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UNITED STATES DISTRICT COURT WESTERN DISTRICT OF WASHINGTON

AT TACOMA

CASCADE MANUFACTURING SALES, INC., a Washington corporation,

Plaintiff.

VS.

PROVIDENT CO TRUST, a Washington trust dba WORMSWRANGLER.COM; BARRY RUSSELL, an individual,

Defendants.

CASE NO: C08-5433RBL

CASCADE MANUFACTURING SALES, INC.'S MOTION FOR A PRELIMINARY INJUNCTION

Noted for Hearing: August 15, 2008

ORAL ARGUMENT REQUESTED

I. INTRODUCTION

Cascade Manufacturing Sales, Inc. ("Cascade"), the owner of the federally registered trademark, "WORM FACTORY," (the "Mark") seeks an injunction preventing Provident Co Trust, d/b/a WormsWrangler.com ("Provident") and Barry Russell ("Russell") from unlawfully using Cascade's Mark and logo pending resolution of this lawsuit. Provident is using Cascade's Mark and logo in an infringing manner on Provident's website (the "Site") accessible at <wormswrangler.com>. Provident has also unlawfully used Cascade's Mark and logo in online advertising efforts and on Provident's pricing/order forms. Provident's use of Cascade's Mark and logo is unlawful and infringing as Provident lacks a license to use the Mark or logo. As a result, an injunction is necessary to stop Provident's unlawful actions

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and preserve Cascade's goodwill in the Mark pending resolution of this lawsuit.

II. FACTUAL BACKGROUND

A. CASCADE'S BUSINESS AND RIGHTS IN THE MARK

Since 1999, Cascade has engaged in the business of manufacturing and selling composting bins. (*See* Rhodes Decl., ¶ 2.) Throughout its years of operation, Cascade has extensively promoted its products and has used the federally registered trademark, "WORM FACTORY" (the "*Mark*") (Registration number 3448973) as well as a logo to promote its compost bins. (*See* Rhodes Decl., ¶ 3, **Ex. A**.) In fact, the Mark and logo have been used in commerce by Cascade since at least 2000, and Cascade's use of the Mark and logo has been substantially continuous and exclusive. (<u>Id.</u>, ¶ 4.) In addition, Cascade has received extensive media coverage. It has been featured on, or appeared in, numerous television shows and other media, including: Paul James, Gardening by the Yard, HGTV and Gardening with Ciscoe Morris on King 5 TV. (<u>Id.</u>, ¶ 5.)

Cascade is well recognized in its industry and is one of the preeminent manufacturers of composting bins. (*See* Benoy Decl., ¶ 5; Rhoads Decl., ¶ 6.) Cascade's recognition stems from the fact that it has expended a considerable amount of time, money, and effort to build strong brand recognition and goodwill, including building goodwill in its Mark and logo, and in its sourcing and processes. (*See* Rhoads Decl., ¶ 7.) Cascade's products are sold not only in the United States but also in the UK, Canada, Ireland, France, Germany and South Africa. Cascade engages in the promotion and sales of its products through various channels, including the internet and traditional retail stores. (<u>Id.</u>, ¶ 8.)

Composting bins vary in quality, size, color, construction, and by the features they offer. (Id., \P 9.) Customers are selective about these attributes, as well as about where and how a particular composting bin is manufactured. (Id., \P 10.)

B. PROVIDENT'S ACTS OF INFRINGEMENT

Provident is a "trust" which is operated by Barry Russell. Barry Russell is the trustee

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of Provident, and operates the wormswrangler.com website (the "Site"). The Site was formerly registered to Mr. Russell's name. (Balasubramani Decl., \P 2.) Provident markets and sells its composting bins through various channels, including direct sales and distribution through internet websites, such as eBay.com. (Id., \P 12) Provident sells composting bins which are similar in style and in the same cost-range as Cascade. It is fair to say that the two entities are competitors and market to the same or similar customer base. (Id., \P 13.)

Provident and Cascade previously had a business relationship pursuant to which Provident would purchase Cascade's composting bins for re-sale. Approximately nineteen (19) months ago, Provident defaulted on the operative agreement and ceased paying Cascade the amounts which Cascade was due. ($\underline{\text{Id.}}$, ¶ 14.) As of the date of this filing, Provident owes Cascade over ten thousand dollars. Provident has not disputed these amounts – it has simply refused to pay them. The operative agreement does not contain any provisions for an ongoing trademark license between Cascade and Provident. ($\underline{\text{Id.}}$, ¶ 15.)

Provident is currently using Cascade's Mark and logo on its Site. Specifically, Provident purports to offer for sale "WORM FACTORY"-branded products. (*See* Rhoads Decl., ¶ 16; **Ex. B**.) Provident has also utilized Cascade's Mark and logo on its order forms. (*See* Rhoads Decl., ¶ 16; **Ex. C**.) In addition, Provident has used Cascade's Mark extensively in online advertising efforts, including for key-word based search engine advertising and metatags underlying the Site. (See Rhodes Decl., ¶ 17.)

C. PROVIDENT'S INFRINGEMENTS CAUSED CUSTOMER CONFUSION

Provident's acts of infringements have caused confusion among Cascade's customers or potential customers. One long-time Cascade customer who also sells composting bins attests that she received numerous queries from customers regarding the differences between the two brands of "worm factory" composting bins. (*See* Rhodes Decl., ¶ 18; *see generally* Benoy Decl.) Customers have asked about the difference between the composting bins sold by Provident through the Site and those sold by Cascade. Customers have expressed to

Cascade's customers and associates confusion as to the source of these two products. (*See* Benoy Decl. ¶ 9.) Additionally, customers expressed actual confusion in postings on the internet (in message boards). (*See* Rhoads Decl. ¶19, **Ex. D**.)

Cascade's counsel sent a letter to Provident's counsel requesting Provident to cease and desist the infringing use of Cascade's Mark and logo. (*See* Rhoads Decl. ¶20, **Ex. E**.) Provident has thus far refused to stop utilizing Cascade's Mark. (*See* Rhoads Decl. ¶21, **Ex. F**.) Provident initially questioned whether Cascade had any rights in the Mark. When presented with Cascade's federal registration for the Mark, Provident then claimed that it was using the Mark pursuant to a license and that Cascade's rights were junior due to a third party's use of the Mark. (Id.)

III. ARGUMENT

A. A PRELIMINARY INJUNCTION IS APPROPRIATE TO PREVENT PROVIDENT'S CONTINUED INFRINGEMENTS

1. <u>Preliminary Injunction standards</u>.

The issuance of a preliminary injunction is appropriate where the moving party can demonstrate either: "(1) a likelihood of success on the merits and the possibility of irreparable injury or (2) that serious questions going to the merits were raised and the balance of hardships tips sharply in its favor." Brookfield Communications, Inc. v. West Coast Entertainment Corp., 174 F.3d 1036, 1046 (9th Cir. 1999); see also Clear Channel Outdoor, Inc. v. City of Los Angeles, 340 F.3d 810, 813 (9th Cir. 2003). These two alternatives represent "two points on a sliding scale in which the required degree of irreparable harm increases as the probability of success decreases." eAcceleration Corp. v. Trend Micro, Inc., 408 F. Supp. 2d 1110, 1113 (W.D. Wash. 2006). Here, Cascade will be entitled to a preliminary injunction upon demonstrating the likelihood of success on its trademark claims.

2. Cascade is entitled to an injunction because it is likely to succeed on its Lanham Act claims.

The elements necessary to establish a trademark infringement claim and an unfair competition claim under sections 32 and 43(a) of the Lanham Act are identical.

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eAcceleration, 408 F. Supp. 2d at 1114; Brookfield, 174 F.3d at 1047, n. 8. Specifically, the party seeking the injunction must demonstrate that: (1) "it owns a valid mark and thus a protectable interest" and (2) "the alleged infringer's use of the mark is likely to cause confusion." Brookfield, 174 F.3d at 1046 fn.6 (citing AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 348 (9th Cir. 1979)). Thus, in the instant case, in order to be entitled to an injunction, Cascade must show that (1) it owns a valid and protectable interest in the, "WORM FACTORY" Mark and (2) Provident's use of the Mark is likely to cause consumer confusion.

a. validity of the Mark

Registration of a mark on the United States Patent and Trademark Office's Principal Register "constitutes prima facie evidence of the validity of a registered mark and of the trademark owner's exclusive right to use the mark on the goods and services specified in the registration." <u>Brookfield</u>, 174 F.3d at 1047. In addition, "federal registration of a trademark endows it with a strong presumption of validity". <u>KP Permanent Make-Up</u>, Inc. v. Lasting <u>Impression I, Inc.</u>, 408 F.3d 596, 604 (9th Cir. 2005).

Here, Cascade's "WORM FACTORY" mark is registered on the Principal Register (Reg. No. 3448973). (*See* Rhoads Decl., **Ex A**.) Cascade's registration is thus prima facie evidence of the validity of the Mark and Cascade's ownership therein. As a result, Cascade satisfies the first prong of the test because "it owns a valid mark and thus a protectable interest."

b. likelihood of confusion

In order to satisfy the second prong of the two-part test, Cascade must show that the public is likely to be somehow confused about the source or sponsorship of Provident's products (the alleged infringer), and associate Provident's products with Cascade's products. Brookfield, 174 F.3d at 1053. However, at the preliminary injunction stage, Cascade does not have the burden of conclusively establishing a likelihood of confusion. Rather, Cascade

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must merely demonstrate that "it is likely to be able to show such a likelihood of confusion." <u>Brookfield</u>, 174 F.3d at 1053, n. 15; *see also* J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition, § 23:12, at 23-48 to 23-49 (2003).

The determination of a likelihood of confusion is guided by the Sleekcraft factors, which are: "(1) the strength of the marks; (2) proximity of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) type of goods and the degree of care likely to be exercised by the purchaser; (7) defendant's intent in selecting the mark; and (8) likelihood of expansion of the product lines." Sleekcraft, 599 F.2d at 348-49. However, the Sleekcraft factors are not exhaustive, and are flexible. Brookfield, 174 F.3d at 1054. Some factors are deemed more important than others, and "it is often possible to reach a conclusion with respect to likelihood of confusion after considering only a subset of the factors." Id. (citing Dreamwerks Prod. Group v. SKG Studio, 142 F.3d 1127, 1130-32 (9th Cir. 1998)). For example, a finding of actual confusion is not necessary in order to determine there is a likelihood of confusion under the Lanham Act. Hard Rock Café Licensing Corp. v. Pacific Graphics, Inc., 776 F. Supp. 1454, 1461 (W.D. Wash. 1991) (quoting American Int'l Group, Inc. v. American Int'l Bank, 926 F.2d 829, 832 (9th Cir. 1983)). Courts have noted that in the context of the internet, the three most important <u>Sleekcraft</u> factors are "(1) similarity of the marks, (2) the relatedness of the goods or services, and (3) the simultaneous use of the Web as a marketing channel." Brookfield, 174 F.3d at 1055 n. 16; see also GoTo.Com, Inc. v. The Walt Disney Co., et al., 202 F.3d 1199, 1205 (9th Cir. 2000) ("This trinity constitutes the most crucial body of the Sleekcraft analysis...").

i. the marks are identical in this case

The similarity of the marks is a critical issue in analyzing the <u>Sleekcraft</u> factors – the more similar the marks, the more likely consumers will be confused as to the origin and sponsorship of the goods or services. <u>GoTo.Com</u>, 202 F.3d at 1205. In particular, the more

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similar the marks in terms of the appearance, sound and meaning, the greater likelihood of confusion. Brookfield, 174 F.3d at 1054.

Here, there is no question the mark used by Prudent is similar in appearance, sound and meaning to Cascade's federally registered mark, "WORM FACTORY." Specifically, Prudent is using *an identical mark and logo* on its website and order forms and has used the Mark in its online advertising efforts. (*See* Rhoads Decl., **Exs. B, C, & D**.) As a result, this favor weighs heavily in favor of Cascade.

ii. the goods and services are also identical

The relatedness of the goods and services at issue is also a key <u>Sleekcraft</u> factor. This is because "related goods are generally more likely than unrelated goods to confuse the public as to the producers of the goods." <u>Brookfield</u>, 174 F.3d at 1055; *see also* <u>GoTo.Com</u>, 202 F.3d at 1206.

Here, Cascade and Provident are competitors, and the products sold by Cascade and Provident are identical: composting bins. (*See* Rhoads Decl., **Exs. B and C**.) In addition, both Cascade and Provident sell composting bins through internet websites, such as eBay. (*See* Rhoads Decl., ¶8). As a result, given the fact that Cascade and Provident sell virtually identical products and Provident is using Cascade's Mark and logo on its products, there is a high degree of a likelihood of confusion. *See* Brookfield, 174 F.3d at 1056 (the virtual identity of the marks used with identical products or services results in a finding of a likelihood of confusion).

iii. the simultaneous use of the web as a marketing channel

The simultaneous use of the web as a marketing channel is a factor that many courts have "recognized as exacerbating the likelihood of confusion." <u>Brookfield</u>, 174 F.3d at 1057 (citations omitted). Here, both Cascade and Provident utilize the internet as a marketing and advertising channel as well as maintain their own websites. In addition, Provident has used Cascade's Mark and logo in its own online advertising and marketing activities. As a result,

there is a likelihood of confusion here where both Cascade and Provident have a web presence and use the web for marketing and sales activities.

c. Cascade puts forth evidence of actual confusion

In addition to the likelihood of confusion based on the factors above, Cascade also puts forth actual evidence of confusion from two sources. One of Cascade's long-time customers who also sells gardening and composting products attests to numerous instances of customers being confused as to the relationship between the two types of "worm factory"-branded bins. (*See generally* Benoy Decl.) Similarly, customers have posted on the internet (in forums) questions and discussion indicating actual confusion as to the relationship between the Cascade and Provident. (*See* Rhoads Decl. ¶19, **Ex. D**.) Cascade's concerns here are not speculative – it was motivated to act in this instance by actual confusion and harm to Cascade's revenues.

d. Cascade's request for an injunction is appropriate

Given the fact that Provident is using Cascade's Mark and logo, Provident's goods and Cascade's goods are identical and both companies use the web for marketing and sales activities, there is a likelihood of confusion. In addition, Cascade puts forth evidence of actual confusion. (See Rhoads Decl., **Ex. D**.)¹ Accordingly, Cascade has made a sufficient showing of likelihood that it will prevail on its Lanham Act claims, and it satisfies the test for being entitled to injunctive relief.

<u>3.</u> Cascade and its brand will suffer irreparable harm absent an injunction.

In both trademark and unfair competition actions, once the moving party "establishes a likelihood of confusion, it is ordinarily presumed that the [moving party] will suffer irreparable harm." Rodeo Collection, Ltd. v. West Seventh, 812 F.2d 1215, 1217 (9th Cir. 1987). As discussed above, the facts overwhelmingly suggest there is a likelihood of

¹ This evidence is not objectionable at the preliminary injunction stage, where the Court has flexibility to consider hearsay evidence. *See*, *e.g.*, Republic of Philippines v. Marcos, 862 F.2d 1355, 1363 (9th Cir. 1988).

confusion in the instant case. Cascade also puts forth some evidence of actual confusion.

Cascade has expended considerable time, money and effort to build strong brand name recognition for its Mark and logo in its industry. Cascade is well-known as its products are sold throughout the world and Cascade has been featured on various television shows. Provident's use of Cascade's Mark and logo will damage the goodwill and reputation established by Cascade resulting in irreparable harm to Cascade. (Rhoads Decl., ¶ 24.) Once damaged, Cascade will not be able to repair its goodwill.

4. The balance of hardships and the public interest tip away from Provident.

The balance of hardships and the public interest factors also tip in Cascade's favor. Specifically, Provident will not suffer a great hardship as a result of being prevented from using Cascade's Mark and logo because Provident is not entitled to use the Mark and logo in the first place. In addition, Provident will not suffer any great economic loss from being prohibited from using Cascade's Mark and logo. *See* Hard Rock Café Licensing Corp., 776 F.Supp. at 1463 (citing Helene Curtis Industries v. Church and Dwight Co., Inc., 560 F.2d 1325, 1333 (7th Cir. 1977) (an alleged infringer will not suffer a great hardship where the alleged infringer has misappropriated the trademark owner's entire logo)). On the other hand, Cascade's goodwill and reputation will suffer greatly if Provident is permitted to continue to use Cascade's Mark and logo because Cascade's Mark and logo may be associated with an inferior product. Last, there is a public interest to protect trademarks since it is the public who benefits most from the goodwill and reputation built around trademarks. This is because trademarks and logos enable consumers to quickly identify the quality of goods or services.

In conclusion, given the fact that: (1) Cascade has a likelihood of success on its Lanham Act claims, (2) Cascade will suffer irreparable harm unless an injunction is issued, and (3) the balance of hardships and public interest tip in Cascade's favor, the Court should enjoin Provident from using Cascade's Mark and logo on its identical goods pending

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alleged:

resolution of this lawsuit.

PROVIDENT DOES NOT HAVE ANY VALID DEFENSES В.

In response to Cascade's cease and desist letter, Provident raised two possible defenses, neither of which are colorable. First, Provident argued that it had a license from Cascade to use the Mark. Second, Provident argued that has superior rights in the Mark due to a third party's pre-existing use of the mark.

Provident does not have a license from Cascade. 1.

While a trademark license need not be in writing, the party seeking to rely on the license must put forth some evidence that a license exists. When pressed for such evidence, Provident failed to provide any. Provident seems to think that there is some de facto partnership agreement around the mark. In response to Cascade's demand, Provident

Mr. Rhoads [of Cascade] came to Mr. Russell to discuss manufacturing a worm bin and they both agreed to use the "Mark" in their marketing efforts to create a business selling worm bins.

(See Rhoads Decl. ¶ 21, Ex. F.) Provident's allegation lacks any support whatsoever in any documentation. Nor does Provident point to any conduct which is consistent with Provident's version of the facts. Cascade applied for and obtained a federal registration. To the extent Provident felt that it had some rights in the mark it would have presumably had some discussions with Cascade. Alternatively it would have made itself aware of Cascade's application and intervened in some manner. It did neither, which suggests that Provident's allegations lack any factual support.

Provident's arguments regarding senior use by a third party are irrelevant. 2.

Provident also raised the issue of a third party's use of the mark that allegedly predated Cascade's use. The precise scope of Provident's arguments is unclear, but to the extent it argues that the rights of the third party somehow affect Cascade's rights it is mistaken.

Priority in trademark is relative "between the parties." See Specialty Measurements,

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Inc. v. Measurement Sys., Inc., 763 F. Supp. 91, 95 (D.N.J. 1991). In Specialty

Measurements, the court rejected the alleged infringer's argument which relied on third party
use, and noted that "raising the rights of third parties, should not be allowed as a defense in
any trademark case." *See also* Bulk Mfg. Co. v. Schoenbach Products Co., 1980 U.S. Dist.

LEXIS 16488, 208 U.S.P.Q. 664, 667 (S.D.N.Y. 1980) ("The defendants may not . . . rely
upon another's prior use to defeat plaintiff's right in a mark it appropriated and used before
the defendants did.").

C. THE BOND SHOULD BE MINIMAL ABSENT EVIDENCE OF DAMAGES FROM COMPLIANCE PUT FORTH BY PROVIDENT

Rule 65(c) requires the Court to set bond prior to issuing preliminary relief. FED R. CIV. P. 65(c). Trial courts are accorded wide discretion in setting a bond. Walczak v. EPL Prolong, Inc., 198 F.3d 725, 733 (9th Cir. 1999). The bond may be set at zero where there is no evidence that a party will suffer damages from the issuance of an injunction. See Gorbach v. Reno, 219 F.3d 1087, 1092 (9th Cir. 2000). A party requesting bond must submit evidence regarding likely damages. Connecticut General Life Ins. Co. v. New Images of Beverly Hills, 321 F.3d 878, 882 (9th Cir. 2003) (refusing to address a bond-related question on appeal where the district court was not presented with the bond issue).

Here, the injunction seeks to prevent Provident and Russell from utilizing Cascade's Mark and logo on any products or on any other materials. Provident and Russell will not suffer any damages as a result of being prevented from using Cascade's Mark and logo since Provident and Russell are not entitled to utilize Cascade's Mark and logo in any event. As a result, Cascade requests that the Court set the bond at zero.

D. CASCADE PROVIDED PROVIDENT ADEQUATE NOTICE

A motion for preliminary injunction can be issued as long as there is notice to the opposing party. Four Seasons Hotels & Resorts, B.V. v. Consorcio Barr, S.A., 320 F.3d 1205, 1210 (11th Cir. 2003) (citing FED. R. CIV. P. 65(a)(1) ("No preliminary injunction shall be issued without notice to the adverse party.")); Granny Goose Foods, Inc. v. Teamsters,

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415 U.S. 423, 434 n.7 (1974). Rule 65 does not speak to "service" in the traditional sense. Rather, "the sufficiency of notice is a matter left within the discretion of the trial court." <u>Four Seasons</u>, 320 F.3d at 1210 (internal quotation marks and citations omitted).

Here, counsel for Provident agreed to accept service. (*See* Balasubramani Decl., ¶ 3.) By agreement of the parties (and due to schedules of counsel), the parties agreed to note the Motion for August 8. Counsel for Provident advised that this schedule would work from its perspective. (<u>Id.</u>) In an effort to further accommodate Provident, Cascade noted the motion for August 15, 2008. In these circumstances, Provident has been provided more than sufficient notice under Rule 65.

IV. CONCLUSION

For the foregoing reasons, Cascade requests that the Court issue an injunction preventing Provident and Russell from using Cascade's Mark and logo in any manner pending resolution of this lawsuit.

Respectfully submitted, and dated this 13th day of July, 2008.

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CERTIFICATE OF SERVICE

I hereby certify that I filed the foregoing: (1) **Motion for Preliminary Injunction**, (2) **Declarations of Ralph Rhodes, Dorothy Benoy and Venkat Balasubramani**, and (3) **Proposed Order**, via the Court's cm/ecf system.

I also sent a copy of the foregoing documents to opposing counsel via email and legal messenger:

Thomas J. Westbrook, Esq. Evergreen Plaza Building 711 Capitol Way, Suite 701 Olympia, WA 98501

I certify under penalty of perjury of the laws of the State of Washington that the foregoing is true and correct, and that I executed this certificate of service on July 13, 2008.

Venkat Balasubramani, WSBA 28269