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**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF ARIZONA**

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VIP Products, LLC,

No. CV-14-2057-PHX-SMM

10

Plaintiff,

11

vs.

**FINDINGS OF FACT, CONCLUSIONS
OF LAW, AND ORDER**

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Jack Daniel's Properties, Inc.,

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Defendant,

14

15

And Related Counterclaims.

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In earlier proceedings, the Court resolved the parties' cross-motions for summary judgment, denying Plaintiff's motion for summary judgment, and granting Defendant's motion for partial summary judgment. (Doc. 171.) The remaining claims involve trademark and trade dress dilution under federal and state law, as well as trademark and trade dress infringement under federal and state law. (Id.)

22

The Court held a four-day bench trial beginning on October 2, 2017. Pursuant to Rule 52(a) of the Federal Rules of Civil Procedure, having heard the evidence and determined the credibility of the witnesses, **THE COURT NOW FINDS BY A PREPONDERANCE OF THE EVIDENCE THE FOLLOWING FACTS AND STATES ITS CONCLUSIONS OF LAW.**

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The Court finds in favor of Defendant and against Plaintiff on all remaining claims. Consequently, the Court will grant Defendant's requests and order permanent injunctive

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1 relief.

2 **I. PARTIES**

3 1. Plaintiff VIP Products, LLC, (“VIP”) designs, manufactures, markets, and sells
4 chew toys for dogs. VIP sells various brands of dog chew toys, including the “Tuffy’s” line
5 (durable sewn/soft toys), the “Mighty” line (durable toys made of a different material than
6 the Tuffy’s line), and the “Silly Squeakers” line (durable rubber squeaky novelty toys). (Doc.
7 242 at 3.) VIP is an Arizona limited liability company with its principal place of business in
8 Phoenix, Arizona. (Docs. 49 ¶ 1; 204-1, Ex. A.) President of VIP Steven Sacra and his wife
9 are the principal owners of VIP. (Doc. 234 at 24.) Mr. Sacra is a talented entrepreneur who
10 developed the line of VIP dog toys. (Id. at 30-37.) His talent and creativity often lead to “of
11 the moment” inspiration, such as toys Mr. Sacra believes are parodies of other companies’
12 products. (See, e.g., Doc. 237 at 102.).

13 2. Defendant Jack Daniel’s Properties, Inc. (“Jack Daniel’s”) is a Delaware
14 corporation with its principal place of business in San Rafael, California. (Docs. 1 ¶ 2, 15-1
15 ¶ 2.)

16 **II. PRE-LITIGATION FACTUAL FINDINGS**

17 3. Jack Daniel’s owns and licenses the trademarks and trade dress used in connection
18 with Jack Daniel’s products. (Docs. 105; 204-1, Ex. A.)

19 4. Jack Daniel’s Tennessee whiskey has been sold in the United States continuously
20 since at least 1875, except during Prohibition. (Doc. 105; U.S. Trademark Reg. No. 42,663.)

21 5. Jack Daniel’s Tennessee whiskey has borne the JACK DANIEL’S trademark and
22 the OLD NO. 7 trademark since 1875. (Doc. 234 at 51-52 (discussing U.S. Trademark Reg.
23 Nos. 42,663, 582,789, and 1,923,981).) Jack Daniel’s federal registrations of its trademarks
24 and trade dress for whiskey also includes Trademark Reg. No. 4,106,178 for the
25 three-dimensional configuration of a square shape bottle container. (Doc. 12 at 7.) Jack
26 Daniel’s trade dress has included these trademarks for many decades. (Doc. 234 at 55-56,
27 68.)

28 6. Jack Daniel’s has maintained an active brand licensing program for many years.

1 (Docs. 105, Ex. 1; 234 at 68-69; 111-113.)

2 7. Jack Daniel's trademarks and trade dress have appeared on thousands of products
3 other than whiskey, including food, apparel, and a limited number of pet products. (Doc. 230-
4 16 thru 231-7.) Jack Daniel's offers branded dog leashes, collars, and dog houses. (Docs. 234
5 at 113, 230-9 thru 230-12.) Jack Daniel's has offered these dog accessories since before the
6 events giving rise to this case. (Doc. 241 at 7.)

7 8. Initially launched in approximately 2007, VIP's Silly Squeakers line of dog toys
8 includes a variety of toys in the shapes of beer, wine, soda, and liquor bottles. (Doc. 236 at
9 31-38.)

10 9. Mr. Sacra's intent behind producing the Silly Squeakers line of toys was to develop
11 a creative parody on existing products. (Id. at 45-47, 56.) Mr. Sacra provided examples of
12 this line of toys, including "Smella R-Crotches" a parody of Stella Artois, "Heini Sniff'n"
13 a parody of Heineken, and "Pissness" a parody of Guinness. (Doc. 237 at 96-98.) According
14 to Mr. Sacra, these parodies are just harmless, clean fun, and are not distasteful or harmful.
15 (Id. at 99.)

16 10. VIP created and marketed the "Bad Spaniels" silly squeaker dog toy. (Doc. 158.)
17 The "Bad Spaniels" toy is in the shape of a liquor bottle and features a wide-eyed spaniel
18 over the words "Bad Spaniels", "the Old No. 2, on your Tennessee Carpet." (Id.) At the
19 bottom of the "Bad Spaniels" toy, it reads: "43% POO BY VOL." and "100% SMELLY".
20 On the back of the Silly Squeakers label for the "Bad Spaniels" toy, it states: "This product
21 is not affiliated with Jack Daniel Distillery." (Id.)

22 11. VIP's intent behind designing the "Bad Spaniels" toy was to match the bottle
23 design for Jack Daniel's Tennessee Sour Mash Whiskey ("Old No. 7 Brand"). (Doc. 157.)
24 These design elements include the size and shape of the product, the use of white lettering
25 over a black background, and font styles.

26 12. Mr. Sacra originally coined the name "Bad Spaniels", and then requested
27 Designer Elle Phillips to work on a proposed design. (Doc. 236 at 55-56.) Ms. Phillips
28 understood that "Bad Spaniels" was a reference to "Jack Daniel's." (Doc. 233-1 at 47, 49-

1 50.) Ms. Phillips was familiar with that brand and had consumed Jack Daniel's Tennessee
2 whiskey in bars and in her home. (Id. at 52-53.)

3 13. Prior to starting the design for "Bad Spaniels," Ms. Phillips recalled various Jack
4 Daniel's packaging features from memory, including "[t]he black and white label, sort of a
5 cursive font for Tennessee, simple type," and the square shape of the bottle, as well as the
6 use of a number on the neck label. (Id. at 53-54.)

7 14. Ms. Phillips then retrieved a bottle from her liquor cabinet, examined it, and
8 placed it on her desk while she developed a sketch. (Id. at 54-55, Docs. 104-1 at 101-02, 225-
9 17.) She referenced the Jack Daniel's bottle "every now and then throughout the process."
10 (Doc. 233-1 at 66-67.) Ms. Phillips wanted her sketch to be close to the same as the Jack
11 Daniel's bottle. (Id. at 67.)

12 15. When finished, the "Bad Spaniels" product featured all the elements of the Jack
13 Daniel's Trade Dress, including the bottle shape, color scheme, and trademark stylization,
14 as well as the word "Tennessee," and the font and other graphic elements. (Doc. 158.)

15 16. "Bad Spaniels" was introduced in 2014 and in the VIP catalogs, the "Bad
16 Spaniels" product appears in a bar setting alongside various hanging bottles, one of which
17 can be recognized as a Jack Daniel's bottle. (Docs. 227-7 and 227-8.)

18 **III. LITIGATION HISTORY**

19 17. After VIP introduced "Bad Spaniels," Jack Daniel's promptly demanded that it
20 stop selling the new toy. (Doc. 47.) VIP responded by filing a complaint seeking a
21 declaratory judgment that "Bad Spaniels" did not infringe or dilute any trademark or trade
22 dress rights owned by Jack Daniel's. (Doc. 49 at 9-11.)

23 18. Subsequently, the parties filed dispositive motions. (Docs. 101, 110.)

24 19. In ruling on the motions, the Court ruled in favor of Jack Daniel's and against VIP,
25 rejecting VIP's defenses of nominative and First Amendment fair use, and that VIP failed to
26 rebut the validity of the Jack Daniel's bottle design registration. (Doc. 171.) In addition, the
27 Court found as a matter of law that Jack Daniel's trade dress and bottle design are distinctive,
28 not generic, and that they are nonfunctional. (Id.); see Kendall-Jackson Winery, Ltd. v. E.

1 & J. Gallo Winery, 150 F.3d 1042, 1047 (9th Cir. 1998) (stating that whether it be a
2 trademark or a trade dress claim, a plaintiff must meet three basic elements: (1)
3 distinctiveness, (2) nonfunctionality, and (3) likelihood of confusion).

4 20. The Court left for trial the remaining issues of Jack Daniel’s claim for dilution by
5 tarnishment and Jack Daniel’s claim for infringement—the remaining issue of likelihood of
6 confusion. (Doc. 171.)

7 21. At this point in the litigation, VIP does not contest the validity of Jack Daniel’s
8 prior trademarks and trade dress registrations. (Doc. 242 at 33.)

9 **IV. DILUTION BY TARNISHMENT**

10 22. On October 6, 2006, the Trademark Dilution Revision Act of 2006 (the “TDRA”),
11 was signed into law. See Pub.L. 109–312, 120 Stat. 1730 (Oct. 6, 2006). The TDRA defines
12 dilution as follows:

13 Subject to the principles of equity, the owner of a famous mark that is
14 distinctive, inherently or through acquired distinctiveness, shall be entitled to
15 an injunction against another person who, at any time after the owner’s mark
16 has become famous, commences use of a mark or trade name in commerce that
is likely to cause dilution by blurring or dilution by tarnishment of the famous
mark, regardless of the presence or absence of actual or likely confusion, of
competition, or of actual economic injury.

17 15 U.S.C. § 1125(c)(1) (establishing a likelihood of dilution standard).

18 23. The phrase “likely to cause dilution” used in the TDRA significantly changes the
19 meaning of the law from “causes actual harm” under the preexisting law to “likely” or
20 “likelihood” which means probably. See V Secret Catalogue, Inc. v. Moseley, 605 F.3d 382,
21 388 (6th Cir. 2010).

22 24. The TDRA further defines dilution by tarnishment, as follows: “For purposes of
23 [15 U.S.C. § 1125(c)(1)], ‘dilution by tarnishment’ is association arising from the similarity
24 between a mark or trade name and a famous mark that harms the reputation of the famous
25 mark.” 15 U.S.C. § 1125(c)(2)(C); Mattel, Inc. v. MCA Records, Inc., 296 F.3d 894, 903 (9th
26 Cir. 2002) (stating that generally dilution “refers to the whittling away of the value of a
27 trademark when the mark is used to identify different products.”) (further quotation and
28 citation omitted).

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