UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

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CIVIL MINUTES - GENERAL

Case No. SACV 05-556 JVS (RNBx) Date August 28, 2006

Title 3D Beauty International Inc. v. Timothy Dana, et al.

Present: The Honorable James V. Selna

Karla J. Tunis	Not Present
Deputy Clerk	Court Reporter

Attorneys Present for Plaintiffs:	Attorneys Present for Defendants:
Not Present	Not Present

Proceedings: (In Chambers) Order Finding Defendants in Contempt of the June 28, 2005 Order

I. BACKGROUND

This matter comes on for hearing on the Order to Show cause directed to Defendants Timothy Dana a.k.a. Timothy S. Dana, Mary Jane Dana a.k.a. Mary Jane Vega Dana a.k.a. Mary Jane V. Dana, and d.b.a. Dana Marketing Group, and d.b.a. Lavish Lashes, and Lavish Lashes, LLC ("Defendants") to show why they should not be held in contempt for violation the permanent injunction entered by the Court on June 28, 2005. The Order to Show Cause was entered on July 24, 2006 in response to the application of Plaintiff 3D-Beauty International, Inc. ("Plaintiff").

II. LEGAL STANDARD

Civil contempt sanctions may be imposed in a civil proceeding upon notice and an opportunity to be heard. International Union, UMWA v. Bagwell, 512 U.S. 821, 827 (1994). A district court retains jurisdiction to enforce its injunction. System Federation No. 91, Ry. Emp. Dept., AFL-CIO v. Wright, 364 U.S. 642, 647 (1961).

The moving party must show by clearly and convincing evidence that defendants: (1) violated the injunction in question; (2) did not take "all reasonable steps" to comply with the injunction, General Signal Corp. v. Donallco, Inc., 787 F.2d 1376, 1379 (9th Cir. 1986); and (3) did not inadvertently violate the injunction based on a good faith and reasonable interpretation of the injunction. Wolford Glassblowing Co. v. Vanbragt, 118 F.3d 1320, 1322 (9th Cir. 1997). Put another way, the moving party must demonstrate by clear and convincing evidence that defendants: (1) violated the Court's

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Order; (2) acted beyond substantial compliance; and (3) that the violation was not based on a good faith and reasonable interpretation of the Court's Order. Id.

III. DISCUSSION

Defendants and Plaintiff are direct competitors in an industry involving eyelash cosmetic products and services. (Wu Decl., ¶ 3.) Plaintiff is the owner of the trademarks "3D-LASHES." (Id., ¶ 4.) Plaintiff avers that it has been actively promoting its trademark. (Id.) Plaintiff filed its Complaint, alleging infringement, in May 2005. Defendants conceded the fact of their infringement and stipulated to the permanent injunction. (Id., ¶ 6; Ex. 1.) This Court granted the stipulation and issued an order thereon on June 28, 2005. (Id.)

A. CONTEMPT

Plaintiff now avers that Defendants have violated and continue to violate the Court's June 28, 2005 order. (Wu Decl., ¶¶ 6, 7, Ex. 1.) Plaintiff specifically contends that Defendants have violated paragraph 4 of the June 28, 2005 permanent injunction order, which provides in part:

> Defendants shall immediately cease association as a sponsored link on search engine websites, including but not limited to Google, Inc., for internet searches conducted using "3D-Lashes" or "3D-Beauty" (or their substantial equivalent, such as "3dlashes" or "3dbeauty"), or any other term containing "3D" for lash extension products or services. Nothing in this Order shall prevent Defendants from using descriptive terms to advertise their products or services, including the terms "lashes" or "lash extensions."

(June 28, 2005 Order.)

Plaintiff explains that advertising on the internet using Google AdWord Program works by having the subscribers of the Google AdWords program create an ad text and terms called "keywords" to be associated with the subscribers' sponsored internet advertisement, or commonly known as "sponsored link." (Ko Decl., ¶ 3, Ex. 10.) Plaintiff further explains that when the keywords of the subscribers' ad are typed into the query box of the Google search engine, the subscribers' sponsored links will

show up in the search results. (Id.)

Plaintiff avers that it notified Defendants of their violation no less than four times. and sought Defendants' compliance. (Wu Decl., ¶¶ 9, 14, 16, and 17.) Specifically, Plaintiff avers that Defendants have disregarded the June 28, 2005 order by continuing to associate themselves as a "sponsored link" for internet searches conducted using the terms "3D," Plaintiff's trademark "3D-Lashes" and substantial equivalents thereof on the Google search engine. (Mot., p. 4; Wu Decl., ¶ 5.) Plaintiffs claim that Defendants have continued to use those terms as keywords for Defendants' Google internet advertising account. ("Google AdWords Program"). (Mot., p. 4; Wu Decl., ¶ 5.)

Plaintiff asserts that Google internet search results from July and August 2005 searches show that Defendants' "Lavish Lashes" advertisement is displayed as a "sponsored link" when Plaintiff's trademark "3D-Lashes" and similar variations are searched on the Google search engine. (Ko Decl., Ex. 2.) Plaintiff states that a letter was promptly sent to Defendants' then counsel on August 2, 2005. (Wu Decl., ¶ 9; Ko Decl., Ex. 7.) Defendant responded, in a letter dated August 2, 2005, that their "sponsored link" appeared as a result of the use of generic terms like "lashes" and not due to the "3D" prefix. (Wu Decl., ¶ 10.) Plaintiff states that it then suggested that Defendants use a Google AdWord program tool called a "negative keyword" for the term "3D" to prevent the prompting of Defendants' advertisement as a "sponsored link" for any Google searches of the term "3D + something" where the "something" is a non-trademark generic term. (Ko Decl., Ex. 7.)

Plaintiff further asserts that Defendants' "sponsored link" is displayed in the Google searched conducted in October 2005 and April 2006 of Plaintiff's trademark "3D-Lashes" and similar variations and terms containing the "3D" prefix. (Ko Decl., Exs. 3, 4.) Plaintiff avers that as of July 12, 2006, Defendants' "Lavish Lashes" advertisement displays as a "sponsored link" when Google searches are conducted of Plaintiff's trademark "3D-Lashes" and similar variations, and a term containing "3D." (Ko Decl., Exs. 5, 6.)

Plaintiff claims that searches on the Google website demonstrate that it is the term "3D" that is prompting Defendants' "sponsored link" on Google. (Ko Decl., Ex. 6.) Plaintiff states that without the use of the term "3D" for the search, Google does not display Defendants' advertisement as a "sponsored link." (Id.) Further, Plaintiff's

proffered evidence demonstrates that misspellings of the word "lashes" without the "3D" term are not prompting Defendants' "sponsored link." (Id.)

Plaintiff concludes that by Defendants' purported use of the terms "3D", "3D-Lashes" and substantial equivalents and association as a sponsored link, Defendants' lure customers to its website, confuse customers, and misuse Plaintiff's trademarks and established goodwill. (Mot., p. 13, citing Fuddruckers, Inc. v. Doc's B.R. Others, Inc., 826 F.2d 837, 845-46 (9th Cir. 1987).) Further, Plaintiff asserts that this "willful conduct" causes it irreparable harm. (Mot., p. 13.)

Defendants, however, contend that while its website appears in search results as a "sponsored link" when the term "3D" is used in conjunction with variations of the term "lashes," that alone does not show that Defendants have violated the injunction. (Opp'n, p. 4.) Defendants aver that searches on Google show that Defendants' website "appears as a sponsored link whenever ***any*** terms are used in connection with the terms "lashes" or "lases." (Id; emphasis in original, Andernoro Decl., Exs. A-E.) Defendants further stated that the term "3D" alone in the Google search engine does not display its website as a "sponsored link." (Opp'n, p. 5.) The issue is not the number of terms added to "lashes" or "lases" which cause Defendants' website to appear as a sponsored link, the issue is whether Defendants have violated the terms of the Court's June 28, 2005 order. Defendant concedes that it has, by acknowledging that its website appears as a sponsored link when the terms "3D" and "lashes" or "lases" are searched. (Opp'n, p. 4.)

Plaintiffs further contend that Defendants' have been "less than forthright in responses to discovery requests," and aver that it "can provide Defendants' keyword list to the Court for an in-camera review of said list to demonstrate that the so-called misspelled phrases do not exist in Defendants' keyword list." (Mot., p. 11.) Defendants respond that they "welcome" such an in camera review. (Opp'n, p. 6.) The Court finds that an in camera review is not necessary. Defendants have acknowledged behavior which constitutes a violation of the Court's June 28, 2005 order.

With respect to the issue of "negative key words," Defendants contend that the failure to include a negative key word in the injunction was due to the fact that Plaintiff "has no right to be put in a better position because of the injunction that [P]laintiff would have if there were no injunction." (Id., p. 6.) Defendants aver that to

have included the negative key word provision in the injunction would have made the injunction impermissibly overbroad. (Id., citing E&J Gallo Winery v. Gallo Cattle Co., 967 F.2d 1280, 1297 (9th Cir. 1992).) Defendants contend that if a negative key word were required, they would be put in a worse position than all of its competitors. (Opp'n, p. 6.) Defendants state that Plaintiffs should bring a motion to modify the injunction if it feels the use of a negative key word is required. (Id., p. 7.) Defendants' argument misses the mark. Plaintiff has shown that Defendants have violated the Court's June 28, 2005 order. Plaintiff need not do more. Defendants' concern is not other competitors in the marketplace, but its compliance with this Court's binding order.

Defendants conclude that they "have complied with the [C]ourt's [O]rder by taking all reasonable steps to comply with the [C]ourt's [O]rder." (Id.) Defendants aver that is has stopped using the terms "3D-Beauty" and "3D-Lashes," and that nothing more is required of it. (Id.) The Court disagrees with Defendants' position. The search comparisons at pages 9 and 10 of Plaintiffs' Memorandum conclusively demonstrate that Defendants were using "3d" in their key words. Plaintiff has repeatedly alerted Defendant of this violation, and Defendants have failed to remedy it.

At oral argument, Defendants argued that they were entitled under the injunction to use the term "lashes," and posited an ambiguity between the proscription on the use of "3D" and the permitted use of "lashes." (June 28, 2005 Order.) They argue that they cannot be held in contempt if a query for "lashes" and "3D" leads to their site simply because the query include "lashes." That does not explain the twenty-one examples of variants of lashes which led to Defendants site only when "3D" was included. Even if Defendants' ambiguity is fully credited, their remaining conduct is a flagrant contempt.

As relief, Plaintiff asks this Court to strike the answers of defendants Timothy Dana, Mary Jane Dana, and Lavish Lashes, LLC. (Mot., p. 14.) In Fjelstad v. American Honda Motor Co., 762 F.2d 1334, 1338 (9th Cir. 1985), the Ninth Circuit noted that "courts have inherent power to dismiss an action when a party has willfully deceived the court and engaged in conduct utterly inconsistent with the orderly administration of justice." (Internal quotation marks omitted.) In United States v. National Medical Enterprises, Inc., 792 F.2d 906, 912 (9th Cir. 1986), the Ninth Circuit found that "[t]he sanction of dismissal should be imposed only in extreme circumstances and, therefore, we will uphold a dismissal only if the deceptive conduct is willful, in bad faith, or relates

to the matters in controversy in such a way as to interfere with the rightful decision of the case."

Further, when determining whether to dismiss a case pursuant to the Court's inherent powers, the Court must determine: "(1) the existence of certain extraordinary circumstances, (2) the presence of willfulness, bad faith, or fault by the offending party, (3) the efficacy of lesser sanctions, (4) the relationship or nexus between the misconduct drawing the dismissal sanction and the matters in controversy in the case, and finally, as optional considerations where appropriate, (5) the prejudice to the party victim of the misconduct, and (6) the government interests at stake." Halaco Engineering Co. v. Costle, 843 F.2d 376, 380 (9th Cir. 1988).

The Court declines to strike Defendants' answers or dismiss the case. The Court finds no extraordinary or extreme circumstances meriting such a remedy. Further, lesser sanctions are appropriate in the instant action. Halaco, 843 F.2d at 380.

In light of the Defendants' violations the Court finds that a serious of fines is an appropriate sanction. The Court sanctions Defendants $2,500 immediately, and imposes a further fine of $500 per day, commencing September 4, 2006, for each day Defendants violate the injunction through Google AdWords. The seven day grace period is intended to allow Defendants reasonable time to comply.

B. ATTORNEY'S FEES

Plaintiff asks this Court for attorneys' fees in bringing this motion. Plaintiff asserts that there is an judicial exception to the American Rule, under which successful litigants are not entitled to attorneys' fees absent statutory authorization or an enforceable contract, which entitles it to attorney's fees. See Alyeska Pipeline Serv. Co. v. Wilderness Soc'y, 421 U.S. 240, 251 (1975). In Alyeska the Supreme Court noted three judicial exceptions to the American Rule: (1) when a litigant preserves or recovers a fund for the benefit of others; (2) when a losing party acts in bad faith; or (3) in a contempt action for willful disobedience of a court order. Id. at 257-59. As Plaintiff points out, in a civil contempt action, no demonstration of willfulness is required. Perry, 759 F.2d at 705.

Even though Plaintiffs need not demonstrate it, Defendants have willfully

acted in contravention of the Court's order of the permanent injunction, and Plaintiff is entitled to attorneys' fees. Plaintiff asserts that it is entitled to its attorneys' fees of $2,750. (Wu Decl., ¶ 23.) Wu, Plaintiff's principal attorney, states that he has expended five hours in preparing the present application, and anticipates spending an additional five hours reviewing Defendants' Opposition and preparing a Reply. (Id.) Wu states that his principal rate is $275, and therefore his client will incur attorneys' fees amounting to $2,750. (Id.) The Court orders Wu to submit a declaration within ten (10) calendar days, detailing how many hours he actually expended in total, included hours actually expended reviewing Defendants' Opposition, preparing Plaintiff's Reply, and appearing at the hearing. The Court will then determine the appropriate amount of attorneys' fees in the instant action.

IV. CONCLUSION

For the foregoing reasons, the Court finds that Defendants are in contempt of the Court's June 28, 2005 Order.

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