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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

ENTREPRENEUR MEDIA, INC.,

Plaintiff,

vs.

SCOTT SMITH, dba ENTREPRENEURPR,

Defendants.

CV 98-3607 FMC (CTx)

FINDINGS OF FACT AND CONCLUSIONS OF LAW

The matter was tried before the Court, sitting without a jury, on April 29, 30, and May 2, 2003. At the conclusion of presentation of evidence, counsel were given a briefing schedule for written closing arguments. The Court has now read and considered the parties' closing argument briefs and reviewed the testimony and exhibits presented at trial. The Court now makes the following findings of fact and conclusions of law:

Findings of Fact

1. Since at least 1978, Entrepreneur has continuously used the mark ENTREPRENEUR in connection with its magazine, Entrepreneur.

2. Entrepreneur also uses the mark ENTREPRENEUR on its web site, which can be accessed at the domain name *entrepreneur.com*. On that web site, people can subscribe to Entrepreneur magazine, read online versions Entrepreneur's magazines, and learn about current business opportunities.

3. Entrepreneur publishes many magazines within the Entrepreneur

239

family including Entrepreneur's Be Your Own Boss, Entrepreneur International, and Entrepreneur's Start-Ups.

4. Entrepreneur magazine has paid circulation in the United States of approximately 550,000, including subscriptions and newsstand sales. Entrepreneur magazine has a total audience of approximately 2 million readers per issue. In addition, there are approximately 2-3 million visitor sessions each month on *entrepreneur.com*.

5. Entrepreneur has an incontestable federal trademark registration for the mark ENTREPRENEUR in International Classes 9 and 16 for computer programs and printed publications, specifically including magazines and published reports pertaining to business opportunities, Reg. No. 145968. Pursuant to 15 U.S.C. § 1057(b), the foregoing registration is *prima facie* evidence of the validity of the registration, of Entrepreneur's ownership of the mark, and of its exclusive right to use the mark in commerce. Pursuant to 15 U.S.C. § 1065, this registration is incontestable.

6. Entrepreneur has a federal trademark registration for the mark ENTREPRENEUR for advertising and business services by means of a global computer network and other computer online service providers in International Class 35, Reg. No. 2263883.

7. Entrepreneur has federal trademark registrations for ENTREPRENEUR EXPO (Reg. No. 1856997), ENTREPRENEUR INTERNATIONAL (Reg. No. 2033423), ENTREPRENEURIAL WOMAN (Reg. No. 2190653), ENTREPRENEURMAG.COM (Reg. 2287413), ENTREPRENEUR'S HOME OFFICE (Reg. No. 2174757), ENTREPRENEUR'S FRANCHISE & BUSINESS OPPORTUNITIES (Reg. No. 1854603), and ENTREPRENEUR MAGAZINE ONLINE (Reg. No. 2215674).

8. Entrepreneur is well-known for its Entrepreneur magazine, as well

as for the other magazines and services it produces and provides.

9. Entrepreneur promotes its products and services through its Internet web site, by sending out complimentary copies of its magazine to the media, by advertising, and by promoting events featuring small businesses.

10. In 1995, defendant Scott Smith dba EntrepreneurPR started a business called ICON Publications, which promoted small businesses. In 1997, ICON created a magazine that featured articles about small businesses, which was distributed to members of the media so that the media could report on the companies within the featured articles.

11. ICON Publications' magazine was entitled Yearbook of Small Business Icons.

12. As part of Entrepreneur's efforts to promote small businesses, in or about December 1996, Entrepreneur listed ICON Publications on Entrepreneur's "Small Business Links" pages of Entrepreneur's web site, and provided a direct link to Smith's web site, *iconpub.com*.

13. Smith sent out letters to his clients touting *iconpub.com's* selection on Entrepreneur's Small Business Links page.

14. Shortly after *iconpub.com* was selected to appear on Entrepreneur's Small Business Links page, Smith decided to change the name of his company, magazine, and domain name.

15. Smith was familiar with Entrepreneur and its services. In addition, Smith conducted a trademark search that revealed Entrepreneur's federal registrations for the mark ENTREPRENEUR.

16. In soliciting customers for his yearbook, Smith often represented that he was affiliated or associated with Entrepreneur Magazine in order to persuade people to sign up for his services.

17. In October 1997, Smith changed the name of his company to EntrepreneurPR, the name of his magazine to Entrepreneur Illustrated, and his

domain name to *entrepreneurpr.com*.

18. Press releases on plaintiff's masthead concerning Icon's yearbook publication were distributed by defendant. At the bottom of the page is a list of characteristics, which includes the phrase, "PR firm: EntrepreneurPR." The clear import of this phrase was the implication that defendant had been hired as the public-relations firm for plaintiff.

19. Thereafter, Smith printed on his web site statements Entrepreneur made about his former company, magazine, and domain name.

20. Smith's new company name and magazine were prominently featured on his web site, located at *entrepreneurpr.com*.

21. Smith sent out his publication of Entrepreneur Illustrated to thousands of members of the media four times each year.

22. Smith featured on his web site Entrepreneur's registered design mark SMALL BUSINESS SQUARE after being expressly told he did not have permission to do so.

23. The marks ENTREPRENEUR, on the one hand, and ENTREPRENEURPR, ENTREPRENEUR ILLUSTRATED and ENTREPRENEURPR.COM are substantially similar in appearance, sound and meaning in that the dominant portion of all the marks is identical – "entrepreneur."

24. Entrepreneur and Smith both use their marks in connection with identical goods and services, in that the marks are all used in connection with magazines featuring articles about small businesses, as well as on the Internet. In addition, Entrepreneur offers public relations services on its web site through its partnership with PR Newswire, which services are substantially similar to Smith's public relations services.

25. Entrepreneur and Smith's marketing channels overlap, since both entities target small businesses, send their publications free of charge to the

media, and use the Internet to market and advertise their services.

26. There is substantial evidence that EntrepreneurPR's clients believed there was a relationship between Entrepreneur and EntrepreneurPR, which constitutes evidence of factual confusion.

27. Many witnesses, whom the Court found to be very credible, testified that they believed, when they were solicited by Smith, that defendant was associated with Entrepreneur Media or Entrepreneur Magazine, or that the two publications were the same. They testified that they were led to believe that by signing up for defendant's services, they would be featured in Entrepreneur Magazine. They were almost uniform in their position that they would not have paid any money to defendant had they known he was not connected with plaintiff. Defendant Smith denied the allegations of all of those witnesses. His testimony in that, and many other respects, was not credible.

28. The Court accepts the testimony of plaintiff's expert, who calculated defendant's net profit throughout the period of infringement at $544,998, plus interest of $124,658, representing total profits of $669,656.

To the extent a conclusion of law is deemed to be an uncontroverted fact, it is incorporated herein by this reference as if set forth in full.

Conclusions of Law

Jurisdiction and Venue.

1. This Court has jurisdiction over this case pursuant to 15 U.S.C. § 1121 and 28 U.S.C. § 1338(b).

2. Venue is proper in this District pursuant to 28 U.S.C. § 1391(b) since a substantial portion of the events giving rise to the claims arose here. In addition, Smith failed to object to venue in this District, and thus venue is appropriate in this District. Libby, McNeill & Libby v. City Nat'l Bank, 592 F.2d 504, 510 (9th Cir. 1978).

Smith Has Committed Trademark Infringement.

3. 15 U.S.C. § 1114(1) provides that "[a]ny person who shall without the consent of the registrant - (a) use in commerce any reproduction, counterfeit, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods or services on or in connection with which such use is likely to cause confusion, or to cause mistake or to deceive; . . . shall be liable in a civil action by the registrant . . . ."

4. The appropriate inquiry for likelihood of confusion is whether "the average consumer would be likely to believe that the infringer's products ' had some connection' with those of the registrant." HMH Publ'g Co. v. Brincat, 504 F.2d 713, 716-17, n.7 (9th Cir. 1974).

5. In evaluating whether a likelihood of confusion exists, the Ninth Circuit has enumerated eight relevant factors: (1) strength of the mark; (2) proximity of the goods; (3) similarity of the marks; (4) evidence of actual confusion; (5) marketing channels used; (6) types of goods and the degree of care likely to be exercised by the purchaser; (7) defendant's intent in selecting the mark; and (8) the likelihood of expansion of the product lines. Entrepreneur Media, Inc. v. Smith, 279 F.3d 1135, 1140 (9th Cir. 2002); Eclipse Assocs. Ltd. v. Data Gen. Corp., 894 F.2d 1114, 1117-18, n. 3 (9th Cir. 1990), citing AMF, Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979).

6. In its ruling on defendant's Appeal from this Court's Summary Judgment Order, the Ninth Circuit concluded that plaintiff's mark was descriptive, and that on the record before the Court, the mark was not strong enough to support a finding of likeliness of confusion. The Court observed, nonetheless, that "[a]t trial, EMI will have the opportunity to prove that its mark is stronger than it currently appears." Entrepreneur Media v. Smith, 279 F.3d. 1135 (9th Cir. 2002). Plaintiff has done so. The extensive advertising and public recognition over the past 25 years have established plaintiff's mark as a

strong mark in the industry.

7. The similarity between marks must be determined based on how the marks are encountered in the marketplace and the circumstances surrounding the distribution of goods bearing the marks. Lindy Pen Co. v. Bic Pen Corp., 725 F.2d 1240, 1245 (9th Cir. 1984). Similarity of marks is tested on three levels: sight, sound, and meaning. Sleekcraft, 599 F.2d at 351. The marks ENTREPRENEUR, on the one hand, and ENTREPRENEURPR, ENTREPRENEUR ILLUSTRATED, and ENTREPRENEURPR.COM, on the other hand, are very similar on all three levels.

8. Entrepreneur and Smith both used their marks in connection with printed publications geared for small businesses. In addition, both companies provide public relations services. Thus, the goods are related. "Related goods are generally more likely than unrelated goods to confuse the public as to the producers of the goods." Brookfield Communications, Inc. v. West Coast Entertainment Corp., 174 F.3d 1036, 1055 (9th Cir. 1999).

9. The parties' marketing channels largely overlap. Both Entrepreneur and Smith send their publications free of charge to media entities and target small business owners. In addition, both parties use the Internet as a substantial marketing and advertising channel. As such, the potential for confusion is great: "In Brookfield, we stated that the use of the Web is a factor 'that courts have consistently recognized as exacerbating the likelihood of confusion.' (citations omitted). We now reiterate that the Web, as a marketing channel, is particularly susceptible to a likelihood of confusion since . . . it allows for competing marks to be encountered at the same time, on the same screen." GoTo.com v. Walt Disney, Co., 202 F.3d 1199, 1207 (9th Cir. 2000).

10. It is ordinarily very difficult to uncover evidence of actual confusion, and therefore such evidence is not necessary to prove a likelihood of confusion, and the lack of such evidence is generally not given much weight.

Sleekcraft, 599 F.2d at 353.

11. However, "[c]vidence of actual confusion is strong evidence that future confusion is likely . . . ." Entrepreneur Media, 279 F.3d at 1150, quoting Official Airline Guides v. Goss, 6 F.3d 1385, 1393 (9th Cir. 1993). To be sure, "convincing evidence of substantial actual confusion is ordinarily *decisive*." Restatement (Third) of Unfair Competition § 23, cmt. b (1995) (emphasis added).

12. There is substantial evidence of actual confusion in this case. A significant number of Smith's potential and actual clients were under the mistaken belief that there was an affiliation between Entrepreneur and EntrepreneurPR.

13. The strength of the mark refers to its distinctiveness, that is, the tendency of the mark to identify the source from which the goods are sold. Miss World (UK), Ltd. v. Mrs. Am. Pageants, Inc., 856 F.2d 1445, 1448-49 (9th Cir. 1988). Distinctiveness is determined by (1) a mark's placement along the spectrum of conceptual distinctiveness, and (2) the strength of the mark in the marketplace. Id.

14. Because Entrepreneur has an incontestable registration for the mark ENTREPRENEUR, this Court must conclusively presume that ENTREPRENEUR has acquired secondary meaning. Entrepreneur Media, 279 F.3d at 1142, n. 3.

15. Apart from its incontestable status, the mark ENTREPRENEUR is a strong distinctive mark, deserving of significant protection.

16. The trademark laws are not primarily designed to protect careful and experienced consumers, but to protect "the ignorant, the inexperienced, and the gullible." Stork Restaurant v. Sahati, 166 F.2d 348, 359 (9th Cir. 1948). People are likely to believe Smith's magazine, and services, are associated with Entrepreneur.

17. With full knowledge of Entrepreneur's prior rights to the mark ENTREPRENEUR, Smith selected EntrepreneurPR for his business name, Entrepreneur Illustrated for the title of his magazine, and *entrepreneurpr.com* for his domain name. "When the allged infringer knowlingly adopts a mark similar to another's, reviewing courts *presume* that the defendant can accomplish his purpose: that is, *that the public will be deceived*." Entrepreneur Media, 279 F.3d at 1148. In addition, Smith's conduct establishes that he intended to trade off of Entrepreneur's goodwill. Smith's intent to deceive the public is "strong evidence of a likelihood of confusion." Id. at 1150.

18. The parties both print magazines featuring small businesses for distribution, and both display those publications on their respective web sites. Thus, the parties are already operating within each other's product lines.

19. Based on expert testimony, from a linguistic perspective, consumers are likely to believe that Entrepreneur, on the one hand, and EntrepreneurPR and Entrepreneur Illustrated, on the other hand, are associated.

20. Based on the foregoing analysis, Smith's use of the marks ENTREPRENEURPR, ENTREPRENEUR ILLUSTRATED, and ENTREPRENEURPR.COM has caused and will continue to cause a likelihood of confusion with Entrepreneur's registered mark ENTREPRENEUR. Accordingly, Smith has committed trademark infringement.

Smith's Conduct Constitutes Unfair Competition

21. "An action for unfair competition under . . . §§ 17200, et seq., is 'substantially congruent' to a trademark infringement claim under the Lanham Act." Academy of Motion Picture Arts & Sciences v. Creative House Promotions, Inc., 944 F.2d 1446, 1457 (9th Cir. 1991), quoting Internat'l Order of Job's Daughters v. Lindeburg & Co., 633 F.2d 912, 916 (9th Cir. 1980). Since Smith has committed trademark infringement, he has also committed unfair competition under federal and California law.

Entrepreneur is Entitled to Damages and Attorneys' Fees

22. In a case, such as this, when a party deliberately infringes another's trademarks, damages should be awarded. Indeed, "where trademark infringement is deliberate and willful both the trademark owner and the buying public are slighted if a court provides no greater remedy than an injunction." Playboy Enters., Inc. v. Baccarat Clothing Co., 692 F.2d 1272, 1276 (9th Cir. 1982).

23. The monetary remedies for trademark violation provided for in 15 U.S.C. §1117 include profits acquired by the defendant through its infringing use, damages sustained by the plaintiff, costs of suit, and reasonable attorneys' fees. The trial court has substantial discretion to fashion a remedy appropriate to the facts and circumstances of the case before it. Bandag, Inc. v. Al Bolser's Tire Stores, 750 F.2d. 903, 917 (1984).

24. Plaintiff is entitled to recover the profits derived by defendant through its infringing use of plaintiff's trademark, in the amount of $669,656. The Court finds this damage award to be adequate to compensate plaintiff for the harm, and will not treble the damages.

25. Entrepreneur is entitled to its attorneys' fees, pursuant to 15 U.S.C. § 1117(a), which provides that attorneys's fees may be awarded in exceptional cases, and § 1117(b), which provides that "the court *shall*, unless the court finds extenuating circumstances, enter judgment . . . together with a reasonable attorney's fee, in the case of any violation . . . that consists of intentionally using a mark or designation, knowing such mark or designation is a counterfeit mark (as defined in section 1116(d) of this title), in connection with the sale, offering for sale, or distribution of goods or services." (emphasis added).

26. A case is "exceptional" such that an award of attorneys' fees is appropriate if the case involves deliberate or willful infringement. Gucci Am., Inc. v. Rebecca Gold Enters, Inc., 802 F.Supp. 1048, 1050-51 (S.D.N.Y. 1992).

As set forth above, this case involves intentional infringement, and therefore is an exceptional case. Accordingly, this Court awards Entrepreneur reasonable attorneys' fees under 15 U.S.C. 1117(a), to be fixed following the submission of a fee application.

To the extent any uncontroverted fact is deemed a conclusion of law, it is incorporated herein by this reference as if set forth in full.

Plaintiff is directed to provide the Court will a Judgment and a Permanent Injunction for its signature.

DATED this 23rd day of June 2003.

FLORENCE-MARIE COOPER
United States District Judge