S.R.L. v. Peju Province Winery L.P.*, No. 17 Civ. 873 (NRB), 2023 WL 1779543 (S.D.N.Y. Feb. 6, 2023), resolved numerous disputes by letters, *see, e.g.,* ECF Nos. 79, 104, 227, 297, 310, 315, and 391, and held 19 conferences and in-court hearings resulting in 1,242 pages of transcript, *see* ECF Nos. 43, 150, 210, 231, 289, 308, 333, 369, 375, 461, 463, 465, and 467.

except as necessary to address the issues presented by the current motion.

I. Attorney's Fees: The Legal Context

Generally, "[t]he United States follows the 'American Rule' regarding attorney's fees: 'the prevailing party may not recover attorney's fees as costs or otherwise.'" Castillo Grand, LLC v. Sheraton Operating Corp., 719 F.3d 120, 123 (2d Cir. 2013) (quoting Alyeska Pipeline Serv. Co. v. Wilderness Soc'y, 421 U.S. 240, 245 (1975)). However, the American Rule "can, of course, be overcome by statute." Travelers Cas. and Sur. Co. of Am. v. Pacific Gas and Elec. Co., 549 U.S. 443, 448 (2007). Section 35(a) of the Lanham Act is one of those statutes. Section 35(a) provides that once a violation is established, a plaintiff is 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). Moreover, "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party."³ Id. That section of the Lanham Act also states that profits or damages "shall constitute compensation and not a penalty." Id. Thus, read as a whole, the statute instructs that

³ To satisfy the "prevailing party" prerequisite to a fee award, "a litigant must have 'achieved a judicially sanctioned change in the legal relationship of the parties.'" Manhattan Review LLC v. Yun, No. 16 Civ. 0102 (LAK) (JCF), 2017 WL 11455317, at *4 (S.D.N.Y. Sept. 21, 2017), aff'd, 919 F.3d 149 (2d Cir. 2019), and subsequently aff'd, 765 F. App'x 574 (2d Cir. 2019) (quoting Mr. L. v. Sloan, 449 F.3d 405, 406 (2d Cir. 2006)). The parties do not dispute that Cesari was the prevailing party in this action.

awards pursuant to this section should be approached with restraint. An “‘exceptional’ case is simply one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.” Sleepy’s LLC v. Select Comfort Wholesale Corp., 909 F.3d 519, 530 (2d Cir. 2018) (citing Octane Fitness, LLC v. ICON Health & Fitness, Inc., 572 U.S. 545, 554 (2014)).

This standard “demands a simple discretionary inquiry; it imposes no specific evidentiary burden.” Octane Fitness, 572 U.S. at 557. District courts have “wide latitude” to “engage in a ‘case-by-case exercise of their discretion, considering the totality of the circumstances.’” 4 Pillar Dynasty LLC v. New York & Co., Inc., 933 F.3d 202, 215 (2d Cir. 2019) (quoting Octane Fitness, 572 U.S. at 554). However, that “‘equitable discretion should be exercised in light of the considerations [the Supreme Court] ha[s] identified.’” Manhattan Review LLC v. Yun, 765 Fed. App’x 554 at 577 (2d Cir. 2019) (quoting Octane Fitness, 572 U.S. at 554). Those considerations are “‘frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.’” 4 Pillar Dynasty LLC, 933 F.3d at 215 (quoting Octane Fitness, 572 U.S. at 554 n.6 (quoting Fogerty v. Fantasy, Inc., 510 U.S. 517, 534 n.19 (1994))).

“‘Objective unreasonableness’ is generally used to describe claims that have no legal or factual support.” Latin Am. Music Co., Inc. v. Spanish Broad. Sys., Inc., No. 13 Civ. 1526 (RJS), 2020 WL 2848232, at *3 (S.D.N.Y. June 1, 2020) (quoting Viva Video, Inc. v. Cabrera, 9 F. App’x 77, 80 (2d Cir. 2001)). Further, “[a] claim is frivolous when it lacks an arguable basis either in law or in fact.” Calvino v. Romanian From the Jaiguar Dealer in 11 Ave., No. 20 Civ. 0651 (CM), 2020 WL 433097, at *1 (S.D.N.Y. Jan. 28, 2020) (internal quotation marks omitted); see Livingston v. Adirondack Beverage Co., 141 F.3d 434, 437 (2d Cir. 1998) (“An action is ‘frivolous’ when either: (1) the factual contentions are clearly baseless, such as when allegations are the product of delusion or fantasy; or (2) the claim is based on an indisputably meritless legal theory.”) (internal quotation marks omitted). While these two factors are not the same, courts in this Circuit have recognized that they often overlap. See Hello I Am Elliot, Inc. v. Sine, No. 19 Civ. 6905 (PAE), 2021 WL 1191971, at *6 (S.D.N.Y. Mar. 30, 2021) (collecting cases). Another aspect of Octane Fitness that has special relevance here is “the need in particular circumstances to advance considerations of compensation and deterrence.” Octane Fitness, 572 U.S. at 554 n.6.

Needless to say, the parties take divergent positions on whether this is an exceptional case which warrants an award of attorney’s fees. From the Court’s perspective, however, the answer

is clear: this is an exceptional case. The predicates for that conclusion are contained at length and in detail in our earlier decisions. For purposes of this motion, however, we highlight the acts and litigation positions of the defendants which lead us to conclude that this case is exceptional.

First, we set out the actions taken and decisions made by defendants, both before and after this case was filed, which, had they been otherwise, could even have avoided the filing of this case. In 2003, plaintiff opposed PPW's application to register its LIANA mark for the sale of wine. See August 2022 Summary Judgment Opinion at *1. In that proceeding, the Trademark Trial and Appeal Board ("TTAB") found that Cesari had priority by virtue of its registered mark LIANO and "concluded that there was a likelihood of confusion between the marks." Id. at *4. After PPW "failed to appeal or otherwise challenge the TTAB's ruling and elected not to submit a revised application narrowing its target market . . . the USPTO issued a 'Notice of Abandonment' for [PPW's] Application." Id. "Despite the TTAB's ruling and the deemed abandonment of the 2003 Application, the next year, [PPW] began commercial sales of its LIANA-branded 2002 Late Harvest Chardonnay." Id. After a period during which LIANA-branded wine was not sold, defendants resumed infringing use in 2014 and 2015 when defendants published a newsletter announcing "the return of Liana" and the purchase of "a new winery that began doing business as Liana Estates." Id. At

that time, defendants also consulted with an attorney who noted there were "several other marks encompassing the word 'LIANA,'" which "Peju likely could overcome," but did not locate the TTAB's 2004 decision. Id.

In 2016, defendants once again attempted to register the LIANA mark. Id. This time, plaintiff sent defendants "a cease-and-desist letter, demanding that Peju terminate its use of the LIANA mark and withdraw the 2016 Application." Id. The parties attempted an out-of-court resolution between November 2016 and January 2017. "In the midst of these negotiations, the fact of the 2003 TTAB proceedings came to light, and communications eventually broke down." Id. (citations omitted). "On January 30, 2017, Cesari filed an opposition to the 2016 Application, citing its first-in-time priority and the TTAB's prior ruling against [defendants'] 2003 Application" and one week later filed this action. Id. at *5.

Bottom line: despite learning of the 2004 TTAB ruling, defendants were not deterred and continued the production and sale of LIANA-branded wines. On May 10, 2018, plaintiff sought leave to file a partial motion for summary judgment and sought injunctive relief "because Peju 'willfully continue[d] to infringe [upon] Cesari's registered mark.'" September 2023 Post-Trial Opinion, 693 F. Supp. 3d at 383. On June 12, 2018, the Court found that this application was mooted by "defendants' counsel's representation that defendants would cease using the disputed mark within two

weeks.” ECF No. 79 at 1. However, plaintiff alerted the Court that the infringing use did not cease within two weeks as defendants’ counsel had represented. See ECF No. 78. In fact, defendants’ use did not cease until July 24, 2018 because “LE Wines, formerly Liana Estates, remain[ed] in the process of relabeling its wines bearing the LIANA mark” which would not be completed until July 24, 2018. ECF No. 82 at 2.

Given this series of events, there should have been no need for the filing of this case at all. Defendants were well aware that the use of the LIANA mark infringed on plaintiff’s LIANO mark, and they had a number of opportunities to cease their infringing use before and after this action was filed, but chose not to do so. Moreover, as we have previously found, Peju had no viable merits defenses or right to use the LIANA mark.⁴

We now turn to the positions that Peju took during the litigation that we have previously rejected as unsupported in law and/or in fact and which provide further support, although none is needed, for the Court’s finding that this is an exceptional case. First, “one of the earliest issues litigated in this suit was

⁴ While the Court is not privy to the out-of-court discussions between counsel and/or the parties, based on what the Court did learn about plaintiff’s formal positions and settlement demands, the Court would not be surprised to learn that plaintiff’s pre-litigation demand and subsequent ones were viewed by defendants as excessive. However, as there were other approaches or strategies that defendants could have utilized other than the ones they did, irrespective of the unreasonableness or not of plaintiff’s demands, they cannot serve as justification for defendants’ continued use of the LIANA mark and its litigation choices.

whether [all] defendants were precluded from relitigating the issue of likelihood of confusion," which defendants long resisted. August 2022 Summary Judgment Opinion at *5. In this Court's December 2017 Memorandum and Order, we held that PPW, "the party to the 2003 TTAB proceedings, was precluded from relitigating the TTAB's determination that the LIANA mark was confusingly similar to LIANO." Id. at *6 (quoting Cesari S.r.L., No. 17 Civ. 873 (NRB), 2017 WL 6509004 at *3-*5). The Court did not make the same finding with respect to the other Peju entities because "the record before the Court at that time did not establish a sufficient connection between the various Peju entities for the purposes of collateral estoppel." Id. Specifically, "the strongest connection between any of [the Peju] entities [was] disputed" and PFOP "was not formed until 2012." Id.

However, in 2022, "defendants concede[d] for the purposes of this litigation that [PPW] and [PFOP] 'are effectively one and the same entity because, inter alia, they share common ownership and control'" and also conceded that the Peju entities shared the same decision makers, making clear "a single enterprise-type connection between the two Peju entities." Id. at *7. This concession by defendants was motivated by their need to have their statute of limitations and laches defenses apply to all defendants. Boldly, they "ask[ed] the Court to find such interconnectedness between the Peju entities for the purposes of their affirmative defenses, but

not for issue preclusion.” Id. at *8. The Court rejected the unsupportable suggestion and extended its December 2017 ruling to PFOP and found that it was also “precluded from relitigating the TTAB’s determination that Peju’s LIANA mark is likely to cause confusion with Cesari’s LIANO mark.”⁵ Id.

Second, nearly five years into this lawsuit,⁶ defendants argued that plaintiff’s Lanham Act claims were barred by the six-year statute of limitations because plaintiff was on notice of the LIANA mark in 2003. This Court found the arguments “meritless for two reasons. First, defendants failed to show that plaintiff knew or reasonably should have known that defendants continued using the LIANA mark after their trademark application was rejected by the TTAB and deemed abandoned by the USPTO in 2004. Second, and relatedly, plaintiff’s claims arise solely from infringing conduct starting in 2014, when defendants began marketing new vintages of wine branded with the LIANA label, and thus are not barred by the applicable statute of limitations.” Id. at *9. Stated otherwise, defendants could not show that plaintiff had actual or constructive knowledge of their infringing conduct or that they even had “a duty of inquiry to continue monitoring Peju’s conduct

⁵ As to the third defendant, Peju Province Corporation, the parties stipulated to its dismissal on September 5, 2021, see ECF No. 298 at 4, which the Court subsequently granted, see ECF No. 299.

⁶ The defendants’ decision to wait five years to raise a statute of limitations argument cannot be explained by a need for pre-motion discovery. Instead, this delay was entirely a strategic decision by defendants.

after Cesari prevailed before the TTAB.” Id. Indeed, “Peju’s use of the LIANA mark was minimal to nonexistent” between 2004 and 2014. Id.

Defendants also took the “untenable position” that the TTAB’s 2004 decision did not enjoin them from using the LIANA mark and that they were free to use the brand as they wished. Id. at *10. The Court quickly dispensed with this argument, finding that “the TTAB proceedings put Peju on notice that the LIANA mark was deemed to be confusingly similar with that of a first-in-time registrant, that the registrant actively opposed Peju’s use of the mark, and that Peju was not permitted to trademark the name. Thus, when Peju continued to use the LIANA mark in blatant disregard for the TTAB’s ruling, it did so at its own risk.” Id.

Finally, the Court unequivocally rejected defendants’ laches defense for two separate reasons. First, the defense failed because “Peju did not use the LIANA mark in good faith.” Id. at *13. Second, defendants did not meet their burden to establish that the substantive elements of the laches defense because they could not show that (1) “Cesari had actual or constructive knowledge of Peju’s infringing use of the LIANA mark;” (2) “Cesari did not inexcusably delay in taking action against Peju’s infringing conduct;” and (3) there was no prejudice to defendants as they were on notice of Cesari’s opposition to their use of the LIANA mark as early as 2003. Id. at *13-*14.

Under all these circumstances, the objective unreasonableness and frivolous prongs of Octane Fitness are met. We now turn to the “need in particular circumstances to advance considerations of compensation and deterrence.” Octane Fitness, 572 U.S. at 554 n.6. Again, this prong of Octane Fitness is easily met. A party who loses before the TTAB and fails to challenge that result, but continues to use a mark which it cannot, does not cease when its erroneous continued use is brought to its attention and persists, after being sued and even after agreeing to cease its unlawful use, must compensate the trademark holder and a message of deterrence must be sent. Thus, in light of the foregoing, this case is undoubtedly exceptional.

II. Reasonable Attorney’s Fees

Having found that this case is exceptional and warrants an award of attorney’s fees, the Court now turns to determining “the amount of the fees to which [plaintiff] is entitled.” Sleepy’s, 909 F.3d at 531. The “presumptively reasonable fee” is a fee that “a reasonable paying client would be willing to pay” given that such a party wishes to spend “the minimum necessary to litigate the case effectively.” Simmons v. New York City Transit Auth., 575 F.3d 170, 174 (2d Cir. 2009).

A. Fees Sought

Plaintiff submits that it is entitled to over \$1.7 million in attorney’s fees for the work performed by various members of

plaintiff's counsel over the course of the litigation.⁷ See Second Attorney's Fees Decl. at 5. This figure includes "a 15% premium on the Firm's standard rates" pursuant to a success fee agreement negotiated between plaintiff and its counsel. First Attorney's Fees Decl. at ¶ 10.

Plaintiff's counsel has submitted a number of charts detailing the breakdown of fees on a per year basis and reflecting the hours and fees sought by plaintiff to each stage of the litigation per year, along with the invoices supporting these figures. Plaintiff's counsel's per year fee chart is recreated below:

	Litigation Year	Total Fees Sought ⁸	Relevant Exhibits
1.	2017	\$174,820.61	Ex. 7 (summary) Exs. 5, 6, 8, 31 (support)
2.	2018	\$270,951.48	Ex. 8 (summary) Exs. 5, 9, 31 (support)
3.	2019	\$165,856.99	Ex. 12 (summary) Exs. 5, 11, 31 (support)
4.	2020 - Q1	\$17,489.10	Ex. 14 (summary) Exs. 5, 13, 31 (support)
5.	2020 - Q2/4	\$167,667.03	Ex. 15, 18 (summaries) Exs. 16, 17, 32 (support)

⁷ Plaintiff notes that this figure excludes three categories of attorney's fees it has incurred but does not seek here, namely: (1) fees related to its motion for sanctions that was denied in June 2021; (2) fees incurred by plaintiff's Italian-based counsel; and (3) fees for assistance from other counsel related to trademark prosecution for the renewed application for the LIANA mark and trial assistance for defendants' California depositions and "threats that [defendants] would move to quash various subpoenas in California." Mot. at 21.

⁸ The "Total Fees Sought" on plaintiff's chart reflects the 15% premium negotiated between plaintiff and its counsel. See First Attorney's Fees Decl. at ¶ 10.

6.	2021	\$146,500.80	Ex. 20, 22 (summaries) Exs. 19, 21, 33 (support)
7.	2022	\$260,009.73	Ex. 24, 26 (summaries) Exs. 23, 25, 34 (support)
8.	2023	\$504,440.57	Ex. 28, 30 (summaries) Exs. 27, 29, 35 (support)
	Total	\$1,707,736.31	

Second Attorney's Fees Decl. at 5. In addition, plaintiff's counsel states that while Cesari "has paid my Firm \$408,833 in attorney's fees that were invoiced for the period covering January 2017 to March 2020," invoicing has been deferred due to the Covid-19 pandemic but plaintiff "has agreed to pay all remaining fees." First Attorney's Fees Decl. at ¶ 15. Defendants maintain that an award of attorney's fees of \$1.7 million is unreasonable based on plaintiff's counsel's hourly rates, limited success, and inappropriate billing. Opp. at 17-23.

B. Amount to be Awarded

The challenge here is not whether attorney's fees should be awarded, but how much. It has been said that context is everything. Whether that is broadly true or not, there is no question that here context very much matters. The context of this case has two interrelated aspects. First, this is not a trademark case in which the plaintiff trademark holder suffered actual competitive damage to its business because of defendants' sale of infringing goods.

The Court has never been presented with any evidence of a sale that plaintiff lost because of defendants' use of the LIANA mark.⁹

The second aspect of this case flows from the first. In the absence of any actual competitive harm, the focus of plaintiff's efforts should have been on obtaining injunctive relief. Obtaining an injunction would have fulfilled plaintiff's established obligation to police its mark. In that regard, the record reflects that as of July 2018, defendants ceased using the LIANA mark and rebranded their winery, and further that on March 6, 2019 Peju "filed a notice with the TTAB 'expressly abandon[ing]' the 2016 Application with prejudice." August 2022 Summary Judgment Opinion at *5. It is in this context that plaintiff's request for attorney's fees must be evaluated.

It is well-established that the "presumptively reasonable fee" is a fee that "a reasonable paying client would be willing to pay" given that such a party wishes to spend "the minimum necessary to litigate the case effectively." Simmons, 575 F.3d 170, 174 (2d Cir. 2009). In addition, "attorney's fees must be reasonable in terms of the circumstances of the particular case." Beastie Boys v. Monster Energy Co., 112 F. Supp. 3d 31, 48 (S.D.N.Y. 2015) (punctuation omitted). Indeed, in analyzing fee awards, the Supreme

⁹ In fact, plaintiff withdrew its claim for actual damages in its amended complaint, which amendment formalized a pre-existing decision by plaintiff. See Cesari S.r.l., 693 F. Supp. 3d at 385 ("On March 2, 2020, plaintiff filed its amended complaint, which . . . omitted plaintiff's . . . requests for . . . damages, thereby concentrating on obtaining disgorgement of profits.").

Court has stated that “the most critical factor is the degree of success obtained.” Hensley v. Eckerhart, 461 U.S. 424, 436 (1983). Finally, the Court is guided by the language of the statute pursuant to which this case was brought. Section 1117(a) of Title 15 directs the Court to proceed “subject to the principles of equity” and provides that damages awarded “shall constitute compensation and not a penalty.” 15 U.S.C. § 1117(a).

The question becomes how those principles apply here. Given the facts of this case, as well as the dictates of the caselaw requiring a trademark holder to protect its mark, the fees necessary to obtain injunctive relief would be awardable. However, given the absence of actual lost sales, no reasonable client would spend more than they could recover in disgorged profits because any amount spent above that recovery would result in an actual loss.¹⁰

¹⁰ This Court recognizes that there are companies whose trademarks are frequently copied and who, as part of their business model, will file many trademark infringement cases to protect their marks and discourage proliferation of “knock-offs” without expecting to recover their costs. This is not such a case. For example, a review of this District’s Electronic Case Filing system reflects that Chanel Inc. has filed 11 such cases since January 2014 in this District alone, see Chanel, Inc. v. Villo & Co., LLC et al, No. 23 Civ. 6781 (NRB), (August 2, 2023, S.D.N.Y.); Chanel, Inc. v. Lin et al, No. 23 Civ. 2004 (JHR) (Mar. 8, 2023, S.D.N.Y.); Chanel, Inc. v. Shiver and Duke LLC et al, No. 21 Civ. 1277 (MKV) (Feb. 12, 2021, S.D.N.Y.); Chanel, Inc. v. Richardson et al, No. 17 Civ. 4565 (PKC) (June 16, 2017 S.D.N.Y.); Chanel, Inc. v. Perfume Emporium LLC, No. 16 Civ. 8474 (LAP) (Oct. 31, 2016, S.D.N.Y.); Chanel, Inc. v. Ephrat et al, No. 15 Civ. 4356 (JSR) (June 5, 2015 S.D.N.Y.); Chanel, Inc. v. Shop Jeen, LLC et al, No. 14 Civ. 9861 (GBD) (Dec. 15, 2014 S.D.N.Y.); Chanel, Inc. v. Heller, No. 14 Civ. 8011 (JGK) (Oct. 3, 2014 S.D.N.Y.); Chanel, Inc. v. Sardle et al, No. 14 Civ. 3867 (PAC) (May 30, 2014 S.D.N.Y.); Chanel, Inc. v. New Diamond District Inc. et al, No. 14 Civ. 2339 (PGG) (Apr. 3, 2014 S.D.N.Y.); Chanel, Inc. v. Does 1-10, No. 14 Civ. 1232 (ALC) (Feb. 25, 2014), Gucci America, Inc. has filed six such cases in that same time frame, see Gucci America, Inc. v. Century 21 USA, LLC et al, No. 23 Civ. 10247 (GHW) (Nov. 21, 2023 S.D.N.Y.); Gucci America, Inc. v. Sam's West, Inc. et al, No. 23 Civ. 10246 (JPO) (Nov. 21, 2023 S.D.N.Y.); Gucci America, Inc v. Lord & Taylor Ecomm LLC et al, No. 23 Civ. 10239 (LGS) (Nov. 21,

Thus, the ceiling on attorney's fees that can be recovered by plaintiff from defendants is \$666,214. Moreover, even if actual recovery is not a hard and fast ceiling, the fact is that here plaintiff seeks \$1.7 million dollars which does not even include (1) fees for its motion for sanctions that was denied; (2) fees incurred by plaintiff's Italian-based counsel; and (3) fees for assistance from other counsel related to trademark prosecution. See Mot. at 21. Extrapolating from plaintiff's submissions on the motion, the investment of attorney hours, if paid for, would approximate four times the recovery. While plaintiff is, of course, free to spend its resources as it wishes, there is no justification for shifting to the defendants plaintiff's litigation choices, especially when, quite apart from the shifting of fees, as ordered, defendants have already been ordered to disgorge their profits and pay their own counsel's bills.¹¹

2023 S.D.N.Y.); Gucci America, Inc. v. Beyond the Rack Enterprises, Inc. et al, No. 16 Civ. 1156 (KMW) (Feb. 16, 2016 S.D.N.Y.); Gucci America, Inc. et al v. Alibaba Group Holding Ltd. et al, No. 15 Civ. 3784 (PKC) (May 15, 2015 S.D.N.Y.); Gucci America, Inc. et al. v. Alibaba Group Holding, et al, No. 14 Civ. 5119 (PKC) (July 10, 2014 S.D.N.Y.), and Nike Inc. has filed at least five cases since 2020, see Nike, Inc. v. By Kiy LLC et al, No. 23 Civ. 2431 (VM) (Mar. 22, 2023 S.D.N.Y.); Nike, Inc. v. USAPE LLC, No. 23 Civ. 660 (PGG) (Jan. 25, 2023 S.D.N.Y.); Nike, Inc. v. Reloaded Merch LLC et al, No. 22 Civ. 10176 (VM) (Nov. 30, 2022 S.D.N.Y.); Nike, Inc. et al v. www.perfectkicks.me et al, No. 21 Civ. 248 (SHS) (Jan. 12, 2021 S.D.N.Y.); Nike, Inc. v. B&H Customs Services, Inc. et al, No. 20 Civ. 1214 (JMF) (Feb. 11, 2020 S.D.N.Y.). There is no proliferation of efforts to use a mark confusingly similar to Cesari's LIANO in a competitive marketplace. Thus, a prophylactic, but uneconomical, approach to litigation has no relevance to Cesari and cannot justify unrestrained expenditures on attorney's fees especially when Cesari seeks to shift those fees to the defendants.

¹¹ We anticipate that plaintiff's counsel would respond to this conclusion that she did not have total control over the number of attorney hours invested in this case. The Court does not dispute that contention in broad terms. There is no doubt that in all cases some hours are incurred in response to an opponent's

Having reached this result, it is unnecessary for the Court to engage in the traditional hour-by-hour, dollar-by-dollar analysis to determine reasonable attorney's fees.¹² Nonetheless, the Court would like to offer, in broad strokes, its views on some aspects of plaintiff's attorney's fees application under such an analysis. First, the billing rates plaintiff seeks for its lead counsel, Valeria Healy, are well within the range approved in this District and appropriate based on the background provided.¹³ See, e.g., Focus Prod. Grp. Int'l, LLC v. Kartri Sales Co., Inc. and Marquis Mills, Int'l, Inc., No. 15 Civ. 10154 (PAE) (SDA), 2023 WL 3815276, at *10 (S.D.N.Y. June 5, 2023); Am. Exch. Time LLC v. Tissot S.A., No. 17 Civ. 4737 (VM), 2022 WL 17414348, at *6 (S.D.N.Y. Dec. 5, 2022) (collecting cases). Second, plaintiff's attorney's fees request includes a "success fee" which is described as a "15% premium on the Firm's standard rates" but does not appear to be tied to any success in the litigation. First Attorney Fee Decl. ¶ 10. While plaintiff and its counsel may have negotiated an upfront cost deferral for this rate premium, such an arrangement is

actions. This case is no exception. Indeed, the Court witnessed the dynamic between counsel. However, the possibility of an attorney's fee award is not a license to litigate without restraint. Early in a case, an attorney should evaluate its potential value and act accordingly. Nor is it irrational to decide to settle a case if the cost of pursuing it can no longer be economically justified.

¹² Based on the Court's intimate familiarity with this litigation and the submissions concerning fees on this motion, \$666,214 is broadly within the range of an appropriate award if a lodestar analysis was applied.

¹³ To be clear, the Court declines to comment on the fees sought on behalf of any other attorney or staff member.

between plaintiff and its counsel and should not be shifted to the defendants. Finally, to the extent that lead counsel spent time on administrative tasks, such as coordinating printing and shipping of courtesy copies, those hours cannot be billed at the full rate when the work could have been performed by a legal assistant. See Commissions Imp. Exp. S.A. v. Republic of the Congo, No. 19 Misc. 195 (KPF), 2021 WL 4991716, at *5 (S.D.N.Y. Oct. 27, 2021) (finding a reduction of fees appropriate for administrative tasks).

II. Interest

The Court turns next to plaintiff's request for pre- and post-judgment interest. The goal of prejudgment interest is to compensate "for the loss of use of money due as damages." City of Milwaukee v. Cement Div., Nat. Gypsum Co., 515 U.S. 189, 196 (1995) (quotation marks omitted). The Second Circuit has noted that courts may consider factors "generally relevant to awards of prejudgment interest, such as '(i) the need to fully compensate the wronged party for actual damages suffered, (ii) considerations of fairness and the relative equities of the award, (iii) the remedial purpose of the statute involved, and/or (iv) such other general principles as are deemed relevant by the court.'" 4 Pillar Dynasty LLC, 933 F.3d at 216 n. 12 (quoting Wickham Contracting Co. v. Local Union No. 3, 955 F.2d 831, 834 (2d Cir. 1992)). Here, plaintiff did not seek, and the Court did not award, any actual damages. See Coty Inc. v. Excell Brands, LLC, 277 F. Supp. 3d 425, 470 (S.D.N.Y. 2017)

(considering the absence of “ascertainable damage” when denying attorney’s fees and prejudgment interest). As plaintiff was not deprived of the use of defendants’ profits before they were awarded, an award of prejudgment interest would impose unwarranted penalties on top of the disgorgement and attorney’s fees awards. In addition, an award of pre-judgment interest would serve none of the factors enumerated by the Second Circuit. However, plaintiff is entitled to post judgment interest under 28 U.S.C. § 1961.

III. Costs

Finally, the Court turns to plaintiff’s requests for costs. The Lanham Act provides for the recovery of the costs of the action, subject to the principles of equity. 15 U.S.C. § 1117(a). Plaintiff requests costs of \$298,711.85, which includes \$214,275.52 in expert costs for its damages expert, Beth Rubin, and \$84,436.33 for legal research, photocopies, court fees, transcripts, messenger services, process servers, and other costs. See Other Costs Decl., Ex. 1 at 6. Plaintiff argues that these costs were necessary for the representation, routinely billed expenses, and routinely recoverable, and therefore should be awarded.

In response, defendants maintain that plaintiff is only entitled to recover \$12,667.07 in costs and a majority of plaintiff’s requested costs are not recoverable because they are

not taxable.¹⁴ Specifically, defendants argue that plaintiff can recover at most \$609.25 in expert costs, \$2,762.39 for court transcripts, \$327.91 in process server fees, \$8,562.15 in deposition transcript costs, and \$1,110.43 in printing costs. Meanwhile, other costs, such as travel expenses, online legal research charges, pre-trial court transcripts, investigation costs, and portions of deposition expenses and copying and deliver costs are not recoverable.

Defendants rely on the Supreme Court's decision in Rimini St., Inc. v. Oracle USA, Inc., wherein the Supreme Court held that "[a] statute awarding 'costs' will not be construed as authorizing an award of litigation expenses beyond the six categories listed in §§ 1821 and 1920 of Title 28, absent an explicit statutory instruction to that effect." 583 U.S. 334, 340 (2019). Defendants maintain that because the Lanham Act provides for the "cost of the action," a prevailing party can only recover the costs specifically delineated in 28 U.S.C §§ 1821 and 1920 (the "general cost statutes").¹⁵

¹⁴ Specifically, defendants argue that plaintiff can recover only \$40 for the single day plaintiff's expert testified at trial pursuant to Local Civil Rule 54.1(c)(3) and 28 U.S.C § 1821, at most \$569.25 in other expert costs, and only \$12,057.82 of plaintiff's other costs.

¹⁵ Specifically regarding its application for costs, plaintiff mostly relies on cases that pre-date the Supreme Court's decision in Rimini Street. The only case plaintiff cites with respect to the award of costs that post-dates that decision is Abbott Labs v. H&H Wholesale Servs., Inc., No. 15 Civ. 5826 (CBA) (LB), 2022 WL 17977495, (E.D.N.Y. Dec. 28, 2022). However, that court did not reach the question of which costs are considered "reasonable costs" and referred that determination to the assigned magistrate judge. Id. at *11.

In light of the Supreme Court's clarification that statutory language permitting the recovery of "full costs" does not expand recovery beyond the costs enumerated in 28 U.S.C §§ 1821 and 1920, the Court concurs with defendants that plaintiff can only recover costs delineated by the general cost statutes, subject to any specifications in the District's local civil rules.¹⁶ See Rimini St., 583 U.S. at 340; see also Hypnotic Hats, Ltd. v. Wintermantel Enterprises, LLC, No. 15 Civ. 06478 (ALC), 2020 WL 1467118, at *4 (S.D.N.Y. Mar. 26, 2020) ("Local Civil Rule 54.1 further outlines the costs taxable in this district and controls to the extent that it addresses a particular cost.").¹⁷ These costs include certain types of witness costs, clerk and marshal fees, transcript fees, printing fees, copying and exemplification fees, docket fees, and court-appointed expert and interpreter fees. 28 U.S.C. §§ 1821, 1920.

¹⁶ As defendants argue in a footnote, citing cases before Rimini Street, "[t]here are cases in this Circuit that permit recovery of miscellaneous costs that are not listed in §§ 1821 and 1920 by reasoning that they are out-of-pocket expenses incurred by attorneys . . . [b]ut these opinions are irreconcilable with, and were implicitly overruled" by Rimini Street. Opp. at 35 n. 13. Although, district courts in some of the most recent cases in this Circuit have awarded costs including research fees and eDiscovery management fees, see, e.g., Mister Softee, Inc. v. Abdallah, No. 22 Civ. 826 (LJV), 2024 WL 1363677, at *10 (W.D.N.Y. Mar. 30, 2024); Hudson Furniture, Inc. v. Mizrahi, 20 Civ. 4891 (PAC) (RWL), 2024 WL 565095, at *13 (S.D.N.Y. Feb. 7, 2024), those cases rely on precedents that predate the Supreme Court's decision in Rimini Street.

¹⁷ The Local Rules of the United States District Courts for the Southern and Eastern Districts of New York were updated effective July 1, 2024. However, because this Memorandum and Order was issued less than 14 days after the effective date of the updated rules, the prior version of the District's local rules applies. See Local Civil Rule 1.1.

Before turning to the specific costs disputed by defendants, plaintiff seeks certain categories of costs that are simply not enumerated in the general cost statutes. Specifically, plaintiff seeks \$1,179.83 in investigation costs, \$229.34 in shipping costs, \$48,390.43 in legal research costs, \$28.50 in PACER costs, and \$400 for Covid-19 tests to attend a November 2021 hearing. None of these costs are taxable under the general cost statutes and therefore cannot be awarded as costs. However, plaintiff is entitled to fully recover the \$400 in filing fees under 28 U.S.C. § 1920(1). The Court now addresses the costs challenged by defendants.

A. Expert Costs

First, plaintiff seeks \$214,275.52 in expert costs for its damages expert, Beth Rubin. Plaintiff argues that expert costs should be awarded because it was ready to proceed without damages experts but, was “left with no choice” to retain an expert based on defendants’ insistence that an expert was necessary. Mot. at 9. Defendants challenge this request, noting that under 28 U.S.C § 1821 and this District’s Local Civil Rule 54.1(c)(3), expert witness fees are limited to \$40 per day.¹⁸ Opp. at 32.

Here, Ms. Rubin testified during one day of trial. Pursuant to 28 U.S.C. § 1821(b), “[a] witness shall be paid an attendance

¹⁸ As defendants note, plaintiff relies on Bellifemine v. Sanofi-Aventis U.S. LLC, 07 Civ. 2207, 2010 WL 3119374, at *7 (S.D.N.Y. Aug. 6, 2010), for its request to recover expert witness fees. However, the cost application in that case was pursuant to a class action settlement and not under the Lanham Act. See id.

fee of \$40 per day for each day's attendance." Similarly, the Second Circuit has noted, although in dicta, that an award of expert witness costs should be no more than \$40 per day "under 28 U.S.C. § 1821 and the Lanham Act." Merck Eprova AG v. Gnosis S.p.A., 760 F.3d 247, 266 (2d Cir. 2014). Thus, plaintiff is awarded \$40 in expert costs.¹⁹

As part of its cost application, plaintiff also seeks recovery of \$3,316.50 for expert witness fees pursuant to Federal Rule of Civil Procedure 26(b)(4)(a). That rule provides that "[a] party may depose any person who has been identified as an expert whose opinions may be presented at trial." Fed. R. Civ. P. 26(b)(4)(A). In addition, "[u]nless manifest injustice would result, the court must require that the party seeking discovery: (i) pay the expert a reasonable fee for time spent in responding to discovery under Rule 26(b)(4)(A)." Fed. R. Civ. P. 26(b)(4)(E)(i). According to plaintiff, defendants "only paid exactly 7 hours of Ms. Rubin's time for deposition, even though she was required to spend substantially more time than what the [defendants] paid." Expert Decl. ¶ 26. Plaintiff seeks 1.5 hours for Ms. Rubin's travel time to the deposition, an additional 1.3 hours caused by defendants' counsel's late arrival to the deposition and "other time during the deposition day," and 3.9 hours for Ms. Rubin's review of the

¹⁹ While plaintiff may have also received travel expenses because "[a] witness who travels by common carrier shall be paid for the actual expenses of travel," 28 U.S.C. 1821(c)(1), no such travel expenses were submitted.

deposition and preparation of an Errata sheet. Expert Decl. ¶ 26; Expert Decl., Ex. 3 at 52 (June 29, 2023 FTI Consulting Invoice).

In response, defendants argue that these costs are not taxable and should not be “shoehorn[ed]” into the cost motion. Opp. at 32-33. In the alternative, defendants argue that these fees should be reduced because: (1) “compensation for travel time should be half the regular hourly amount charged,” Trombetta v. Novocin, No. 18 Civ. 993, 2023 WL 2575242, at *2 (S.D.N.Y. Mar. 20, 2023); (2) defendants’ counsel arrived only 46 minutes, or 0.8 hours, late to the deposition; and (3) Ms. Rubin’s review of the deposition and preparation of the Errata sheet is not “time spent responding to discovery” under Federal Rule of Civil Procedure 26.²⁰

The Court will not deny plaintiff’s request for Ms. Rubin’s fee for the deposition as required under Federal Rule of Civil Procedure 26 because it was sought in conjunction with the instant motion. Turning to the specific costs defendants dispute, first, defendants are correct that travel compensation should be compensated at half of the hourly rate charged. Second, the deposition of plaintiff’s expert was delayed by 46 minutes due to defendants’ counsel, see MacMull Decl., Exs. A-B, and thus plaintiff may also recover an additional 0.8 hours for defendants’ counsel’s delay at Ms. Rubin’s full hourly rate. Third, the 3.9 hours spent

²⁰ Defendants do not argue that Ms. Rubin’s rate is unreasonable and admit that defendants have already paid for seven hours of Ms. Rubin’s deposition. Therefore, the Court need not analyze whether Ms. Rubin’s rate is reasonable.

preparing an Errata sheet following the deposition are also compensable. See Hobson v. Kemper Indep. Ins. Co., No. 3:20 Civ. 812 (SALM), 2022 WL 3867599, at *7 (D. Conn. Aug. 30, 2022).

Accordingly, pursuant to Federal Rule of Civil Procedure 26, defendants must also pay an additional 4.7 hours of Ms. Rubin's time for the delay to her deposition due to defendants' counsel's tardy arrival and the preparation of the Errata sheet after her deposition at her hourly rate, and 1.5 hours of travel time at half her hourly rate, amounting to \$2,697.75, in addition to expert witness costs of \$40 discussed above.

B. Travel Expenses

Plaintiff seeks two categories of travel expenses: (1) \$3,801.53 for Cesari's CEO travel from Italy to New York to attend a September 15, 2022 court conference and (2) \$3,908.66 for counsel's travel to California for depositions held in July 2018 and November 2019. Local Rule 54.1(c)(3) is clear that "no party to the action may receive witness fees, travel expenses, or subsistence." While Mr. Gianmarie Cesari was certainly welcome to attend the conference in the Court in which his company chose to file this case, the Court did not order his attendance. Rather, counsel was simply required to "have the authorization to settle the case and to make other appropriate stipulations." ECF No. 374. Therefore, there is no basis to compensate plaintiff for travel to the forum where it chose to bring its suit.

In addition, plaintiff requests costs for their counsel's travel expenses to attend 2018 and 2019 depositions in California. Pursuant to Local Rule 30.1, prior to an examination, a party may request expenses, including a reasonable counsel fee, for one attorney "[w]hen a deposition upon oral examination is to be taken at a place more than one hundred (100) miles from the courthouse." While California is more than 100 miles from the courthouse, plaintiff did not request these expenses before the depositions took place. In any event, plaintiff chose to sue the California-based defendants in this District, noticed these depositions, and could have conducted the deposition remotely. The Court will not award travel expenses for having to travel to California for depositions. Thus, both sets of travel expenses are denied.

C. Deposition Expenses

Next, plaintiff seeks \$12,815.60 for various deposition transcripts and deposition video streaming. First, plaintiff requests costs for the first deposition of Mr. Scott Gerien, defendants' former counsel, which defendants oppose because it was not used at trial or on a substantive motion. This Court's local rules are clear that the cost for a deposition transcript is taxable "if they were used by the Court in ruling on a motion for summary judgment or other dispositive substantive motion. Costs for depositions taken solely for discovery are not taxable." Local Rule 54.1(c)(2). Thus this cost will not be allowed. In addition,

plaintiff seeks costs related to Mr. Gerien's second deposition, but this Court has previously addressed these costs. In the Court's letter of November 22, 2021 to both parties, the Court clearly stated that "the second deposition of Mr. Gerien should proceed with each party bearing its own costs." ECF No. 310. Finally, the cost of video streaming these depositions is not an enumerated cost under the general cost statutes or the Court's local rules. Thus, plaintiff can only recover the costs of the other deposition transcripts defendants do not challenge, for a total of \$8,562.15.

D. Service Costs

Plaintiff also seeks \$984.50 in service costs. Defendants contend that only \$327.91 is recoverable because two items on plaintiff's chart totaling \$656.59 include "private investigation" and service of process fees that are not recoverable. While costs for private process servers are also not enumerated in the general cost statute, the Second Circuit has recognized that parties may recover private process server costs "only to the extent that they do not exceed the costs" that the United States Marshals Service would have incurred to effect service. U.S. v. Merritt Meridian Constr. Corp., 95 F.3d 153, 172 (2d Cir. 1996). The current rate for United States Marshals Service to effect service is \$65.00 per hour. 28 C.F.R. § 0.114. Plaintiff's supporting documentation does not provide further information on the hours spent for service of these subpoenas and therefore the Court cannot differentiate the

hours spent on service and on "private investigation." In addition, these witnesses may also have voluntarily accepted a notice of deposition. Thus, the Court will only award \$327.91 in service costs.²¹

E. Hearing Transcripts

Next, plaintiff seeks \$4,800.40 for hearing transcripts. Defendants argue that plaintiff may only recover costs for trial transcripts because the Court did not provide authorization in advance. Under Local Civil Rule 54.1(c)(1), "[t]he cost of a transcript of Court proceedings prior to or subsequent to trial is taxable only when authorized in advance or ordered by the Court." Because these costs are taxable by order of the Court, and considering the Court's guidance and rulings provided from the bench at several conferences over the course of this litigation, the Court will award the transcript costs for trial and those hearings where the Court made specific rulings and had the questioning of defendants' witness Ms. Kandis Shultz, namely, transcripts for hearings dated January 17, 2019, April 30, 2020, August 18, 2020, June 9, 2021, and December 9, 2021. The Court finds that costs relate to "transcripts necessarily obtained for use in the case." 28 U.S.C. § 1920(2). Thus, plaintiff is entitled to \$4,095.76 for hearing transcripts.

²¹ Defendants do not object to the other fees listed in this section of plaintiff's chart. We note that this fee would be recoverable under Local Rule 54.1(c)(3).

F. Document Reproduction Costs and Copies

Plaintiff seeks \$10,904.17 for document reproduction costs. Defendants argue that plaintiff may only recover \$1,110.43, the cost of one trial binder. While fees for printing and copies are taxable under 28 U.S.C. § 1920(3) and (4), Local Rule 54.1(c)(5) provides that “[t]he cost of copies used for the convenience of counsel or the Court are not taxable.” In addition, “[t]he party seeking costs has the burden to demonstrate ‘what documents were copied, how many copies were made, the cost per page charged for copying, and why the copies were necessary.’” Bauta v. Greyhound Lines, Inc., No. 14 Civ. 3725 (RER), 2019 WL 8060181, at *6 (E.D.N.Y. June 17, 2019) (quoting Robinson v. City of New York, 2009 WL 3109846, at *11 (S.D.N.Y. Sept. 29, 2009)). Plaintiff describes most of the document reproduction costs as “courtesy copies,” but identifies one entry for \$4,441.71 of trial materials “for Court, witness, and opposing counsel.” Other Costs Decl., Ex. 1 at 5. Accordingly, the Court awards \$1,110.43, one-fourth of that amount, as the cost of printing and copies for witness materials during trial and \$125.72 identified as additional materials for trial for a total of \$1,236.15. See Advanced Video Techs., LLC v. HTC Corp., No. 11 Civ. 6604 (CM) (RLE), 2016 WL 1253899, at *5 (S.D.N.Y. Feb. 23, 2016), report and recommendation adopted sub nom. Advanced Video Techs. v. HTC Corp., No. 11 Civ. 8908 (CM), 2016 WL 1271498 (S.D.N.Y. Mar. 30, 2016) (denying, in part, printing and copying costs where

the Court could not determine the fees to tax for production of documents).

Plaintiff also seeks \$339.90 for a payment to a law firm to obtain a certified copy of plaintiff's trademark from the USPTO. However, as the Court previously noted, "[t]his case . . . involves a registered mark, the validity of which has never been called into question." August 2022 Summary Judgment Opinion at *2 n. 3 (emphasis in original). Thus, the cost of this copy will not be awarded.

G. Interpreter Services

Plaintiff seeks \$55 in costs for interpreter services for the translation of Mr. Cesari's medical certificate. However, this cost is not recoverable. The provision for interpreters under 28 U.S.C. § 1920(6) "is limited to the cost of oral translation and does not include the cost of document translation." Taniguchi v. Kan Pac. Saipan, Ltd., 566 U.S. 560, 562 (2012).

In sum, plaintiff is entitled to an award of \$14,661.97 in costs and is also entitled to \$2,697.75 in expert witness fees pursuant to Rule 26(b)(4)(E)(i).

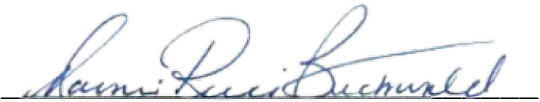
CONCLUSION

For the foregoing reasons, plaintiff's motion is granted in part and denied in part. Plaintiff is entitled to attorney's fees of \$666,214, costs of \$14,661.97, expert witness fees under Rule

26(b)(4)(E)(i) of \$2,697.75, and post judgment interest.²² The Clerk of Court is respectfully directed to terminate the motion pending at ECF No. 477, enter judgment for the plaintiff in accordance with this opinion, and close the case.

SO ORDERED.

Dated: July 11, 2024
New York, New York



NAOMI REICE BUCHWALD
UNITED STATES DISTRICT JUDGE

²² While defendants' counsel requested oral argument, given the detailed and extensive briefing and the nature of the issues, the Court has concluded that further clarification by way of oral argument is unnecessary.

504 Motion for Judgment on the Pleadings

504.01 Time for Filing

After the pleadings are closed, but within such time as not to delay the trial, any party to an inter partes proceeding before the Board may file a motion for judgment on the pleadings. [[Note 1.](#)] In Board inter partes proceedings, the submission of notices of reliance, declarations and affidavits, as well as the taking of testimony depositions during the assigned testimony periods corresponds to the trial in court proceedings, and the trial period commences with the opening of the first testimony period. [[Note 2.](#)] Under the Board's disclosure regime, a party is required to make pretrial disclosures fifteen days prior to the opening of its testimony period. [[Note 3.](#)] Thus, in order to avoid a disruption or delay in the trial phase of a Board proceeding, a motion for judgment on the pleadings must be filed before the day of the deadline for pretrial disclosures for the first testimony period, as originally set or as reset. [[Note 4.](#)]

When a motion to dismiss for failure to state a claim upon which relief can be granted is filed after the answer, but before the day of the deadline for plaintiff's pretrial disclosures, the Board may construe the motion as a motion for judgment on the pleadings. [[Note 5.](#)] Cf. [TBMP § 503.01](#) (Time for Filing) on a motion to dismiss.

NOTES:

1. Fed. R. Civ. P. 12(c).
2. [37 C.F.R. § 2.116\(e\)](#); *Von Schorlemer v. Baron Herm. Schorlemer Weinkellerei GmbH*, 5 USPQ2d 1376, 1377 (TTAB 1986) (the opening of the plaintiff's testimony period marks the beginning of the trial period); *La Maur, Inc. v. Bagwells Enterprises, Inc.*, 193 USPQ 234, 235 (Comm'r 1976) (the testimony periods assigned by the Board correspond to a trial in a court proceeding).
3. [37 C.F.R. § 2.121\(e\)](#); Fed. R. Civ. P. 26(a)(3).
4. *Shared, LLC v. SharedSpaceofAtlanta, LLC*, 125 USPQ2d 1143, 1144 (TTAB 2017) ("[A] motion for judgment on the pleadings must also be filed before the day of the deadline for pretrial disclosures for the first testimony period, as originally set or as reset."). Cf. [37 C.F.R. § 2.127\(e\)\(1\)](#); MISCELLANEOUS CHANGES TO TRADEMARK TRIAL AND APPEAL BOARD RULES OF PRACTICE; CLARIFICATION, 82 Fed. Reg. 33804, 33804 (July 21, 2017) ("The USPTO now amends the rules of practice to make clear that such motions, [i.e., motions to compel, motions to test the sufficiency of responses or objections to requests for admission, or motions for summary judgment], must be filed before the day of the deadline for pretrial disclosures for the first testimony period as originally set or as reset"); MISCELLANEOUS CHANGES TO TRADEMARK TRIAL AND APPEAL BOARD RULES OF PRACTICE, 81 Fed. Reg. 69950, 69951 (Oct. 7, 2016) ("[U]nder the amended rules motions for summary judgment also have to be filed prior to the deadline for plaintiff's pretrial disclosures for the first testimony period. This avoids disruption of trial planning and preparation through the filing, as late as on the eve of trial, of motions for summary judgment."); *Von Schorlemer v. Baron Herm. Schorlemer Weinkellerei GmbH*, 5 USPQ2d 1376, 1377 (TTAB 1986) (summary judgment must be filed prior to the opening of plaintiff's testimony period); *Lukens Inc. v. Vesper Corp.*, 1 USPQ2d 1299, 1300 n.2 (TTAB 1986), *aff'd*, 831 F.2d 306 (Fed. Cir. 1987); *Rainbow Carpet, Inc. v. Rainbow International Carpet Dyeing & Cleaning Co.*, 226 USPQ 718, 718 (TTAB 1985); *Buffett v. Chi Chi's, Inc.*, 226 USPQ 428, 428 n.2 (TTAB 1985); *La Maur, Inc. v. Bagwells Enterprises, Inc.*, 193 USPQ 234, 235 (Comm'r 1976) (summary judgment must not delay trial); *Peterson's Ltd. v. Consolidated Cigar Corp.*, 183 USPQ 559, 560 (TTAB 1974); *Curtice-Burns, Inc. v. Northwest Sanitation Products, Inc.*, 182 USPQ 572, 572-73 (Comm'r 1974).

5. Fed. R. Civ. P. 12(h)(2)(B); *Internet Inc. v. Corporation for National Research Initiatives*, 38 USPQ2d 1435, 1438 (TTAB 1996); *DAK Industries Inc. v. Daiichi Kosho Co.*, 35 USPQ2d 1434, 1436 (TTAB 1995); *Western Worldwide Enterprises Group Inc. v. Qinqdao Brewery*, 17 USPQ2d 1137, 1139 (TTAB 1990) (since motion based on defense that petition fails to state claim, standard for adjudicating motion for judgment on pleading is same as Fed. R. Civ. P. 12(b)(6)).

504.02 Nature of Motion

A motion for judgment on the pleadings is a test solely of the undisputed facts appearing in all the pleadings, supplemented by any facts of which the Board will take judicial notice. [[Note 1.](#)]

For purposes of the motion, all well pleaded factual allegations of the nonmoving party must be accepted as true, while those allegations of the moving party that have been denied (or which are taken as denied, pursuant to Fed. R. Civ. P. 8(b)(6), because no responsive pleading thereto is required or permitted) are deemed false. Conclusions of law are not taken as admitted. [[Note 2.](#)] All reasonable inferences from the pleadings are drawn in favor of the nonmoving party. [[Note 3.](#)]

A judgment on the pleadings may be granted only where, on the facts as deemed admitted, there is no genuine issue of material fact to be resolved, and the moving party is entitled to judgment, on the substantive merits of the controversy, as a matter of law. [[Note 4.](#)]

A party may not obtain a judgment on the pleadings if the nonmoving party's pleading raises issues of fact, which, if proved, would establish the nonmoving party's entitlement to judgment. [[Note 5.](#)]

NOTES:

1. *Kraft Group LLC v. Harpole*, 90 USPQ2d 1837, 1840 (TTAB 2009), *dismissed in favor of a cancellation proceeding*, slip op. Opposition No. 91185033 (TTAB September 15, 2011); *Land O' Lakes Inc. v. Hugunin*, 88 USPQ2d 1957, 1958 (TTAB 2008); *Media Online Inc. v. El Clasificado Inc.*, 88 USPQ2d 1285, 1288 (TTAB 2008); *Ava Enterprises Inc. v. P.A.C. Trading Group, Inc.*, 86 USPQ2d 1659, 1660 (TTAB 2008); *The Scotch Whisky Association v. United States Distilled Products Co.*, 13 USPQ2d 1711, 1713 n.1 (TTAB 1989), *recon. denied*, 17 USPQ2d 1240 (TTAB 1990), *dismissed*, 18 USPQ2d 1391 (TTAB 1991), *rev'd on other grounds*, 952 F.2d 1317, 21 USPQ2d 1145 (Fed. Cir. 1991).

2. *Kraft Group LLC v. Harpole*, 90 USPQ2d 1837, 1840 (TTAB 2009), *dismissed in favor of a cancellation proceeding*, slip op. Opposition No. 91185033 (TTAB September 15, 2011); *Media Online Inc. v. El Clasificado Inc.*, 88 USPQ2d 1285, 1288 (TTAB 2008); *Ava Enterprises Inc. v. P.A.C. Trading Group, Inc.*, 86 USPQ2d 1659, 1660 (TTAB 2008); *Baroid Drilling Fluids Inc. v. Sun Drilling Products*, 24 USPQ2d 1048, 1049 (TTAB 1992); *International Telephone and Telegraph Corp. v. International Mobile Machines Corp.*, 218 USPQ 1024, 1026 (TTAB 1983); 5C C. WRIGHT & A. MILLER, FEDERAL PRACTICE AND PROCEDURE CIVIL § 1368 (3d ed. Feb. 2024 update).

3. *Kraft Group LLC v. Harpole*, 90 USPQ2d 1837, 1840 (TTAB 2009), *dismissed in favor of a cancellation proceeding*, slip op. Opposition No. 91185033 (TTAB September 15, 2011); *Media Online Inc. v. El Clasificado Inc.*, 88 USPQ2d 1285, 1288 (TTAB 2008); *Ava Enterprises Inc. v. P.A.C. Trading Group, Inc.*, 86 USPQ2d 1659, 1660 (TTAB 2008); *Baroid Drilling Fluids Inc. v. Sun Drilling Products*, 24 USPQ2d 1048, 1049 (TTAB 1992); *CBS Inc. v. Mercandante*, 23 USPQ2d 1784, 1787 (TTAB 1992); 5C C. WRIGHT & A. MILLER, FEDERAL PRACTICE AND PROCEDURE CIVIL § 1368 (3d ed. Feb. 2024 update).

4. *Kraft Group LLC v. Harpole*, 90 USPQ2d 1837, 1840 (TTAB 2009), *dismissed in favor of a cancellation proceeding*, slip op. Opposition No. 91185033 (TTAB September 15, 2011); *Media Online Inc. v. El Clasificado Inc.*, 88 USPQ2d 1285, 1288 (TTAB 2008); *Ava Enterprises Inc. v. P.A.C. Trading Group, Inc.*, 86 USPQ2d 1659, 1660 (TTAB 2008); *Baroid Drilling Fluids Inc. v. Sun Drilling Products*,

24 USPQ2d 1048, 1049 (TTAB 1992); *CBS Inc. v. Mercandante*, 23 USPQ2d 1784, 1787 (TTAB 1992); *International Telephone and Telegraph Corp. v. International Mobile Machines Corp.*, 218 USPQ 1024, 1026 (TTAB 1983); 5C C. WRIGHT & A. MILLER, FEDERAL PRACTICE AND PROCEDURE CIVIL § 1367 *et seq.* (3d ed. Feb. 2024 update).

5. *Baroid Drilling Fluids Inc. v. Sun Drilling Products*, 24 USPQ2d 1048, 1049 (TTAB 1992); *International Telephone and Telegraph Corp. v. International Mobile Machines Corp.*, 218 USPQ 1024, 1026 (TTAB 1983); 5C C. WRIGHT & A. MILLER, FEDERAL PRACTICE AND PROCEDURE CIVIL § 1368 (3d ed. Feb. 2024 update).

504.03 Matters Outside the Pleadings Submitted on Motion for Judgment on Pleadings

The Board is unlikely to treat a motion for judgment on the pleadings, filed prior to the moving party's service of initial disclosures and relying on matters outside the pleadings, as a motion for summary judgment. Treatment of a motion for judgment on the pleadings as a motion for summary judgment generally would result in a premature motion for summary judgment if the moving party had not served its initial disclosures prior to filing the motion. [[Note 1.](#)]

If, on a motion for judgment on the pleadings, matters outside the pleading are submitted and not excluded by the Board, the motion will be treated as a motion for summary judgment under Fed. R. Civ. P. 56. [[Note 2.](#)] Ordinarily, the parties to the proceeding will be notified that the motion for judgment on the pleadings is being treated as a motion for summary judgment, and they will be given a reasonable opportunity to present all material made pertinent to such a motion by Fed. R. Civ. P. 56. [[Note 3.](#)]

Such notice may be unnecessary, however, in those cases where the parties themselves clearly have treated a motion for judgment on the pleadings as a motion for summary judgment, and the nonmoving party has responded to the motion on that basis. [[Note 4.](#)]

NOTES:

1. **37 C.F.R. § 2.127(e)(1)**. *Cf. Compagnie Gervais Danone v. Precision Formulations, LLC*, 89 USPQ2d 1251, 1255-56 (TTAB 2009) (motion to dismiss not converted to motion for summary judgment).

2. *Wellcome Foundation Ltd. v. Merck & Co.*, 46 USPQ2d 1478, 1479 n.2 (TTAB 1998) (matters outside the pleading excluded); *DAK Industries Inc. v. Daiichi Kiosho Co.*, 35 USPQ2d 1434, 1436 (TTAB 1995) (exhibits excluded); *Western Worldwide Enterprises Group Inc. v. Qinqdao Brewery*, 17 USPQ2d 1137, 1139 n.5 (TTAB 1990); *International Telephone and Telegraph Corp. v. International Mobile Machines Corp.*, 218 USPQ 1024, 1026 (TTAB 1983) (because no matters outside the pleading were included with the motion, it was treated as a motion for judgment on the pleadings, not summary judgment).

3. Fed. R. Civ. P. 12(d). *Cf. Selva & Sons, Inc. v. Nina Footwear, Inc.*, 705 F.2d 1316, 217 USPQ 641, 646 (Fed. Cir. 1983) (Board erred in treating motion to dismiss as motion for summary judgment without notifying nonmoving party); *Chutter, Inc. v. Great Concepts, LLC*, 119 USPQ2d 1865, 1870 n.9 (TTAB 2016) (Board sua sponte entered summary judgment in favor of non-movant after parties were informed that Board would entertain question of res judicata and were given opportunity to present evidence and argument on that question); *Western Worldwide Enterprises Group Inc. v. Qinqdao Brewery*, 17 USPQ2d 1137, 1139 n.5 (TTAB 1990) (did not convert to a summary judgment because the clear thrust of the motion is that petitioner failed to state a claim upon which relief can be granted); *Pegasus Petroleum Corp. v. Mobil Oil Corp.*, 227 USPQ 1040, 1041 n.2 (TTAB 1985); *Exxon Corp. v.*

National Foodline Corp., 196 USPQ 444, 445 (TTAB 1977), *aff'd*, 579 F.2d 1244, 198 USPQ 407 (CCPA 1978).

4. *Cf. Selva & Sons, Inc. v. Nina Footwear, Inc.*, 705 F.2d 1316, 217 USPQ 641, 646 (Fed. Cir. 1983) (nonmoving party did not expect Fed. R. Civ. P. 12(b)(6) motion to be treated as one for summary judgment); *Institut National Des Appellations d'Origine v. Brown-Forman Corp.*, 47 USPQ2d 1875, 1876 n.1 (TTAB 1998) (both parties submitted evidentiary materials outside the pleadings in support of and in opposition to a Fed. R. Civ. P. 12(b)(6) motion).

Chapter 500
STIPULATIONS AND MOTIONS

504 Motion for Judgment on the Pleadings

504.01 Time for Filing

After the pleadings are closed, but within such time as not to delay the trial, any party to an inter partes proceeding before the Board may file a motion for judgment on the pleadings.⁷³ In Board inter partes proceedings, the taking of testimony depositions during the assigned testimony periods corresponds to the trial in court proceedings, and the trial period commences with the opening of the first testimony period.⁷⁴ Thus, to be timely, a motion for judgment on the pleadings must be filed after the pleadings are closed, but prior to the opening of the first testimony period, as originally set or as reset.⁷⁵

When a motion to dismiss for failure to state a claim upon which relief can be granted is filed after the answer, but prior to trial, the motion may be construed by the Board as a motion for judgment on the pleadings.⁷⁶

504.02 Nature of Motion

A motion for judgment on the pleadings is a test solely of the undisputed facts appearing in all the pleadings, supplemented by any facts of which the Board will take judicial notice.⁷⁷

For purposes of the motion, all well pleaded factual allegations of the nonmoving party must be accepted as true, while those allegations of the moving party which have been denied (or which

⁷³ See Fed. R. Civ. P. 12(c).

⁷⁴ See 37 CFR § 2.116(e); *Von Schorlemer v. Baron Herm. Schorlemer Weinkellerei GmbH*, 5 USPQ2d 1376 (TTAB 1986); and *La Maur, Inc. v. Bagwells Enterprises, Inc.*, 193 USPQ 234 (Comm'r 1976).

⁷⁵ Cf. 37 CFR § 2.127(e)(1); *Von Schorlemer v. Baron Herm. Schorlemer Weinkellerei GmbH*, *supra*; *Lukens Inc. v. Vesper Corp.*, 1 USPQ2d 1299 (TTAB 1986), *aff'd*, 831 F.2d 306 (Fed. Cir. 1987); *Rainbow Carpet, Inc. v. Rainbow International Carpet Dyeing & Cleaning Co.*, 226 USPQ 718 (TTAB 1985); *Buffett v. Chi Chi's, Inc.*, 226 USPQ 428 (TTAB 1985); *La Maur, Inc. v. Bagwells Enterprises, Inc.*, *supra*; *Peterson's Ltd. v. Consolidated Cigar Corp.*, 183 USPQ 559 (TTAB 1974); and *Curtice-Burns, Inc. v. Northwest Sanitation Products, Inc.*, 182 USPQ 572 (Comm'r 1974).

⁷⁶ See *Internet Inc. v. Corporation for National Research Initiatives*, 38 USPQ2d 1435, 1438 (TTAB 1996); *DAK Industries Inc. v. Daiichi Kosho Co.*, 35 USPQ2d 1434 (TTAB 1995); and *Western Worldwide Enterprises Group Inc. v. Qinqdao Brewery*, 17 USPQ2d 1137 (TTAB 1990) (since motion based on defense that petition fails to state claim, standard for adjudicating motion for judgment on pleading is same as Rule 12(b)(6)). Cf. TBMP § 503.01 (Time for Filing Motion to Dismiss).

⁷⁷ See *The Scotch Whisky Association v. United States Distilled Products Co.*, 13 USPQ2d 1711, 1714 n.1 (TTAB 1989), *recon. denied*, 17 USPQ2d 1240 (TTAB 1990), *dismissed*, 18 USPQ2d 1391 (TTAB 1991), *rev'd on other grounds*, 952 F.2d 1317, 21 USPQ2d 1145 (Fed. Cir. 1991).

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are taken as denied, pursuant to Fed. R. Civ. P. 8(d), because no responsive pleading thereto is required or permitted) are deemed false. Conclusions of law are not taken as admitted.⁷⁸ All reasonable inferences from the pleadings are drawn in favor of the nonmoving party.⁷⁹

A judgment on the pleadings may be granted only where, on the facts as deemed admitted, there is no genuine issue of material fact to be resolved, and the moving party is entitled to judgment, on the substantive merits of the controversy, as a matter of law.⁸⁰

A party may not obtain a judgment on the pleadings if the nonmoving party's pleading raises issues of fact, which, if proved, would establish the nonmoving party's entitlement to judgment.⁸¹

504.03 Matters Outside the Pleadings Submitted on Motion for Judgment on Pleadings

If, on a motion for judgment on the pleadings, matters outside the pleading are submitted and not excluded by the Board, the motion will be treated as a motion for summary judgment under Fed. R. Civ. P. 56.⁸² Ordinarily, the parties to the proceeding will be notified that the motion for judgment on the pleadings is being treated as a motion for summary judgment, and they will be given a reasonable opportunity to present all material made pertinent to such a motion by Fed. R. Civ. P. 56.⁸³

⁷⁸ See *Baroid Drilling Fluids Inc. v. Sun Drilling Products*, 24 USPQ2d 1048 (TTAB 1992); *International Telephone and Telegraph Corp. v. International Mobile Machines Corp.*, 218 USPQ 1024, 1026 (TTAB 1983); and Wright & Miller, *Federal Practice and Procedure: Civil 2d* § 1367 *et seq.* (1990).

⁷⁹ See *Baroid Drilling Fluids Inc. v. Sun Drilling Products*, *supra*; *CBS Inc. v. Mercandante*, 23 USPQ2d 1784 (TTAB 1992); and Wright & Miller, *supra* § 1367 *et seq.*

⁸⁰ See *Baroid Drilling Fluids Inc. v. Sun Drilling Products*, *supra*; *CBS Inc. v. Mercandante*, *supra*; *International Telephone and Telegraph Corp. v. International Mobile Machines Corp.*, *supra*; and Wright & Miller, *supra* § 1367 *et seq.*

⁸¹ See *Baroid Drilling Fluids Inc. v. Sun Drilling Products*, *supra* and Wright & Miller, *supra* § 1368 (1990).

⁸² See *Wellcome Foundation Ltd. v. Merck & Co.*, 46 USPQ2d 1478, 1479 n.2 (TTAB 1998) (matters outside the pleading excluded) and *DAK Industries Inc. v. Daiichi Kiosho Co.*, 35 USPQ2d 1434, 1436 (TTAB 1995) (exhibits excluded).

⁸³ See Fed. R. Civ. P. 12(c). Cf. *Selva & Sons, Inc. v. Nina Footwear, Inc.*, 705 F.2d 1316, 217 USPQ 641 (Fed. Cir. 1983) (Board erred in treating motion to dismiss as motion for summary judgment without notifying nonmoving party); *Western Worldwide Enterprises Group Inc. v. Qinqdao Brewery*, 17 USPQ2d 1137 (TTAB 1990); *Pegasus Petroleum Corp. v. Mobil Oil Corp.*, 227 USPQ 1040 (TTAB 1985); *International Telephone and Telegraph Corp. v. International Mobile Machines Corp.*, 218 USPQ 1024 (TTAB 1983); and *Exxon Corp. v. National Foodline Corp.*, 196 USPQ 444 (TTAB 1977), *aff'd*, 579 F.2d 1244, 198 USPQ 407 (CCPA 1978).

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Such notice may be unnecessary, however, in those cases where the parties themselves clearly have treated a motion for judgment on the pleadings as a motion for summary judgment, and the nonmoving party has responded to the motion on that basis.⁸⁴

505 Motion for a More Definite Statement

505.01 Nature of Motion

If, in an inter partes proceeding before the Board, a pleading to which a responsive pleading must be made is so vague or ambiguous that a party cannot reasonably be required to frame a responsive pleading, the responding party may move for a more definite statement.⁸⁵ The motion must point out the defects complained of, specify the details which the movant desires to have pleaded, and indicate that the movant is unable to frame a responsive pleading without the desired information.⁸⁶

A motion for a more definite statement is appropriate only in those cases where the pleading states a claim upon which relief can be granted, but is so vague or ambiguous that the movant cannot make a responsive pleading in good faith or without prejudice to itself.⁸⁷ If the movant believes that the pleading does not state a claim upon which relief can be granted, its proper remedy is a motion under Fed. R. Civ. P. 12(b)(6) to dismiss for failure to state a claim upon which relief can be granted, not a motion for a more definite statement.⁸⁸

A motion for a more definite statement may not be used to obtain discovery. The only information that a movant may obtain by this motion is that which it needs to make its responsive pleading.⁸⁹

⁸⁴ Compare *Selva & Sons, Inc. v. Nina Footwear, Inc.*, *supra* at 646 (nonmoving party did not expect Rule 12(b)(6) motion to be treated as one for summary judgment).

⁸⁵ See Fed. R. Civ. P. 12(e), and Wright & Miller, *Federal Practice and Procedure: Civil 2d* § 1376 (1990). Cf. *CBS Inc. v. Mercandante*, 23 USPQ2d 1784, 1787 n.8 (TTAB 1992) (answer to a counterclaim is not a pleading to which a responsive pleading is permitted).

⁸⁶ See Fed. R. Civ. P. 12(e) and Wright & Miller, *supra* at § 1378.

⁸⁷ See Wright & Miller, *supra* at § 1376-1377.

⁸⁸ See Wright & Miller, *supra* at § 1376.

⁸⁹ See Wright & Miller, *supra* at § 1376-1377.