

SEND

UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES -- GENERAL

Case No. **CV 02-5497-VBF(Mcx)**

Dated: **April 15, 2008**

Title: Quiksilver, Inc. -v- Kymsta Corp., et al.

---

PRESENT: HONORABLE VALERIE BAKER FAIRBANK, U.S. DISTRICT JUDGE

Rita Sanchez  
Courtroom Deputy

None Present  
Court Reporter

ATTORNEYS PRESENT FOR PLAINTIFFS:

ATTORNEYS PRESENT FOR DEFENDANTS:

None Present

None Present

**PROCEEDINGS (IN CHAMBERS): MEMORANDUM OF DECISION AND FINDINGS OF  
FACT AND CONCLUSIONS OF LAW AFTER COURT  
TRIAL (FED. R. CIV. PRO. 52(a)(1)).**

After reading and considering the briefing and oral argument of the parties and after considering the evidence presented at the bench trial and during the jury trial relating to equitable issues, the court finds the following:

1. There is insufficient factual and legal support for Kymsta's request to enforce the jury's original verdict for the grounds asserted in this court's March 11, 2008 Order. The court finds the operative verdict is the one returned on March 12, 2008.

2. Kymsta has failed to carry its burden to prove Quiksilver's purchase of internet keywords constitutes unclean hands. There is insufficient support to find Quiksilver had an intent to deceive.
3. The Innocent Use Defense under section 1115(b)(5) does not apply to Quiksilver's cause of action arising under section 1125(a).
4. Judge Tevrizian's ruling on laches is law of the case. However, the court also finds substantially different evidence on retrial warrants departing from the law of the case.
5. Laches does not apply. The evidence demonstrates a presumption of laches applies. However, the balance of the *E-systems* factors merits a finding that Quiksilver has overcome that presumption. Most importantly, the court finds very little, if any, prejudice to Kymsta due to Quiksilver's delay in filing suit.
6. As set forth below, the court finds an injunction is warranted under 15 U.S.C. § 1116(a) for violation of Quiksilver's rights arising under § 1125(a). The clear weight of the credible evidence supports the injunction proposed by Quiksilver, which prohibits Kymsta from using the Roxywear mark, but with an 18-month rather than 1-year phase-out period.

Counsel for Defendant Kymsta, as well as Plaintiff Quiksilver, were excellent. However, as set forth herein, the weight of the evidence and legal authority supports Quiksilver on the issues presented. Kymsta has not established its equitable defenses of unclean hands and laches. The weight of the evidence refutes these defenses. Plaintiff, on the other hand, established entitlement to the injunctive relief sought.

To reach these findings the court does not have to weigh credibility. The weight of the testamentary and documentary evidence warrants these findings. However, when the court weighs credibility, the evidence almost overwhelmingly favors Quiksilver. The testimony of Ms. Heptner and Mr. Pereira, the two co-owners of Kymsta, was overwhelmingly impeached on numerous material matters, including matters central to the issues of balancing of hardships, prejudice Kymsta suffered in reliance on Quiksilver's delay in bringing suit, and

harm to Quiksilver if relief is denied. (See 3/6/08 PM Trial Tr. (second session) at 8:20-74; 87:24-91:10 (Pereira); 3/30/08 Trial Tr. at 28:11-87:16; 93:16-96:24 (Heptner); 3/5/08 AM Trial Tr. at 38:9-110:2 (Heptner); 3/5/08 PM Trial Tr. at 19:5-22:14 (Heptner)).

The court notes that certain testimony of Quiksilver's witnesses was also impeached, most notably Mr. Tully. (See 2/26/08 AM Trial Tr. at 33:7-95:25). As a result, the court has given Mr. Tully's testimony little weight. The court also recognizes that at times the testimony of Quiksilver's witnesses appeared somewhat biased and self-serving, but not nearly to the same extent as the testimony of Ms. Heptner and Mr. Pereira. In addition, Quiksilver's witnesses were not impeached by prior inconsistent statements nearly as frequently or to the degree as Ms. Heptner and Mr. Pereira. Further, while documentary evidence refuted the testimony of Ms. Heptner and Mr. Pereira on material issues, the documentary evidence corroborated the testimony of Quiksilver's witnesses. Accordingly, the weight of the credible testimony clearly favors granting Quiksilver's requested relief.

#### I. Original Verdict

The court finds insufficient support for Kymsta's request to enforce the jury's original verdict, for the grounds asserted in its March 11, 2008 Order and in the record of the proceedings on March 12, 2008, as reflected in the reporter's notes. See also *Duk v. MGM Grand Hotel*, 320 F.3d 1052, 1057, 1057 n.2 (9th Cir. 2003).

#### II. Unclean Hands

The court finds Kymsta has failed to carry its burden to prove unclean hands. "To show that a trademark plaintiff's conduct is inequitable, defendant must show that plaintiff use the trademark to deceive consumers." *Perfumebay.com Inc., v. eBay Inc.*, 506 F.3d 1165, 1177 (9th Cir. 2007) (quoting *Japan Telecom, Inc. v. Japan Telecom America, Inc.*, 287 F.3d 866, 870 (9th Cir. 2002)). "Bad intent is the essence of the defense of unclean hands." *Id.* (citations omitted).

As Kymsta contends, the purchase of keywords may under certain circumstances support a finding of unclean hands. (See Kymsta Trial Brief on Equitable Defenses and

Injunctive Relief at 18-20 (citing *Perfumebay.com*, 506 F.3d at 1177-78)). However, the court determines there is insufficient support for a finding of bad intent, for the reasons asserted by Quiksilver's counsel. (See 3/21/08 Trial Tr. 110:24-112:3; 3/3/08 AM Trial Tr. at 63:14-65:15 (Florie); Exh. 1653).

As the court finds insufficient support for a finding of bad intent, it need not address Quiksilver's contention that prejudice is also an element of the unclean hands defense. (See Quiksilver Trial Brief re: Equitable Defenses and Scope of Injunctive Relief; and Request to Present Live Testimony at Hearing at 2 (citing *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806 (1945)).

### III. The Application of the Innocent Use Defense Under 1115(b)(5) to 1125(a).

Although a difficult question is presented, the court finds the Innocent Use Defense under section 1115(b)(5) is not applicable to causes of action arising under section 1125(a). Most importantly, the plain text of sections 1115 and 1125 does not support it. Explicit references to section 1125 are made elsewhere in relevant sections of the code. See, e.g., §§ 1114; 1116; 1117. Presumably Congress could have explicitly referenced section 1125 in section 1115 as well.

The court also finds insufficient support for Kymsta's position that the Ninth Circuit has determined another form of analysis to apply. Kymsta cites *Lord Simon Cairns v. Franklin Mint Co*, 292 F.3d 1139, 1150-51 (9th Cir. 2002). *Lord Simon* involved a claim for false endorsement under 15 U.S.C. § 1125(a)(1), and the applicability of a defense of fair use. *Id.* at 1149-50. In analyzing the defense, the Ninth Circuit did explicitly reference the factors enumerated under § 1115(b). See *id.* at 1155 n.14. However, the Court's reference to these factors does not directly support Kymsta's claim. First, it is unclear whether the applicability of the defenses enumerated in § 1115(b) were contested by the litigants. Second, the Court appears to be using the § 1115(b) as a restatement of the common-law rule. See *id.* at 1150 ("Under the common law classic fair use defense codified in the Lanham Act at 15 United States Code § 1115(b) . . ."); see also 5 McCarthy on Trademarks and Unfair Competition § 27:18 at 27-41 ("Yet, if some of the statutory 'defenses' are viewed merely as conveniently accessible 'restatements' of common law defenses to the assertion of an

unregistered mark, as has been the case, they are properly used. The caveat is that the statutory 'defenses' in a § 43(a) case are merely guidelines to ascertain the federal common law substantive 'defenses' to a § 43(a) claim"). As the Ninth Circuit in *Quiksilver* held, however, the statutory defense under section 1115(b)(5) is not a simple restatement of the common law rule. *See* 466 F.3d at 762.

Nor does *GTE Corp. v. Williams*, 904 F.2d 536, 540-42 (10th Cir. 1990), also cited by Kymsta, support its position. The court held the common law good faith remote use defense applied to the section 1125(a) claim. *Id.* at 542 (citing 2 McCarthy on Trademarks and Unfair Competition § 26:18D). However, the court separated the analysis of the statutory defense under § 1115(b)(5) and the common law defense, and did not discuss the statutory defense in the context of the 1125(a) claim.

This court recognizes there are significant policy arguments for applying the Innocent Use Defense under section 1115(b)(5) directly to section 1125(a) claims. However, this court finds insufficient legal authority presented to support its application as requested by Kymsta. Amending the statute "is the role of Congress, not the courts." *Quiksilver*, 466 F.3d at 762 (quoting *Conner v. Burford*, 848 F.2d 1441, 1455 (9th Cir. 1988)).

#### IV. Laches

##### A. Law of the Case

The court finds that the law of the case is the proper mode of analysis to apply with respect to Judge Tevrizian's ruling on laches. *See* 18 Moore's Federal Practice, § 134.20, 134.23 (Matthew Bender 3d ed). This finding is consistent with the parties' position at oral argument. The court finds that as Judge Tevrizian made an express finding of laches, and there is some uncertainty as to whether Quiksilver did receive all of the relief it requested, that the law of the case applies. (*See* Kymsta's Reply to Quiksilver's Trial Brief Re: Laches and Injunctive Relief; Exh. A (2/6/04 Trial Tr. at 183:4-19); *see also Quiksilver*, 466 F.3d at 753, 753 n.4.

The court, however, finds that departure from the law of the case is warranted by substantially different evidence presented during retrial. *See Person v. Brown*, 312 F.3d 1036, 1039 (9th Cir. 2002). In particular, Kymsta's use of the Roxywear label in connection with contemporary sportswear, evidence relating to how Kymsta uses its various contemporary sportswear labels, the sale of Roxywear products over the web and Kymsta's stated intention to expand the use and sale of Roxywear, including licensing, warrants a departure from the law of the case. (*See Quiksilver's Trial Brief re: Laches and Injunctive Relief* at 3-4; *e.g.*, 3/30/08 Trial Tr. at 10-99 (Testimony of Ms. Heptner, including testimony regarding Roxywear as a contemporary line and possible expanded use of Roxywear); 3/6/08 PM Trial Tr. (second session) at 7-92 (Testimony of Mr. Pereira, including testimony regarding Roxywear as a contemporary line and the possible licensing of Roxywear); 3/3/08 AM Trial Tr. at 6-86 (Testimony of Ms. Florie, including the current uses of the internet for marketing, sales and communication); 9/25/07 Goodman Depo. Vol. I at 41:14-25; 42:10-18; 48:9-49:3 (Testimony of Ms. Goodman, Kymsta's sole sales representative, on how Kymsta's labels are used on contemporary clothing)).

The evidence relating to the sale of Roxywear clothing over the web and the evidence relating to Kymsta's desire to expand use of Roxywear, including licensing to mid-tier retailers, is relevant to the harm suffered by the senior user if relief is denied. (*See Quiksilver Trial Brief re Equitable Defenses and Scope of Injunctive Relief* at 10); *Grupo Gigante v. Dallo & Co.*, 391 F.3d 1088, 1103 (9th Cir. 2004).

The evidence relating to the Kymsta's use of the Roxywear label in connection with contemporary sportswear and how Kymsta uses its various contemporary sportswear labels is relevant to determine the harm suffered by the defendant because of the plaintiff's delay. (*See Quiksilver Trial Brief re Equitable Defenses and Scope of Injunctive Relief* at 13-14); *Grupo Gigante*, 391 F.3d at 1105.

#### B. The Presumption of Laches Applies

To determine whether laches applies, "courts first determine when the statute of limitations period expired for the most closely analogous action under state law." *Tillamook Country Smoker, Inc. v. Tillamook County Creamery Ass'n*, 465 F.3d 1102, 1108 (9th Cir. 2006) (internal quotations and citations omitted). If the plaintiff has filed within that

period, there is a strong presumption that laches does not apply. *Id.* "If the plaintiff files outside of that period, the presumption is reversed." *Id.*

Here, the most closely analogous state law limitations period are the four-year periods for California state trademark infringement and unfair competition claims. *Miller v. Glenn Miller Productions, Inc.*, 454 F.3d 975, 997 n.11 (9th Cir. 2006) (citing Cal. Code Civ. Pro. §§ 337, 343). The Complaint was filed on May 22, 2002. Therefore, claims that accrued and were known, or in the exercise of reasonable care would have been known as of May 22, 1998, would fall outside of the limitations period. *See id.* at 997.

As Kymsta asserts, the evidence establishes that Quiksilver knew, or should have known, of the accrual of its cause of action in 1995 or 1996. Mr. Hild testified that he had seen Roxywear product in stores 20 to 30 times from 1994 through 1998, including in outlets for junior's clothing, such as Nordstrom's Brass Plum and "possibly" in a Delia's catalog. (2/27/08 AM trial transcript at 71:8-22). In addition, Mr. Hild testified he had a discussion with a sales representative, Anita Wall, in 1995 or 1996, who was "concerned" about the appearance of Roxywear in a department store. (*Id.* 72:2-17).

### C. Whether Quiksilver's Delay Was Reasonable

To determine whether Quiksilver's delay was unreasonable, the court must examine the six *E-systems* factors: (1) the strength and value of trademark rights asserted; (2) plaintiff's diligence in enforcing the mark; (3) the harm to the senior user if relief is denied; (4) good faith ignorance by the junior user; (5) competition between the senior and junior users; and (6) the extent of harm suffered by the junior user because of the senior user's delay. *Grupo Gigante*, 391 F.3d at 1101-02 (citing *E-Systems Inc. v. Monitek, Inc.*, 720 F.2d 604, 607 (9th Cir. 1983)).

#### 1. The Strength and Value of Quiksilver's Mark

Neither party disputes that Quiksilver's mark is strong and valuable. (*See* Kymsta Trial Brief on Equitable Defenses and Injunctive Relief at 10-11; 2/21/08 Trial Tr. 74:4-10).

#### 2. The Plaintiff's Diligence in Enforcing the Mark

While this factor does weigh toward Kymsta, it only does so modestly. As Quiksilver asserts, from 1995 or 1996 until 2002, Kymsta's sales were modest and steady, between 1 and 2 million a year. (3/4/08 PM Trial Tr. 29:14-20; *see also* Exhs. 135, 136, 137 [years 2000-2002]). In addition, Kymsta had not used the Roxywear directly on a hangtag. (3/4/08 Trial Tr. 83:8-11). All of the labels used from 1992 through 2002 were interior labels which used the words "by Roxanne Heptner" or "by Roxx." (3/5/08 AM Trial Tr. 60:16-71:10; Exs. 639, 651). Kymsta did not sell directly to consumers, did not have retail stores, and aside for some co-op advertising, did not advertise directly to the consumer. (3/20/08 Trial Tr. 42:19-47:7). The evidence demonstrates, however, that once Quiksilver experienced actual confusion, it initiated contact with Kymsta. (2/21/08 PM Trial Tr. 11:13-25; 12:1-8 (McKnight)).

Quiksilver does not appear to argue, nor do the facts support, a finding that Kymsta's use constitutes progressive encroachment. *See Grupo Gigante*, 391 F.3d at 1103. However, considering how the Roxywear label was used, its relatively low and steady level of sales, and the lack of consumer advertising, this factor weighs only moderately in favor of Kymsta. *Cf. Sara Lee Corp. v. Kayser-Roth Corp.*, 81 F.3d 455, 462 (4th Cir. 1996) ("If the trademark owner waits for substantial injury and evidence of actual confusion, it may be faced with a laches defense. If it rushes immediately into litigation, it may have little or no evidence of actual confusion and real commercial damage, [and] may appear at a psychological disadvantage as 'shooting from the hip.'") (quoting 4 McCarthy § 31.06[2][c]); *E-Systems*, 720 F.2d at 607 ("Had defendant's encroachment been minimal, or its growth slow and steady, there would be no laches.").

### 3. Harm to the Senior User if Relief is Denied

Quiksilver did not produce any evidence of actual damage, such as lost sales or retail accounts. (*E.g.*, 2/27/08 AM Trial Tr. at 102:16-103:7 (Hild)). Both parties cited instances of actual confusion, however. (2/21/08 PM Trial Tr. 11:13-25; 12:1-8; Exhs 35, 36, 37 (attempted returns to Roxy of Roxywear); 3/6/08 PM Trial Tr. (second session) at 11:20-13:3 (Kymsta receiving misdirected phone calls from buyers and consumers; buyers coming into Kymsta's showroom in New York asking for Roxy)). The jury also found a likelihood of confusion between the ROXY mark and Roxywear.

Likelihood of confusion does not automatically defeat a laches defense. *Grupo Gigante*, 391 F.3d at 1104. However, the evidence presented at trial demonstrates that Quiksilver has expended enormous effort carefully crafting the identity of the ROXY brand. (E.g., 3/3/08 AM Trial Tr. at 12:13-16:14, 24:3-29:23, 46:9-21 (Florie); 2/21/08 PM Trial Tr. at 8:24-10:10 (McKnight); 2/27/08 AM Trial Tr. at 33:9-51:16; 52:10-57:9 (Hild); Ex. 1282). The credible evidence demonstrates that messages which are inconsistent with the image of the ROXY brand are harmful to the brand. (2/21/08 PM Trial Tr. at 12:14-13:21; 19:17-20:3; 20:18-21:1 (McKnight); 3/3/08 AM Trial Tr. 37:17-38:10 (Florie)). This includes not just overt messages transmitted through advertising and the design of the product itself, but also signals sent to the consumer through pricing and product placement. (2/21/08 PM Trial Tr. at 14:17-20:3 (McKnight)).

Moreover, the evidence demonstrates that the increased prominence of the internet as a marketing and sales tool, as well as a communication device, has increased the likelihood of confusion. First, Ms. Heptner's own testimony establishes that Kymsta cannot control how its retailers use or display the Roxywear brand. (See 3/5/08 AM Trial Tr. at 99:24-101:13). Second, the weight of the credible evidence demonstrates that the internet blurs lines between product categories and increases the chances that ROXY and Roxywear products would essentially be viewed side-by-side by a consumer in an unbranded fashion, sometimes with messages that are potentially damaging to the Roxy brand (3/3/08 AM Trial Tr. at 39:17-40:16; 50:7-16; Exh 1654-0007; 3/3/08 AM Trial Tr. at 50:20-52:24; Exh. 1654-0047,48 (Dress with description that states "Party like you mean it")). Third, the evidence demonstrates that the "Generation Y" customer is not only more willing to cross product-category lines, but also heavily uses the internet to both communicate and shop. (3/3/08 AM Trial Tr. at 38:11-40:9; 17:12-18:25, (Roxy on MySpace and Facebook), 27:21-28:18 (the use of the internet to measure brand perception); 2/27/08 AM Trial Tr. at 29:18-30:14 (Hild testifying that Roxy was now being sold directly on line, and that the internet is where teen's "social networking is, [and] where their shopping experience is."); see also 3/20/08 Trial Tr. at 23:1-6 (Heptner stating "the teenage girl today wants to look like her mother," and that "[e]verybody is crossing over.")).

Finally, as Quiksilver asserts, the evidence establishes that if Kymsta is not restricted, it intends to expand the use of Roxywear and license to mid-tier retailers. (3/6/08 PM Trial Tr. 69:19-73:23 (Pereira); 3/20/08 Trial Tr. 18:4-6; 24:20-25:3 (Heptner)). As noted, the

evidence establishes that changes to price-point or channel of distribution can also result in damage to the brand. (See 3/3/08 AM Trial Tr. at 40:17-41:8).

#### 4. Good Faith Ignorance by the Junior User

This factor weighs modestly in favor of Quiksilver. The jury found Kymsta was ignorant of Quiksilver's use of the ROXY mark when it first adopted ROXYWEAR. Although Mr. Periera testified on direct he first learned of ROXY in the mid-90's, his prior testimony stated he learned of ROXY, at least when used in conjunction with Quiksilver, in late 1992. (3/6/08 PM Trial Tr. at 8:20-9:17). Mr. Periera did not attempt to determine who might have priority, (*Id.* at 10:16-11:12), although he testified that he did not believe there was any likelihood of confusion as long as the Quiksilver name was used, (*Id.* at 75:14-76:6). However, Kymsta's expansion of its use of Roxywear into contemporary sportswear in late 2004 and 2005 was done with full knowledge of Quiksilver's objection to Kymsta's use of Roxywear.

#### 5. Competition Between Senior and Junior Users

While a close question, this factor slightly favors Quiksilver. Both companies sell women's clothing. While Roxywear and ROXY were both initially sold as junior's clothing, the evidence establishes the styles were different, and there was only some overlap in the stores they were sold in. (See 3/4/08 PM Trial Tr. at 8:5-14 (Hepner, Roxywear is a little more higher end and fashion forward); 2/27/08 PM Trial Tr. at 15:25-16:17 (Stating early on, Roxy sold mostly in surf shops, but sold in Macys and Nordstrom). In late 2004 or early 2005, Kymsta moved into contemporary. However, as stated above, the evidence demonstrates the Generation Y consumer is more likely to cross style categories, and the internet now provides a common fora for clothing across categories to be sold in one place.

#### 6. Harm Suffered by the Junior User Because of the Senior User's Delay

This factor weighs heavily in favor of Quiksilver. "[P]rejudice to the defendant is an essential element of any laches defense." *Internet Specialties W., Inc. v. ISPwest*, 2006 U.S. Dist. LEXIS 96351, \*14 (C. D. Cal. 2006) (quoting *Grupo Gigante*, 391 F.3d at 1105). "Courts have recognized two chief forms of prejudice in the laches context-evidentiary and

expectations-based." *Danjaq LLC v. Sony Corp.*, 263 F.3d 942, 955 (9th Cir. 2001). Kymsta asserts both expectations-based and evidentiary prejudice. The evidence demonstrates very little, if any, of either.

a. Expectations-Based Prejudice

Expectations-based "[p]rejudice may be found if the defendant 'has continued to build a valuable business around its trademark during the time that the plaintiff delayed the exercise of its legal rights.'" *Internet Specialties* 2006 U.S. Dist. LEXIS 96351 at \*14 (quoting *Grupo Gigante*, 391 F.3d at 1105). However, the mere continuation of business is insufficient to support a finding of prejudice; rather, Kymsta must show some discernable lost expectation. *Id.* (citing 4 McCarthy § 31:12 ("Expectation prejudice encompasses actions by the defendant or actions that it would not have taken or consequences it would not have suffered had the plaintiff brought suit promptly.")).

As Quiksilver asserts, while the jury found Kymsta has continuously used Roxywear within a zone of reputation, it is undisputed that Kymsta changed the manner of use in late 2004 or 2005, from juniors to contemporary. Before this switch, Roxywear was only used in conjunction with junior's clothing. (3/3/08 AM Trial Tr. at 49:2-7; Stipulated Facts 16 and 17)). Prior to 2004, Kymsta already had existing contemporary lines, including C.C. Outlaw and Left of Center. (*Id.* 37:14-16).

While such a move does not constitute abandonment of any goodwill associated with Roxywear, the evidence demonstrates any prejudice Kymsta would suffer in reliance on Quiksilver's delay is minimal. In particular, the credible evidence at trial demonstrates the high degree of interchangeability between the C.C. Outlaw, Left of Center, Roxanne Heptner, and Roxywear labels.

At trial, Mr. Periera claimed the labels used on Kymsta's lines of contemporary sportswear were not interchangeable. (3/6/08 PM Trial Tr. at 44:12-14). However, Mr.

Periera's statements were directly contradicted by statements made in his previous 30(b)(6) deposition testimony, taken on May 8, 2007:<sup>1</sup>

Q: My question is whether there have been any changes to the types of products that are sold under any of the four different labels since the time of your last deposition in this action in 2003.

A: I don't think that's a clearly answerable question. **I think what I can tell you is that we have interchangeability amongst our labels.**

Q: What does that mean, interchangeability?

A: **That means if I want to give Anthropologie another label besides the Left of Center label that they currently have, we had that flexibility to give them as an example the Roxywear label which we've done.**

Q: In that example that you've given me, Mr. Pereira, if I understand it correctly, there have been occasions where product that is designed by Kymsta as – did you say CC Outlaw or Left of Center?

A: Left of Center I said.

Q: – Left of Center and that's sold to Anthropologie might instead of having a Left of Center label on it have a Roxywear label on it?

A: That's correct.

(*Id.* at 45:3-24 (emphasis added));

---

<sup>1</sup> Quiksilver requested leave to file a supplemental and amended complaint, which added allegations regarding Kymsta's use of the Roxywear mark in conjunction with contemporary sportswear, on July 19, 2007.

Q: Was there any reasons, Mr. Pereira, why in 2004/2005 when you and Ms. Heptner decided to get out of the juniors' line and move more exclusively into contemporary sportswear you couldn't at that time done all your contemporary sportswear business under the CC Outlaw and Left of Center lines?

A: No.

(*Id.* at 54:20-55:1);

Q: Isn't it true, Mr. Pereira, that most of what Kymsta is now selling as Roxywear, Kymsta would have been selling as CC Outlaw or Left of Center as recently as two or three years ago?

A: That's very possible.

(*Id.* at 55:22-56:1).

At trial, when asked whether the labels were interchangeable, Ms. Heptner equivocated, and stated that while Kymsta sold Left of Center to Nordstrom, it's "identity" was with Anthropologie. (3/5/08 Trial Tr. 92:15-93:12). This claim is unsupported and is, in fact, refuted by other evidence. For example, in 2003 alone, Kymsta sold Left of Center to dozens of other retail accounts aside from Anthropologie. (*See* Exh. 1682).

Ms. Hepner's testimony that if she were forced to change the name Roxywear on the label it would be "like closing down and starting over again," (3/20/08 Trial Tr. at 15:11-12), was substantially undermined by the evidence presented regarding two of Kymsta's largest customers, Anthropologie and Nordstrom. Nordstrom and Anthropologie combined represented 62% of Kymsta's gross sales in 2003. (3/5/08 Trial Tr. 60:9-11; Exh. 1125). Although Ms. Hepner denied it, Mr. Pereria's 30(b)(6) deposition testimony stated that from 2005-2007, approximately 90% of the product sold to Anthropologie was private label. (*Id.* 69:4-71:21). Anna Lew, a buyer for the Brass Plum at Nordstrom, testified in her deposition that the style of the product, not the brand name, drove her purchasing decisions. (3/6/08 PM Trial Tr. (second session) at 105:7-8 ("I would say that if it had any name in it we would purchase it if it was cute.")).

Similarly, the 30(b)(6) representative for Urban Outfitters, Ms. O'Connor, stated that as of 2003, they regarded Roxywear as a private label manufacturer, and that 80-95% of the goods they purchased from Roxywear were private label. (3/5/08 PM Trial Tr. at 67:1-6). Ms. O'Connor stated what drove the purchasing decision was the design and product quality. (*Id.* 67:7-11; 72:10-73:3). Gideon Walter, the 30(b)(6) deponent for Delia's testified similarly. (3/4/08 AM Trial Tr. at 25:25-26:4, 26:21-27:9 (purchases in 2003 were private label; product design is primary factor for purchasing Roxywear)).

While these latter three deponents all dealt with the Roxywear junior line, Kymsta offered no credible evidence that its current relationships with buyers are any different. Moreover, Quiksilver presented substantial evidence that since 2005, the Roxywear brand has even less importance. Sue Goodman, Kymsta's sole sales representative for Roxywear, testified in her September 9, 2007 deposition that she for a time stopped representing Roxywear. (9/25/07 Goodman Depo Vol. I at 41:14-21). When asked how that had come about, Ms. Goodman stated "Low sales and [Ms. Heptner] started doing just too much stuff and it kind of got lost." (*Id.* at 41:23-25).

Similarly, Ms. Goodman testified to the continuing interchangeability of Kymsta's contemporary labels:

Q: Is the notion of [the Roxywear by Roxx and Roxanne Heptner] labels being interchangeable, is that something you would agree with?

A: Yes.

(*Id.* at 48:25-49:3; *see also id.* at 45:10-11 ("She mixed Roxywear and Roxanne Heptner together."); Exh. 1187<sup>2</sup>).

Ms. Heptner testified that continuing to use the Roxywear name helped her sell her contemporary line with retailers they had already worked with. (3/20/08 Trial Tr. at 87:22-

---

<sup>2</sup> The exhibit is a document which states "During this time period, we'll be using both Roxywear by Roxx and Roxanne Heptner labels. Please consider them interchangeable."

88:8). However, the evidence shows at least two of the companies she listed, Macys and Dayton Hudson, did not purchase any product from Kymsta in 2004. (*Id.* at 95:14-96:8).

In addition, Kymsta did not proffer any other objective indicia which would lead the court to find some investment had been made in Roxywear in reliance on Quiksilver's silence. Kymsta's advertising expenses on Roxywear peaked in 1997 at about \$18,000, but for most years was well below \$10,000, and in fiscal year 2001, Kymsta spent no money on advertising. (3/6/08 PM Trial Tr. (second session) at 19:12-25:10). Similarly, between 1992 and 2003 Kymsta attended only ten trade shows where it sold Roxywear; in 1996, it stopped attending the Boutique show; and in 2001, it stopped attending the Magic show. (*Id.* at 34:8-16).

Moreover, as Quiksilver asserts, Kymsta's relatively small size both in terms of sales personnel and the number of customers, would make notifying those customers of a name change not unduly burdensome. (Ex. 1662, Kymsta's 2007 Invoice Register (fewer than 300 Roxywear customers in 2007; 3/20/08 Trial Tr. at 52:5-18 (Ms. Heptner and Sue Goodman are the only two people with accounts); 82:6-8 (only two buyers in Nordstrom's Savvy Department that Heptner is familiar with)).

Finally, a finding by this court that Kymsta has suffered little to no expectation-based prejudice does not conflict with any explicit or implicit factual finding by the jury. *Los Angeles Police Protective League v. Gates*, 995 F.2d 1469, 1473 (9th Cir. 1993). The jury found that Kymsta's Roxywear had a zone of reputation as of the date of Quiksilver's registration of the ROXY and QUIKSILVER ROXY marks, and continuously used Roxywear within that zone of reputation since that time. (Jury Verdict Questions 6-8, 17-20; Court's Jury Instruction 29). However, the jury made no finding on the costs associated with moving away from the Roxywear label. In other words, the jury made no finding, either express or implied, on whether retailers would buy Kymsta's product without the Roxywear label.

The court is aware that sales of Roxywear products currently constitute over 80% of Kymsta's revenue. (*See* 3/20/08 Trial Tr. at 11:7-12). However, as set forth above, the credible evidence demonstrates Kymsta could move to different labels with relatively little difficulty. Moreover, as Kymsta's introduction of the Roxywear label into contemporary - a market segment where it previously had not used Roxywear and had instead used several

other labels - was done with full knowledge of Quiksilver's asserted rights. Therefore, any prejudice it suffers cannot be characterized as prejudice suffered in reliance on Quiksilver's delay in bringing suit. *See Elvis Presley Enterprises, Inc. v. Capece*, 141 F.3d 188, 205 (5th Cir. 1998) ("Any acts after receiving a cease and desist letter are at the defendant's own risk because it is on notice of the plaintiff's objection to such acts.").

b. Evidentiary Prejudice

Kymsta first argues that because of the delay, the ability of witnesses such as Danny Kwock and Jill Williams Dodd to recall specific facts "became fuzzy." (Kymsta Trial Brief re Equitable Defenses and Injunctive Relief at 9-10). However, even granting the basis of Kymsta's assertion, Kymsta does not point to any specific testimony, nor explain how this may have prejudiced Kymsta.

Similarly, Kymsta cites the absence of documentary evidence of the first sales of ROXY. (*Id.*). However, the jury clearly found sufficient evidence of pre-1992 sales of ROXY from the evidence submitted at trial.

Kymsta's remaining claim for evidentiary prejudice is simply too speculative. Kymsta asserts that because of Quiksilver's delay that it was unable to perform surveys to assess whether consumers primarily viewed Roxy as only a personal name in 1992, or whether consumers in 1992 considered ROXY to have independent trademark significance. However, the evidence demonstrates that by the mid-90s Quiksilver had already begun large-scale marketing of the ROXY mark, making it doubtful a more accurate survey could have been performed. (*See* 2/27/08 AM Trial Tr. at 33:9-51:16; 52:10-57:9 (Hild)).

V. Injunctive Relief

Under the Lanham Act, district courts "shall have the power to grant injunctions, according to the principles of equity and upon such terms as the court may deem reasonable . . . to prevent a violation under [section 1125(a)]." 15 U.S.C. § 1116(a). "The Supreme Court recently reiterated that district courts should apply 'traditional equitable principles' in deciding whether to grant permanent injunctive relief . . ." *Reno Air Racing Ass'n, Inc. v. McCord*, 452 F.3d 1126, 1137 (9th Cir. 2006) (citing *eBay Inc. v. MercExchange, LLC*, 547 U.S.

388, 392 (2006)). Before a district court may grant such relief, a plaintiff must demonstrate (1) that it has suffered an irreparable injury; (2) that remedies available at law are inadequate; (3) that the balance of hardships between the plaintiff and defendant warrant a remedy in equity; and (4) that the public interest would not be disserved by a permanent injunction. *eBay*, 547 U.S. at 391. The court finds that Quiksilver has demonstrated it is entitled to injunctive relief.

#### A. Irreparable Injury

Contrary to Kymsta's assertion, Quiksilver's failure to prove actual lost sales or retail accounts does not preclude a finding of irreparable injury. 5 McCarthy § 30:2 at 30-8 ("[T]he controlling legal standard for the remedy of an injunction is not whether the plaintiff can prove that actual damages has occurred to its good will and reputation."). Indeed, "[t]he law views the owner of a trademark as damaged by an infringing use which places the owner's reputation beyond its control, though no loss in business is shown." *Id.* (internal alterations and citations omitted); *see also Vision Sports, Inc. v. Melville Corp.*, 888 F.2d 609, 612 n.3 (9th Cir. 1989) ("[O]nce the plaintiff establishes a likelihood of confusion, it is ordinarily presumed that the plaintiff will suffer irreparable harm."). The jury found a likelihood of confusion between Roxywear and the ROXY and QUIKSILVER ROXY marks. Moreover, as set forth in section IV.C.3 above, Quiksilver demonstrated how Kymsta's use of a confusingly similar mark harms and threatens to harm Quiksilver.

#### 2. The Remedies at Law are Inadequate

"Injunctive relief is the remedy of choice for trademark and unfair competition cases, since there is no adequate remedy at law for the injury caused by a defendant's continuing infringement." *Century 21 Real Estate Corp. v. Sandlin*, 846 F.2d 1175, 1180 (9th Cir. 1988). In addition to the harm in trademark cases being somewhat difficult to quantify, denying injunctive relief would allow the defendant to continue to infringe upon the plaintiff's rights and force the plaintiff to bring successive suits for damages. 5 McCarthy § 30:2 at 30-7.

#### 3. The Balance of Hardships Favors Phasing Out Use of the Roxywear Label

The balance of hardships favors granting Quiksilver the injunction sought. As noted in section IV.3.C *supra*, Quiksilver has demonstrated harm and potential harm to its trademark rights if an injunction is not granted. Kymsta, however, has proffered no credible evidence it will suffer serious hardship if forced to phase out the use of the Roxywear label. (*See* § IV.C.6.a, *supra*).

The court recognizes that Kymsta does have an interest in the continued use of the Roxywear name. Kymsta has used the Roxywear label for 16 years. The jury found that the Roxywear name has a zone of reputation in which it has been continuously used. The court also recognizes an injunction should be narrowly tailored to address the harm found. *See E & J Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1288-89 (9th Cir. 1992). Therefore, a closer question is raised whether a more limited injunction, such as the one the court is ordering during the phase-out period, would be the proper remedy. *See* 5 McCarthy § 30:3 at 30-9 to 30-10 ("[T]he scope of the injunction to be entered depends upon the manner in which plaintiff is harmed, the possible means by which that harm can be avoided, the viability of the defenses raised, and the burden that would be imposed on defendant and the potential effect upon lawful competition between the parties.") (citing Restatement (Third) of Unfair Competition § 35, comment c (1995)).

The court finds, however, that the more limited injunction would not be effective in preventing harm. In particular, the increased usage of the internet for sales and Kymsta's admitted inability to control how its retailers use or display the Roxywear label, mean that controls on Kymsta's use of the Roxywear label itself likely would not forestall confusion. (*See* § IV.C.3, *supra*).

#### 4. The Public Interest

"It is well established that trademark law protects not only the private interests of the trademark owner but also the public's interest in not being confused by the infringing products." *Phillip Morris USA Inc. v. Shalabi*, 352 F.Supp .2d 1067, 1075 (C.D. Cal. 2004) (citing *Inwood Labs., Inc. v. Ives Labs Inc.*, 456 U.S. 844, 854 n.14 (1982)). The public interest would therefore not be disserved by granting the injunction.

#### VI. Findings of Fact and Conclusions of Law

With certain modifications set forth herein, the court agrees with and adopts the Findings of Facts and Conclusions of Law re Equitable Defenses and Scope of Injunctive Relief, lodged by Quiksilver on March 17, 2008. These Findings of Fact and Conclusions of Law are a supplement to the court's findings set forth above in its memorandum decision.

A. Findings of Fact

1. In or about 1995, Plaintiff and Counterclaim Defendant Quiksilver Inc.'s ("Quiksilver") head of Marketing, Randy Hild, first learned of Defendant and Counterclaim Plaintiff Kymsta Corp.'s ("Kymsta") use of the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by Roxx" or "ROXYWEAR" labels on women's clothing, when he observed it in the retail market. Mr. Hild observed these products in the retail market 20 to 30 times between 1994 and 1998. At the time, Mr. Hild did not believe that Kymsta was using the names in a manner that was likely to cause confusion among ordinary purchasers as to the source of the goods because he believed that Kymsta was not using ROXYWEAR as a brand name and because Quiksilver was primarily selling its ROXY products in surf and specialty stores while Kymsta was selling its products bearing the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by Roxx" or "ROXYWEAR" labels in boutiques and department stores.
2. In 1995 or 1996, Mr. Hild spoke with Anita Wall, a sales representative, who stated she was concerned about Roxywear.
3. In or about the mid-1990s, Quiksilver CEO Robert McKnight first learned of Kymsta's use of the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by Roxx" or "ROXYWEAR" labels on women's clothing. At the time, Mr. McKnight did not believe that Kymsta was using the names in a manner that was likely to cause confusion among ordinary purchasers as to the source of the goods because at the time he believed that Kymsta's products bearing the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by Roxx" or "ROXYWEAR" labels were targeted at older purchasers and that ROXYWEAR was not being used as a brand name.
4. In or around 1996 to 1997, Quiksilver executives Robert McKnight, Randy Hild and Deanna Jackson observed Kymsta's New York showroom for "ROXYWEAR by Roxanne

Heptner," but at that time did not believe Kymsta was using ROXYWEAR in a manner that was likely to cause confusion among ordinary purchasers as to the source of the goods because they believed that Kymsta's products bearing the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by Roxx" or "ROXYWEAR" labels were still targeted to older purchasers, and ROXYWEAR was not being used as a brand name.

5. From 1995 to 2002, Kymsta's sales of products bearing the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by ROXX" labels hovered between \$1 and \$2 million per year.

6. By 1998, a significant percentage of Kymsta's purported sales of clothing under the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by ROXX" labels was private label sales, where the names "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by ROXX" or "ROXYWEAR" were not affixed in any way to the clothing.

7. From 1995 to 2002, Kymsta did not directly place in any newspaper, magazine, trade journal or similar written publication any advertisement for any products bearing the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by ROXX" or "ROXYWEAR" labels.

8. From 1995 to 2002, Kymsta never directly placed in any visual broadcast medium (such as television) any advertisement for any products bearing the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by ROXX" or "ROXYWEAR" labels.

9. From 1995 to 2002, Kymsta never retained an advertising firm to promote for sale any products bearing the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by ROXX" or "ROXYWEAR" labels.

10. From 1995 to 2002, Kymsta never retained a public relations firm to promote for sale any products bearing the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by ROXX" or "ROXYWEAR" labels.

11. Kymsta has never marketed any products bearing the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by ROXX" or "ROXYWEAR" labels directly to consumers aside from several co-op advertisements, and sells its products only to retail account buyers in the wholesale market.

12. In 2001 and 2002, Quiksilver experienced at tradeshow actual confusion among retail account buyers of juniors' clothing. The retail account buyers were confused as to whether Kymsta's products bearing the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by Roxx" or "ROXYWEAR" labels were associated with Quiksilver and/or Quiksilver's ROXY brand. Some of Quiksilver's customers went to Kymsta's tradeshow booth and some of Kymsta's customers came to Quiksilver's ROXY tradeshow booth.

13. In 2001, once Quiksilver became aware of instances of actual confusion, it promptly contacted Kymsta to request additional information through Quiksilver counsel Charles Exon. In response, Kymsta asserted superior trademark rights and threatened to seek to cancel Quiksilver's federal registration for its ROXY mark.

14. In February and May of 2002, Quiksilver received return authorizations and purchase orders for ROXYWEAR products that were mistakenly sent to Quiksilver from retail accounts Nordstrom and The Buckle.

15. On May 22, 2002, after the parties' efforts to resolve the situation through a negotiated co-existence agreement failed, Quiksilver filed suit against Kymsta to determine priority of use.

16. In late 2004 or 2005, Kymsta made a business decision to stop selling juniors' sportswear clothing under the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by Roxx" or "ROXYWEAR" labels.

17. After Kymsta started using the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by Roxx" or "ROXYWEAR" labels to market, sell and identify contemporary sportswear products, Kymsta hired a new sales representative, Sue Goodman, who had connections with retail accounts buyers in the contemporary clothing wholesale market, and started to attend tradeshow which specialized in contemporary clothing to market ROXYWEAR to retail account buyers of contemporary clothing.

18. In late 2004 or 2005, when Kymsta first started to sell contemporary sportswear products bearing the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by Roxx" or

"ROXYWEAR" labels, Kymsta had two other contemporary sportswear labels: "CC Outlaw" and "Left of Center."

19. There is a high degree of interchangeability between Kymsta's "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by ROXX," "Roxanne Heptner," "CC Outlaw" and "Left of Center" labels.

20. Since 2004 or 2005, retail accounts that have purchased Kymsta's clothing under the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by Roxx" or "ROXYWEAR" labels have begun to re-sell that clothing to ultimate consumers via the internet. These retailers have referred to the line as "ROXYWEAR" with no reference to "by Roxanne Heptner," "by Roxx" or "by Kymsta." The internet listings do not contain any reference to the fact that the ROXYWEAR clothing is contemporary sportswear clothing as opposed to juniors' sportswear clothing.

21. Generation Y customers are more likely to use the internet to shop and communicate, and to shop across product-category boundaries.

22. The use by Kymsta's retailers of "ROXYWEAR" in selling clothing on the internet is likely to cause confusion among ordinary purchasers as to the source of the goods as between Quiksilver's ROXY products and Kymsta's clothing products sold under the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by Roxx" or "ROXYWEAR" labels.

23. From 1991 through the present, Quiksilver has spent millions of dollars marketing and advertising its ROXY brand. As of 2007, the marketing budget for the ROXY brand was \$7.7 million and the sales of ROXY products exceeded \$270 million in the United States alone.

24. Quiksilver has expended enormous effort carefully crafting the image of the ROXY brand.

25. Messages which are inconsistent to the ROXY brand are harmful to the brand. This includes not just overt messages transmitted through advertising and the design of the product itself, but also signals sent to the consumer through pricing and product placement.

26. From 1991 through the present, Kymsta has spent limited amounts to market or advertise its "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by Roxx" or "ROXYWEAR" labels to retail account buyers in the wholesale market for young women's clothing.
27. Kymsta has never directly placed in any newspaper, magazine, trade journal or similar written publication any advertisement for any products bearing the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by ROXX" or "ROXYWEAR" labels.
28. Kymsta has never directly placed in any visual broadcast medium (such as television) any advertisement for any products bearing the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by ROXX" or "ROXYWEAR" labels.
29. Kymsta has never retained an advertising firm to promote for sale any products bearing the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by ROXX" or "ROXYWEAR" labels.
30. Kymsta has never retained a public relations firm to promote for sale any products bearing the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by ROXX" or "ROXYWEAR" labels.
31. Retail account buyers place little if any value or importance on the "ROXYWEAR" name in purchasing from Kymsta products that display the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by ROXX" or "ROXYWEAR" labels.
32. Kymsta currently sells clothing products that display the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by ROXX" or "ROXYWEAR" labels through Ms. Heptner and one sales representative to a limited number of retail account buyers in the wholesale market for women's contemporary sportswear clothing.
33. Kymsta could without significant expense sell its contemporary sportswear clothing products under the "CC Outlaw" or "Left of Center" labels rather than the "ROXYWEAR by Roxanne Heptner" or "ROXYWEAR by ROXX" or "ROXYWEAR" labels.

B. Conclusions of Law

1. Any of the following conclusions of law that are deemed to constitute findings of fact are hereby incorporated as findings of fact.

2. The statutory Innocent Use Defense as set forth in 15 U.S.C. § 1115(b)(5) does not apply to Quiksilver's claim arising under 15 U.S.C. § 1125(a).

3. Quiksilver is the prevailing party entitled to judgment on its claims for relief for trademark infringement arising under 15 U.S.C. § 1114, as well as its claims arising under 15 U.S.C. §1125(a).<sup>3</sup>

1. Laches

4. As set forth above, Quiksilver is not barred from obtaining prospective injunctive relief by Kymsta's Third Affirmative Defense of Laches.

2. Unclean Hands

5. As set forth above, Quiksilver is not barred from obtaining prospective injunctive relief by Kymsta's Ninth Affirmative Defense of Unclean Hands.

3. Quiksilver is entitled to prospective injunctive relief

6. Quiksilver's federal registered trademarks -- QUIKSILVER ROXY (Certificate of Registration No. 2,083,400) and ROXY (Certificate of Registration No. 2,427,898) -- and Quiksilver's common law trademarks -- QUIKSILVER ROXY and ROXY -- are deemed valid and protectable trademarks.

7. Quiksilver is deemed the senior user and owner of the QUIKSILVER ROXY and ROXY trademarks.

---

<sup>3</sup> Contrary to Kymsta's assertion, the court finds judgment is properly entered in favor of Quiksilver on its causes of action under § 1114, subject to the statutory innocent use defense. *See Golden Door, Inc. v. Odisho*, 437 F. Supp. 956, 965 (N.D. Cal. 1977), *overruled on other grounds, Japan Telecom, Inc. v. Japan Telecom America Inc.*, 287 F.3d 866 (9th Cir. 2002).

8. Quiksilver has the full right to the use and enjoyment of the QUIKSILVER ROXY and ROXY trademarks.

9. Kymsta has infringed Quiksilver's QUIKSILVER ROXY and ROXY trademarks by using its "ROXYWEAR by Roxanne Heptner," "ROXYWEAR by Roxx" and "ROXYWEAR" marks in a manner that is likely to cause confusion with Quiksilver's trademarks, in violation of 15 U.S.C. § 1114(1). However, Kymsta has established that it is an innocent user of its marks pursuant to 15 U.S.C. § 1115(b)(5).

10. Quiksilver filed its applications for its federally registered QUIKSILVER ROXY and ROXY trademarks.

11. Kymsta's use of its "ROXYWEAR by Roxanne Heptner," "ROXYWEAR by Roxx" and "ROXYWEAR" marks constitutes a false designation of origin, in violation of 15 U.S.C. § 1125(a)(1)(A).

12. Quiksilver has suffered irreparable injury.

13. Quiksilver's remedies at law are inadequate because without an injunction, Kymsta will continue to infringe Quiksilver's ROXY and QUIKSILVER ROXY trademarks.

14. The balance of hardships weighs in favor of granting an injunction because Quiksilver has invested enormous time and money into the ROXY and QUIKSILVER ROXY trademarks, Kymsta has invested limited time and money into building the Roxywear mark, and Kymsta will suffer little harm if it is forced to use another one its labels.

15. The public interest would not be disserved by a permanent injunction because trademark law protects the public's interest in not being confused by the use of confusingly similar marks.

## VII. Judgment, Including Scope and Terms of Injunctive Relief

For reasons set forth herein, and more thoroughly set forth in the record and the plaintiff's papers, the court finds the following judgment is supported by the jury's verdict,

the legal authority and the clear weight of the credible evidence. Similarly, for the reasons set forth above, the court finds a permanent injunction is warranted and further finds the terms below are sufficiently specific. Fed. R. Civ. P. 65(d); *cf.* 5 McCarthy § 30:12.

1. Judgment is entered in Quiksilver's favor and against Kymsta:

(a) Subject to Kymsta's third affirmative defense of statutory innocent use pursuant to 15 U.S.C. § 1115(b)(5), on Quiksilver's first claim for relief for trademark infringement based upon both Quiksilver's federally registered QUIKSILVER ROXY (Certificate of Registration No. 2,083,400) and ROXY (Certificate of Registration No. 2,427,898) trademarks;

(b) On Quiksilver's second claim for relief for false designation of origin based upon both Quiksilver's common law QUIKSILVER ROXY and ROXY trademarks;

(c) On Kymsta's first, second, fourth, fifth, sixth, seventh, eighth and ninth affirmative defenses; and

(d) On Kymsta's Counterclaim for False Designation of Origin;

2. Quiksilver's federal registered trademarks -- QUIKSILVER ROXY (Certificate of Registration No. 2,083,400) and ROXY (Certificate of Registration No. 2,427,898) -- and Quiksilver's common law trademarks -- QUIKSILVER ROXY and ROXY -- are deemed valid and protectable trademarks;

3. Quiksilver is deemed the senior user and owner of the QUIKSILVER ROXY and ROXY trademarks;

4. Quiksilver has the full right to the use and enjoyment of the QUIKSILVER ROXY and ROXY trademarks;

5. Kymsta's use of its "Roxywear by Roxanne Heptner," "Roxywear by Roxx" and "Roxywear" marks constitutes a false designation of origin, in violation of 15 U.S.C. § 1125(a)(1)(A).

6. Kymsta and its directors, officers, employees and agents are hereby permanently enjoined and restrained, pursuant to 15 U.S.C. § 1116(a), from:

(a) Using, or permitting the use of, the “Roxywear by Roxanne Heptner”, “Roxywear by Roxx” or “Roxywear” marks, or any other mark confusingly similar to Quiksilver’s QUIKSILVER ROXY and ROXY trademarks, to market, sell, advertise and/or identify any clothing products;

(b) Falsely designating the origin of any clothing products by using, or permitting the use of, the “Roxywear by Roxanne Heptner”, “Roxywear by Roxx” or “Roxywear” marks, or any other mark confusingly similar to Quiksilver’s QUIKSILVER ROXY and ROXY trademarks.

(c) Provided, however, that Kymsta shall be permitted, for a period of 18 months from the date of this Judgment, to continue to use the “Roxywear by Roxanne Heptner” and “Roxywear by Roxx” marks to market, sell and identify contemporary sportswear products, while it phases out all use of said marks;

7. During the aforesaid 18-month phase out period, Kymsta and its directors, officers, employees and agents are hereby permanently enjoined and restrained from using, or permitting the use of, the “Roxywear by Roxanne Heptner” and “Roxywear by Roxx” marks to market, sell or identify any clothing products other than in the wholesale market for the sale of young women’s clothing to retail account buyers. Specifically, to designate the source and origin of the products and to avoid confusion in the marketplace during the 18-month phase out period, inter alia:

(a) The term “Roxywear” must be displayed, presented, shown or otherwise used as one word, with all letters in the same font, same type-size, same color and same format;

(b) One of the following identifiers must be conspicuously displayed whenever the term “Roxywear” is displayed, presented,

shown or otherwise used: "by Roxanne Heptner," "by Roxx," or "by Kymsta";

(c) The "Roxywear by Roxanne Heptner" and "Roxywear by Roxx" marks shall only be displayed, presented, shown or used on the interior labels affixed to the inside of any article of clothing, and specifically shall not be displayed, presented, shown or used on the outside of any article of clothing, such as imprinting on or incorporating in the design of the fabric the "Roxywear by Roxanne Heptner" or "Roxywear by Roxx" marks as a logo or brand or using the "Roxywear by Roxanne Heptner" or "Roxywear by Roxx" marks on any badging, tags or labels affixed to the outside of any article of clothing;

(d) Clothing bearing the "Roxywear by Roxanne Heptner" or "Roxywear by Roxx" marks shall only be sold through Kymsta's current channels of distribution;

(e) Clothing bearing the "Roxywear by Roxanne Heptner" or "Roxywear by Roxx" marks shall not be advertised or promoted to consumers, except through co-op advertisements placed directly by retailers;

8. Further, Kymsta and its directors, officers, employees and agents are hereby permanently enjoined and restrained from selling or licensing or assigning to any third party any rights in or to the "Roxywear by Roxanne Heptner", "Roxywear by Roxx" or "Roxywear" marks.

### VIII. Conclusion

For the reasons set forth herein, the court signs and enters the Proposed Judgment lodged by Quiksilver on March 19, 2008, with changes indicated herein. The Judgment will be separately filed and served on this date.

Date: April 15, 2008

  
\_\_\_\_\_

Honorable Valerie Baker Fairbank  
United States District Judge