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UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON  
AT SEATTLE

NATIONAL PRODUCTS, INC.,

Plaintiff,

v.

GAMBER-JOHNSON LLC,

Defendant.

CASE NO. C08-0049JLR

ORDER GRANTING IN PART  
AND DENYING IN PART POST-  
TRIAL MOTIONS

**I. INTRODUCTION**

Before the court is (1) Defendant Gamber-Johnson LLC’s (“Gamber-Johnson”) motion for a directed verdict or judgment as a matter of law (Dkt. # 180)<sup>1</sup>; (2) a motion

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<sup>1</sup> The 1991 Amendments to Federal Rule of Civil Procedure 50 abolished the terminology “direction of verdict” in favor of the term “judgment as a matter of law.” Fed. R. Civ. P. 50(a) comments to 1991 Amendments. “If a motion is denominated a motion for directed verdict . . . , the party’s error is merely formal. Such a motion should be treated as a motion for judgment as a matter of law in accordance with this rule.” *Id.* Thus, despite Gamber-Johnson’s reliance on the pre-1991 terminology, the court considers the motion as a motion for judgment as a matter of law.

1 for permanent injunction and other relief by Plaintiff National Products Inc. (“NPI”)  
2 (Dkt. # 205); and (3) a motion to strike materials not admitted at trial by Gamber-Johnson  
3 (Dkt. # 245). The court, having reviewed the numerous briefs filed in support and  
4 opposition to the motions, including the supplemental and surreply briefs filed by the  
5 parties, as well as having heard the argument of counsel, GRANTS in part and DENIES  
6 in part Gamber-Johnson’s motion for judgment as a matter of law (Dkt. # 180); GRANTS  
7 in part and DENIES in part NPI’s motion for permanent injunction and other relief (Dkt.  
8 # 205); and GRANTS Gamber-Johnson’s motion to strike materials not admitted at trial  
9 (Dkt. # 245).

10 Pursuant to § 35(a) of the Lanham Act, the court GRANTS Gamber-Johnson’s  
11 motion for judgment as a matter of law and adjusts the jury’s award of damages to  
12 \$492,332. The court DENIES the remaining arguments raised in Gamber-Johnson’s  
13 motion. (Dkt. # 180.) In ruling on the motion for judgment as a matter of law, the court  
14 does not consider materials submitted by NPI that were not admitted at trial and therefore  
15 GRANTS Gamber-Johnson’s motion to strike. (Dkt. # 245.) Finally, the court GRANTS  
16 NPI’s motion for a permanent injunction, as amended by the court, GRANTS its motion  
17 for attorney’s fees and costs, and DENIES its motion for prejudgment interest. (Dkt. #  
18 205.) The court directs the clerk to enter judgment consistent with the jury’s verdict and  
19 this court’s order.

## 20 II. BACKGROUND

21 Gamber-Johnson and NPI compete in the vehicle laptop mounting business. As  
22 the name suggests, the companies design and sell mounting systems for laptops in

1 vehicles. This dispute relates to a video produced by Gamber-Johnson titled “The  
2 Mounting Evidence.” The video purports to set forth the opinion of airbag safety expert,  
3 David Long, as to the safety benefits of purchasing a Gamber-Johnson mounting system  
4 versus other mounting systems in the market, including one developed by NPI called the  
5 “RAM.” NPI sued Gamber-Johnson for false advertisement under the Lanham Act based  
6 on allegedly false statements made in the video regarding its RAM product.

7 The matter was tried to a jury in April 2010. The four-day trial concluded on  
8 April 9, 2010. On April 12, 2010, after deliberating for less than three hours, the jury  
9 returned a verdict for NPI finding that Gamber-Johnson had deliberately engaged in false  
10 advertising and awarded NPI \$10,000,000 in damages. (*See* April 12, 2010 Verdict (Dkt.  
11 # 191).) The jury found that four of the statements made in the video relating to the NPI  
12 product were false or misleading. The following day, the court ordered that the parties  
13 submit supplemental briefing on Gamber-Johnson’s motion for judgment as a matter of  
14 law addressing the jury’s award of damages and additional briefing on NPI’s request for  
15 injunctive relief. (Dkt. # 192).

### 16 III. ANALYSIS:

#### 17 A. Motion for Judgment as a Matter of Law

18 Generally, the standard for reviewing a jury verdict is whether it is supported by  
19 substantial evidence. *See Fabrica, Inc. v. El Dorado Corp.*, 697 F.2d 890, 894-95 (9th  
20 Cir. 1983). Substantial evidence means “such relevant evidence as a reasonable mind  
21 might accept as adequate to support a conclusion.” *Consol. Edison Co. v. NLRB*, 305  
22 U.S. 197, 229 (1938). Section 35(a) grants the district court discretionary power to

1 modify monetary awards pursuant to the Lanham Act,. *See Playboy Enter., Inc. v.*  
2 *Baccarat Clothing Co.*, 692 F.2d 1272, 1275 (9th Cir. 1982). This section also directs the  
3 court to ensure that a recovery under the Lanham Act is “subject to the principles of  
4 equity.” 15 U.S.C. § 1117(a). Accordingly, in accessing the equity of the jury’s award,  
5 the court adheres to the standard set forth in 15 U.S.C. § 1117(a), as well as the cases  
6 interpreting this standard.

7 A. Damages Pursuant to § 35(a)

8 Damages for false advertisement claims under the Lanham Act are governed by 15  
9 U.S.C. § 1117. Section 35(a) entitles the plaintiff to three types of remedies: (1)  
10 disgorgement of defendant’s profits; (2) plaintiff’s actual damages (lost sales); and (3) the  
11 cost of the action. This section also confers a great deal of discretion on a district court in  
12 fashioning a remedy for violations of the Act. *Maier Brewing Co. v. Fleischmann*  
13 *Distilling Corp.*, 390 F.2d 117, 121 (9th Cir. 1968); *see also Playboy*, 692 F.2d at 1275.  
14 The district court can increase the damages assessed up to three times those found as  
15 actual damages, and it may respond to a perceived inadequacy or excessiveness of profits  
16 by entering as a judgment such a sum as may be found to be just “according to the  
17 circumstances of the case.” 15 U.S.C. § 1117(a). The district court must not only be  
18 guided by principles of equity but must also ensure that its award constitutes  
19 “compensation and not a penalty.” *Id.*

20 The court begins its analysis by distinguishing the two types of damages available  
21 under the Lanham Act: actual damages and defendant’s profits. Section 35(a)  
22 differentiates between (1) an award of “actual damages,” such as plaintiff’s loss sales,

1 and (2) an award of defendant's "profits," based on an unjust enrichment theory. 15  
2 U.S.C. § 1117(a). This difference has an important effect on the court's discretion to  
3 determine damages. With respect to an damage award based on profits, the district court  
4 may find the damage award inadequate or excessive and may in its discretion "enter  
5 judgment for such sum as the court shall find to be just, according to the circumstances of  
6 the case." *Id.* Conversely, with respect to actual damages, the district court is permitted  
7 to increase damages up to three times the amount of damages found by the fact-finder,  
8 but is not granted authority to reduce actual damages without a concurrent finding that  
9 the award of actual damages was not based on "substantial evidence" as discussed above.

10 *Id.*

11 NPI did not seek actual damages at trial for lost sales nor does it seek any actual  
12 damages in its post-trial motions. (*See* NPI Resp. (Dkt. # 208) at 15; NPI Sec. Resp.  
13 (Dkt. # 211) at 1 (NPI stating that it did not assert a lost sales theory at trial); July 1, 2010  
14 Tr. at 18 ("Court: Do I understanding your briefing properly that you are not making a  
15 claim for actual damages? Mr. Tellekson [counsel for NPI]: Yes, your honor. Yes, your  
16 honor."); Tr. at 26 (Mr. Tellekson: "And damages can be actual damages, which we're  
17 not claiming, and they could be the defendant's profits.")). The court therefore limits its  
18 ruling on damages to those based on an unjust enrichment theory or disgorgement of  
19 Gamber-Johnson's profits and does not consider whether there was substantial evidence  
20 to support a finding of actual damages of \$10,000,000.

1       B. Considerations in Awarding Damages

2       In determining the appropriate compensation, the court must be mindful to  
3 compensate NPI and not punish Gamber-Johnson. The Ninth Circuit’s guidance in  
4 achieving an award that compensates without punishing provides a number of principles  
5 for this court to follow. To begin, the district court must determine damages in a Lanham  
6 Act action in light of equitable considerations. *Maier Brewing*, 390 F.2d at 120. “The  
7 equitable limitation upon the granting of monetary awards . . . would seem to make it  
8 clear that such a remedy should not be granted as a matter of right.” *Id.*; *see also Burger*  
9 *King Corp. v. Mason*, 855 F.2d 779, 780 (11th Cir. 1988). When fashioning a remedy in  
10 a given case, the court must rely “not merely on the legal conclusion of liability, but  
11 [must] also . . . consider the nature of the infringing actions, including the intent with  
12 which they were motivated and the actuality, if any, of their adverse effects upon the  
13 aggrieved party.” *Lindy Pen Co., v. Bic Pen Corp.*, 982 F.2d 1400, 1406 (9th Cir. 1993)  
14 (quoting *Bandag, Inc. v. Al Bolser’s Tire Stores*, 750 F.2d 903, 918 (Fed. Cir. 1984)  
15 (applying Ninth Circuit law)); *see also Highway Cruisers of Cal., Inc. v. Sec. Indus., Inc.*,  
16 374 F.2d 875, 876 (9th Cir. 1967) (“One may get just enough relief to stop the evil . . .  
17 .”). When awarding damages, the court must also be cognizant of the Ninth Circuit’s  
18 admonition in *Bandag* that a plaintiff is not entitled to a “windfall” of an award. 750  
19 F.2d at 918.

20       The Ninth Circuit provided additional guidance in *Southland Sod Farms v. Stover*  
21 *Seed Co.*, wherein it explained that the preferred approach in determining damages is to  
22 fashion relief, including monetary relief, based on the “totality of the circumstances,”

1 while at the same time being careful to not simply penalize the defendant. 108 F.3d  
2 1134, 1146 (9th Cir. 1997) (citing *Badger Meter, Inc. v. Grinnel Corp.*, 13 F.3d 1145,  
3 1157 (7th Cir. 1994)). The court should ensure that the damage award is based on actual  
4 evidence of injury from the deceptive advertising. In *Harper House, Inc. v. Thomas*  
5 *Nelson, Inc.*, for example, the Ninth Circuit held that the district court erred in failing to  
6 grant a judgment notwithstanding the verdict on the jury's award of \$1,860,307 for a  
7 Lanham Act violation. 889 F.2d 197, 210 (9th Cir. 1989). The Ninth Circuit found that  
8 the award was unjustified as there was no "actual evidence" of some "injury *resulting*  
9 *from the deception.*" (*Id.*)

10 Finally, the court should take into consideration the jury's finding that Gamber-  
11 Johnson engaged in the false advertisement deliberately. See *Bandag*, 750 F.2d at 917  
12 (stating that it is "essential in fashioning the remedy in this case to rely, not merely on the  
13 legal conclusion of liability, but also to consider the nature of the infringing actions,  
14 including the intent with which they were motivated and the actuality, if any, of their  
15 adverse effects upon the aggrieved party.")

16 In sum, in fashioning appropriate relief in this case, the court is guided by the  
17 following: (1) a remedy should not be granted as a matter of right; (2) the remedy must  
18 represent compensation for damages and not a punishment to the defendant; (3) NPI is  
19 not entitled to a windfall; (4) there must be some evidence of damage attributable to the  
20 false advertisement; (5) the court must look to the "totality" of the circumstances; and (6)  
21 the court should consider the jury's finding that Gamber-Johnson engaged in deliberate  
22 false advertisement.

1 C. Presumption of Injury

2 The question of NPI's burden to prove damages in this case was explored at length  
3 during the summary judgment proceedings. Gamber-Johnson moved to dismiss NPI's  
4 Lanham Act claims on the basis that it has no proof that any sales were diverted from it  
5 as a result of the allegedly false statements in the video. (Mot. for Sum. J. (Dkt. # 75) at  
6 22 (asserting that to recover damages NPI must first show "actual diversion of  
7 customers".)) NPI responded that it "enjoys an evidentiary presumption of actual  
8 deception and reliance" because Gamber-Johnson published a deliberately false  
9 advertisement. (Resp. at 23.) The court agreed with NPI that it was entitled to a  
10 presumption of actual deception and reliance if Gamber-Johnson's statements in The  
11 Mounting Evidence were found to be false or misleading. In making this determination,  
12 the court relied on the Ninth Circuit's explanation of this presumption in *U-Haul Int'l,*  
13 *Inc. v. Jartran, Inc.*, 793 F.2d 1034, 1040-41 (9th Cir. 1986):

14 It is not easy to establish actual consumer deception through direct  
15 evidence. The expenditure by a competitor of substantial funds in an effort  
16 to deceive consumers and influence their purchasing decisions justifies the  
17 existence of a presumption that consumers are, in fact, being deceived. He  
18 who has attempted to deceive should not complain when required to bear  
19 the burden of rebutting a presumption that he succeeded.

20 793 F.2d at 1040-41 (awarding damages based on corrective advertising expenditures);  
21 *see also Southland Sod*, 108 F.3d at 1146 (holding that an inability to show deception and  
22 actual damages does not alone preclude a recovery for false advertisement.) The court  
went on to conclude that in a direct comparative advertising case, plaintiffs, like NPI,  
who are victims of deliberately false advertising are entitled to a presumption of

1 consumer deception and injury. The court also found that the presumption extended to a  
2 finding of damage to NPI's goodwill and reputation. The presumption of damages,  
3 however, did not extend to the diversion of sales, measured by either NPI's alleged loss  
4 profits or Gamber-Johnson's alleged gains. At trial, the jury was instructed on this  
5 presumption as well. (*See* Jury Instructions (Dkt. # 185) at No. 14 ("NPI is not entitled to  
6 a presumption of injury as to profits gained or lost as a result of a false statement.").)  
7 Because the jury found that Gamber-Johnson engaged in deliberate false advertisement in  
8 a comparative advertisement case, there is a presumption of injury to NPI's goodwill and  
9 reputation. Injury to goodwill and reputation, however, is an element of actual damages  
10 that NPI disavowed in its post-trial motions.

11       Throughout the trial, NPI had the burden of proving damages by a preponderance  
12 of the evidence. Because NPI was not claiming actual damages, it had to prove that it  
13 was entitled to any profits that Gamber-Johnson earned that are attributable to the false  
14 advertising. (Jury Instructions at No. 19). Once NPI proves that the profits earned by  
15 Gamber are attributable to the false advertising then, and only then, does the burden shift  
16 to Gamber-Johnson to prove its expenses and the portion of the profit attributable to  
17 factors other than the false advertising. (*Id.*; *see also* Manual of Model Civil Jury  
18 Instructions, Ninth Cir. 15.26 (April 25, 2007).) This burden-shifting distinction  
19 becomes important in the court's evaluation of NPI's "pool of money" theory discussed  
20 below.

1       D. Post-Trial Evidence of Profits

2       The court's hesitation with respect to an award of damages to NPI based on an  
3 unjust enrichment theory is caused by the dearth of evidence proving that *all* of Gamber-  
4 Johnson's sales during the relevant time period, and its resulting profits, are "attributable  
5 to the false advertising." At a post-trial hearing, the court presented its reluctance to  
6 attribute all profits to the video and requested evidence from NPI evidencing a  
7 connection between the video and the profits. NPI responded with evidence from trial  
8 proving that at least two companies chose to purchase the Gamber-Johnson product after  
9 reviewing *The Mounting Evidence: Comcast and Itronix*.

10       After the hearing, the court requested that the parties each submit a supplemental  
11 brief addressing Gamber-Johnson's profits from its sales to "Comcast and General  
12 Dynamics Itronix from May 15, 2007 through April 2010." (July 2, 2010 Order (Dkt. #  
13 234) at 1.) While there is evidence in the record to support a jury's finding that the sales  
14 to Comcast and Itronix were influenced by the video, NPI never offered any evidence at  
15 trial quantifying Gamber-Johnson's profits from these sales. Only in response to the  
16 court's request for a calculation of profits based on the Comcast and Itronix sales did NPI  
17 offer evidence supporting the value of these sales. This evidence, however, was not  
18 offered at trial and NPI has not moved to reopen the record post-trial. Consideration of  
19 evidence outside the record is improper under Fed. R. Civ. P. 50(b) because such motions  
20 challenge the sufficiency of the evidence based on the record "as it existed when the trial  
21 was closed." *Elbert v. Howmedica, Inc.*, 143 F.3d 1208, 1209 (9th Cir. 1998) (quoting  
22 *Schudel v. General Elec. Co.*, 120 F.3d 991, 995 (9th Cir. 1997) (the "record should be

1 taken as it existed when the trial was closed. This rule promotes certainty: litigants need  
2 not supplement conditionally admitted evidence, perhaps, unnecessarily; and district  
3 courts need not speculate as to what other evidence might have been offered if the  
4 evidence had been excluded at trial.”)).

5 Here, of course, none of the evidence that NPI now seeks to introduce is “newly  
6 discovered.” There is no dispute that NPI had these materials and chose not to use them  
7 at trial. The court will not reopen the record simply because the movant “failed to prove  
8 his strongest case” and wants “a second opportunity to litigate a point, to present  
9 evidence that was available but not previously offered, or to advance new theories.” 9C  
10 Wright & Miller § 2582, at 353 (3d ed. 2008). NPI chose not to ask for actual damages at  
11 trial and chose not to include an accounting of profits attributable to customers that  
12 bought Gamber-Johnson’s product after viewing the video. The court will not permit it  
13 to reopen the evidence to include NPI’s post-trial evidence of damages. Accordingly, the  
14 court grants Gamber-Johnson’s motion to strike Exhibits A-G of the Demarchi  
15 Declaration. Without evidence of profits attributable to Comcast and Itronix, the court is  
16 unable to award damages based on the profits made by Gamber-Johnson with respect to  
17 sales to these companies. *See Lindy Pen*, 982 F.2d at 1407.

18 E. Profits Attributable to False Advertisement

19 The court now turns to the evidence of damages that was presented at trial. NPI  
20 offered an expert witness, Scott Hampton, to opine on the amount of profit made by  
21 Gamber-Johnson during the time that The Mounting Evidence was in circulation. Mr.  
22 Hampton began by calculating Gamber-Johnson’s profits over the period May 15, 2007,

1 the date the video was released, through December 2008, the date that Gamber-Johnson  
2 took down the website for The Mounting Evidence video. (April 8, 2010 Trial Transcript  
3 (“4/8/2010 Tr.”) (Dkt. # 230) at 71.) Mr. Hampton began his profits analysis by  
4 reviewing Gamber-Johnson’s financial statements for the period of time when the video  
5 was most extensively used. He determined that during the applicable time period,  
6 Gamber-Johnson sold \$54,194,000 worth of vehicle base mounts. (4/8/2010 Tr. at 73.)  
7 After deducting \$31,623,347 for the costs associated with those sales, Mr. Hampton  
8 calculated Gamber-Johnson’s profits during this time period to be \$22,570,826.<sup>2</sup> (*Id.*)

9 Mr. Hampton also testified that in forming his opinions he reviewed documents  
10 evidencing that Gamber-Johnson took customers from NPI. (4/8/2010 Tr. at 77.) The  
11 documents he reviewed to support a diversion of sales theory included Trial Exhibit 216  
12 (the “Molski email”) and Trial Exhibit 274 (the “Zuelke email”). (*Id.*) Both emails were  
13 offered by NPI to show that the video was effective and that customers were diverted to  
14 Gamber-Johnson. With respect to the Molski email, however, Mr. Hampton testified on  
15 cross-examination that he did not know the identity of the diverted customer, what factors  
16 influenced his buying decision, which statements in the video influenced his decision, or  
17 whether the person ever bought the Gamber-Johnson system. (*Id.* at 77-78.) With  
18 respect to the Zuelke email, Mr. Hampton testified that he did not know if Mr. Zuelke

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<sup>2</sup> Gamber-Johnson’s expert calculated a profit margin of 29.8 %, which was lower than  
the 41.6% profit margin calculated by NPI’s expert. (*See* 4/8/2010 Tr. at 73; 4/9/2010 Tr. at 92.)  
The court assumes that the jury was persuaded by the profit margin provided by NPI’s expert and  
it uses that number in its analysis.

1 distributed the videos that were sent to him, nor does the email say anything about  
2 whether the video was effective in diverting sales from NPI, as opposed to the other  
3 competitors mentioned in the video.<sup>3</sup> (*Id.*) Accordingly, Mr. Hampton’s analysis is  
4 based on antidotal evidence that unidentified customers were influenced by the video.

5 Relying on Mr. Hampton’s testimony as its spring board for damages, in its post-  
6 trial arguments, NPI attempts to rationalize the jury’s \$10,000,000 award by offering the  
7 following explanation. NPI begins with the assumption that the jury based the monetary  
8 award on *all* of Gamber-Johnson’s profits from the sale of vehicle mounts from May 15,  
9 2007 through December 31, 2008, which totaled approximately \$54 million. (4/8/10 Tr.  
10 at 73:16–20, 73:24–74:1; Trial Exs. 295, 371; 4/9/10 Tr. at 91:24–92:5.) NPI then  
11 calculates the Gamber-Johnson’s profit using the lower profit margin offered by Gamber-  
12 Johnson of 29.8% and finds that Gamber-Johnson’s profit during this time was  
13 approximately \$16 million. (4/9/10 Tr. at 92:12–25.) NPI then argues that the jury made  
14 a “few additional deductions” and came up with a damage award that was consistent with  
15 Mr. Hampton’s testimony.

16 Gamber-Johnson offered its own economist at trial, Mr. Carl Degen. Mr. Degen  
17 testified that he “strongly disagreed” with Mr. Hampton’s opinion that all of Gamber-  
18 Johnson’s profit during the relevant time-period was a decent proxy of the amount of  
19 Gamber-Johnson’s unjust enrichment. (4/9/2010 Tr. at 72 (explaining that Mr.

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21 <sup>3</sup> Although, as an expert, Mr. Hampton may rely on inadmissible evidence to support his  
22 opinions, the court notes that both the Molski email and the Zuelke email were admitted into  
evidence for a purpose other than to show that customer’s were diverted and that sales were  
gained by Gamber-Johnson.

1 Hampton's analysis assumes that once the video was distributed every sale made by  
2 Gamber-Johnson from that day forward was attributable to the false statements made in  
3 the video.) Mr. Degen also points out that there were multiple vendors identified in the  
4 video. (*Id.*) Thus, Mr. Degen testified that Mr. Hampton's opinion not only assumed that  
5 all of Gamber-Johnson's sales were attributable to the video but also that none of  
6 Gamber-Johnson's customers were diverted from other vendors as a result of the video.

7 Mr. Degen opined that NPI's lost profit from sales during this time period of  
8 approximately \$350,000 was the best indication of Gamber-Johnson's gained profit from  
9 a diverted sales that would have gone to NPI. (*Id.* at 72.) This calculation is also  
10 consistent with Mr. Hampton's trend analysis of NPI's lost sales during the relevant time  
11 period. (4/9/2010 Tr. at 74 (Mr. Hampton, using a trend analysis, calculated NPI's lost  
12 sales during the relevant time period to be approximately \$385,000).) Mr. Degen,  
13 alternatively, performed a trend analysis on Gamber-Johnson's profits to determine if it  
14 made a profit during the relevant time period. Mr. Degen first assumed that there were  
15 no other factors that could have increased Gamber-Johnson's profits other than diverted  
16 sales from NPI. (4/9/2010 Tr. at 76; 77-80; 85-86.) He then calculated Gamber-  
17 Johnson's revenue over the relevant period and identified an increase in sales of  
18 \$1,183,492, in relation to Gamber-Johnson's historical revenue trend. (*Id.*) Using the  
19 lower profit margin he calculated of 29.8%, Mr. Degen determined that based on the  
20 historical trend analysis, Gamber-Johnson's additional profits during this time were  
21 \$352,796. (*Id.* at 86.) NPI did not offer additional evidence to refute this calculation.  
22 However, the court notes that had Mr. Degen used the higher profit margin posited by

1 Mr. Hampton of 41.6%, Gamber-Johnson's net profit during the relevant time-period,  
2 based on a trend analysis, would have been approximately \$492,332.

3 The court is not convinced by Mr. Hampton's opinion that all of Gamber-  
4 Johnson's sales during the relevant time period would have gone to NPI but for the video,  
5 and thus cannot find that an award of \$22,570,826 to be even in the realm of an equitable  
6 damage award. The court was persuaded, however, by Mr. Degen's trend analysis of  
7 Gamber-Johnson's increased profit during the relevant time-period and finds that an  
8 award of \$492,332 would serve the policy considerations behind the Lanham Act. The  
9 court makes this determination even though there were other vendors mentioned in the  
10 video and it is likely that an increase in profits during this time was attributable to sales  
11 taken from other vendors and not just NPI. The court nevertheless awards the total profit  
12 to NPI in recognition of the jury's findings as to Gamber-Johnson's intent in  
13 disseminating the false statements, as well as other equitable considerations.

14 F. NPI's "Pool of Money" Theory

15 At the hearing on the issue of damages, the court asked NPI's counsel "what is the  
16 best evidence in the record, from your point of view, that some of [Gamber-Johnson's]  
17 profits during the 19-month period were attributable to the video?" (Unof. 7/1/2010 Tr.  
18 at 19.) NPI's counsel responded with an explanation of what the court has termed its  
19 "pool of money" theory. Relying on cases such as *Lindy Pen* and *Playboy*, NPI stated its  
20 position regarding its burden as:

21 and it comes right out of the statute, it comes right out of 1117(a), our  
22 burden is to identify the pool of sales that are attributable or related to the  
infringement. And there was no dispute in this case that the \$54 million in

1 sales that were attributable to the devices that were at issue in this case was  
2 too big. That \$54 million was never disputed. Those were the products  
3 that were shown in the video, those are the products that were sold, and no  
4 one ever disputed that. So that, I believe, alone meets our burden.

5 (*Id.* at 19-20.) NPI further explained that “damages can be actual damages, which we’re  
6 not claiming, and they could be the defendant’s profits. And in order to be entitled to the  
7 defendant’s profits, our burden is to show the pool of money that is affected by the  
8 video.” (*Id.* at 26.) NPI makes similar arguments in its post-trial briefs.

9 The Ninth Circuit’s opinions in *Lindy Pen* and *Playboy* do not support NPI’s pool  
10 of money theory. See *Lindy Pen*, 982 F.2d at 1408; *Playboy*, 692 F.2d at 1274-75. In  
11 *Lindy Pen*, the court began its analysis of the award of unjust enrichment based on  
12 defendant’s profits with the following statements: “[t]he plaintiff has only the burden of  
13 establishing the defendant’s gross profits from the infringing activity with reasonable  
14 certainty. Once the plaintiff demonstrates gross profits, they are presumed to be the  
15 result of the infringing activity.” 982 F.2d at 1408. NPI extrapolates these statements to  
16 mean that once it shows Gamber-Johnson engaged in false advertisement in selling its  
17 vehicle mounts, all NPI has to do is point to the pool of money from those sales as  
18 evidence of unjust enrichment. The burden then shifts to Gamber-Johnson to prove the  
19 portion of its sales that are attributable to factors other than the false advertisement. NPI  
20 ignores the sentence before these statements—“an accounting is intended to award profits  
21 only on sales that are attributable to the infringing conduct”—as well as the court’s  
22 reasoning in denying unjust enrichment damages. *Id.*

1 The court's concern in *Lindy Pen*, and the reason it denied unjust enrichment  
2 damages, is that the plaintiff, Lindy Pen, failed to segregate Bic's profits from sales  
3 associated with the infringing activity from sales that did not involve infringement. In  
4 essence, Lindy did just as NPI does here. Lindy pointed to the "pool of money" or profits  
5 from all of Bic's sales without first attributing all of that profit to the infringing activity.  
6 The Ninth Circuit determined that "Lindy failed to come forward with any evidence of  
7 sales of the Bic 'Auditor's Fine Point' in the infringing market. Lindy instead brought  
8 forth proof of Bic's total sales." *Id.* The failure of Lindy to present "competent evidence  
9 of its lost profits or Bic's unjust enrichment arising from the infringement" precluded it  
10 from obtaining damages for Bic's trademark infringement.<sup>4</sup> *Id.*

11 NPI also relies on the Ninth Circuit's decision in *Playboy* to support its pool of  
12 money theory. In *Playboy*, the defendant, a wholesale and retail jean business in South  
13 Los Angeles, affixed onto its jeans approximately 20,000 labels bearing the combination  
14 Playboy and rabbit head design marks owned by Playboy without a license from Playboy.  
15 692 F.2d at 1273. The district court awarded Playboy \$12,750 in damages, which  
16 represented the revenue Playboy would have received if the use of the mark had been  
17 licensed. *Id.* at 1274. The Ninth Circuit held that these damages were not significant  
18 enough to serve the policy considerations of the Lanham Act to make counterfeiting  
19 unprofitable for the counterfeiter. *Id.* The Ninth Circuit then looked at the amount of

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21 <sup>4</sup> In *Lindy Pen*, the court was unwilling to award any damages to Lindy for Bic's  
22 trademark infringement because Bic's infringement was unintentional. *Lindy Pen*, 982 F.2d at  
1406. Here, by contrast, the jury found that Gamber-Johnson deliberately engaged in false  
advertising.

1 profit that the defendant made from each pair of jeans it sold bearing the infringing mark  
2 and found this amount to be the “appropriate computation” of damages. *Id.* In *Playboy*,  
3 every pair of jeans sold by defendant bore the infringing mark. One can presume that,  
4 absent evidence to the contrary from the defendant, the profits made on the sale of the  
5 jeans were attributable to the infringing mark. Here, NPI has shown that only two  
6 customers may have purchased Gamber-Johnson’s vehicle mounts after watching the  
7 video. Yet, NPI did not offer evidence at trial that segregates Gamber-Johnson’s profits  
8 from sales to these two companies from all of its sales during the relevant time period.  
9 The court cannot rest with the notion that all of Gamber-Johnson’s sales of vehicle  
10 mounts from the time it released the video until its retraction was attributable to the  
11 video. Unlike the *Playboy* case, where every purchaser would have seen the infringing  
12 mark, the evidence here is that only some of Gamber-Johnson’s customers would have  
13 even seen the video. The court therefore rejects NPI’s pool of money theory in this case.  
14 NPI had the initial burden of showing the amount of profits attributable to the video. It  
15 failed to do this at trial and cannot correct this error after the close of evidence.

16 **B. Permanent Injunction**

17 NPI is entitled to an injunction in this case. The breadth of the injunction is a  
18 matter of dispute. NPI moves the court for a injunction that: (1) prevents Gamber-  
19 Johnson from distributing *The Mounting Evidence* in its current form; (2) prevents  
20 Gamber-Johnson from disseminating other advertising or promotional materials  
21 containing the statements the jury found to be false; and (3) requires Gamber-Johnson to  
22 communicate, by certified mail, with each person or entity to whom it sent *The Mounting*

1 Evidence, informing each such person or entity that the challenged statements made in  
2 the video are false.

3         The district court has the “power to grant injunctions, according to the principles  
4 of equity and upon such terms as the court may deem reasonable . . . to prevent a  
5 violation of subsection (a), (c), or (d) of Section 43” of the Lanham Act. 15 U.S.C. §  
6 1116(a). An injunction is warranted where the traditional four-factor test has been met.  
7 *See e.g., eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006) (irreparable  
8 injury; legal remedies are inadequate; the balance of hardships between the plaintiff and  
9 defendant; and the public interest would not be disserved by a permanent injunction). In  
10 Lanham Act cases, the Ninth Circuit has held that this test is satisfied and injunctive  
11 relief may be granted upon proof that a false statement of fact in a commercial  
12 advertisement is material and has a tendency to deceive the relevant purchasing public.  
13 *Southland Sod*, 108 F.3d at 1145 (entitlement to injunctive relief under the Lanham Act  
14 does not require an independent showing of injury) (citing *Harper House*, 889 F.2d at  
15 210).

16         The jury found that Gamber-Johnson engaged in false advertisement in a  
17 commercial advertisement, that it was material, and that it had a tendency to deceive the  
18 relevant purchasing public. Accordingly, NPI is entitled to an injunction. Gamber-  
19 Johnson argues that the injunction is unnecessary because it has already ceased  
20 distribution of the video. The court finds this position disingenuous considering that  
21 Gamber-Johnson admitted that it never attempted to retract any of the copies it sent to  
22 distributors and still encouraged its distributors to use the video. Accordingly, it does not

1 appear that Gamber-Johnson has irrefutably demonstrated that it will not use the video.  
2 *See Polo Fashions, Inc. v. Dick Bruhn, Inc.*, 793 F.2d 1132, 1135 (9th Cir. 1986) (quoting  
3 2 J. McCarthy, TRADEMARKS AND UNFAIR COMPETITION § 30:6, at 471 (2d ed.  
4 1984)). The question then is not whether to issue an injunction but how much activity to  
5 enjoin.

6 The crux of the dispute is centered on NPI's request that the court order Gamber-  
7 Johnson to send out a corrective letter by certified letter to every distributor or customer  
8 that received a copy of the video. While Gamber-Johnson contends that such an effort is  
9 neither necessary nor warranted in this case, the court is concerned that Gamber-Johnson  
10 continues to assert that the statements in the video were not false and thus it was not  
11 going to publicize the jury's findings. Accordingly, the court issues the injunction  
12 proposed by NPI, with the following change. The court declines to enjoin Gamber-  
13 Johnson to send to each vendor or distributor that received the video, by certified mail, a  
14 statement informing them that the challenged statements in the video are false. Instead,  
15 the court orders Gamber-Johnson to send by first class mail a copy of the jury's findings  
16 in this case to each of the vendors or distributors that received the video. (*See Ex. A to*  
17 *NPI's motion for permanent injunction and other relief (Dkt. # 205) (list of Gamber-*  
18 *Johnson's marketing and sales contacts).*)

### 19 C. Attorney's Fees

20 Section 35(a) of the Lanham Act provides that "[t]he court in exceptional cases  
21 may award reasonable attorney fees to the prevailing party." 15 U.S.C. § 1117(a). Here,  
22 the jury's express finding that Gamber-Johnson's false advertising was deliberate

1 supports an award to NPI of its reasonable attorney's fees incurred in prosecuting the  
2 action. *See Earthquake Sound Corp. v. Bumper Indus.*, 352 F.3d 1210, 1216-17 (9th Cir.  
3 2003) (rejecting argument that "exceptionality requires egregious culpability" and  
4 holding that exceptional case determination may be based solely on jury's finding that  
5 "the defendant acted maliciously, fraudulently, deliberately, or willfully"); *see also BASF*  
6 *Corp. v. Old World Trading Co., Inc.*, 41 F.3d 1081, 1099 (7th Cir. 1994) (deliberateness  
7 alone sufficient to support award of attorney fees). A finding of an exceptional case  
8 flows naturally from a finding that a defendant willfully violated the Lanham Act.  
9 *Gracie v. Gracie*, 217 F.3d 1060, 1068 (9th Cir. 2000); *Earthquake*, 352 F.3d at 1217-19.  
10 Because the jury found that Gamber-Johnson's false advertisement was done  
11 deliberately, the court awards NPI its attorney's fees. NPI shall submit to the court a  
12 declaration setting forth its attorney's fees and supporting documentation by no later than  
13 August 30, 2010. Gamber-Johnson may file a response to the declaration submitted by  
14 NPI, if any, by September 10, 2010.

15 **D. Cost of the Action**

16 Under the express language of the Lanham Act, NPI is entitled to its costs. If a  
17 defendant has violated 15 U.S.C. § 1125(a), the plaintiff is entitled to recover "the costs  
18 of the action." *See Earthquake*, 352 F.3d at 1212. The court directs NPI to file a bill of  
19 costs fully specifying its recoverable costs and disbursements following entry of  
20 judgment, in accordance with Local Rule W.D. Wash. CR 54(d)(1).

1 **E. Prejudgment Interest**

2 The court does not award prejudgment interest. Prejudgment interest is a “make  
3 whole” remedy. That is it is appropriate in circumstances where the plaintiff will not be  
4 made whole without additional compensation in the form of prejudgment interest. An  
5 award of prejudgment interest allows a prevailing party to be compensated “for the loss  
6 of use of money due as damages from the time the claim accrues until judgment is  
7 entered, thereby achieving full compensation for the injury those damages are intended to  
8 redress.” *Schneider v. County of San Diego*, 285 F.3d 784, 789 (9th Cir. 2002) (internal  
9 quotation omitted). NPI does not meet this standard and the court declines to award  
10 prejudgment interest.

11 **IV. CONCLUSION**

12 Based on the foregoing, the court GRANTS Gamber-Johnson’s motion for  
13 judgment as a matter of law and adjusts the jury’s award of damages to \$492,332. The  
14 court DENIES the remaining arguments raised in Gamber-Johnson’s motion. (Dkt. #  
15 180.) The court GRANTS Gamber-Johnson’s motion to strike. (Dkt. # 245.) The court  
16 GRANTS NPI’s motion for a permanent injunction, as amended by the court, GRANTS  
17 its motion for attorney’s fees and costs, and DENIES its motion for prejudgment interest.  
18 (Dkt. # 205.) The court directs the clerk to enter judgment consistent with the jury’s  
19 verdict and this court’s order.

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1 Dated this 13th day of August, 2010.

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5 JAMES L. ROBART  
6 United States District Judge  
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