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United States District Court  
Northern District of California

UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA

UNITED TACTICAL SYSTEMS, LLC,  
Plaintiff,  
v.  
REAL ACTION PAINTBALL, INC., et al.,  
Defendants.

Case No. [14-cv-04050-MEJ](#)

**ORDER RE PLAINTIFF’S MOTION  
FOR PRELIMINARY INJUNCTION**

Re: Dkt. No. 27

**I. INTRODUCTION**

On September 5, 2014, Plaintiff United Tactical Systems, LLC (“UTS”) brought the instant against Defendants Real Action Paintball, Inc. (“RAP4”) and K.T. Tran (collectively, “Defendants”), related to the trademark, PepperBall. UTS now seeks a preliminary injunction enjoining Defendants from using the PepperBall name and mark during the pendency of this action. Dkt. No. 27 (“Mot.”). Defendants oppose UTS’s motion. Dkt. No. 45. Having considered the parties’ positions, relevant legal authority, and the record in this case, the Court GRANTS IN PART and DENIES IN PART UTS’s motion.

**II. BACKGROUND**

**A. PepperBall Technologies and ATO**

Since at least the late 1990s, non-party PepperBall Technologies, Inc. sold irritant projectiles called PepperBalls. Irritant projectiles are generally small plastic spheres that contain an irritant powder that functions similar to pepper spray, and are primarily sold to law enforcement and military. Unlike pepper spray, an irritant projectile can be shot from a distance. When an irritant projectile is shot at a person, it disintegrates upon impact creating an irritating but typically non-lethal plume of powder intended to disable the person. PepperBall Technologies sold its

1 “live” PepperBall rounds in a red colored shell, indicating that the projectile contained the irritant  
2 powder, as well as other projectiles in different colors, such as green marking rounds, clear  
3 training rounds, etc. Defs.’ Ex. 14.<sup>1</sup>

4 PepperBall Technologies was a dominant player in the irritant projectile market, and there  
5 is no dispute that its PepperBall mark became incontestable. PepperBall Technologies developed  
6 an irritant powder for its PepperBalls, which an outside manufacturer then assembled into plastic  
7 shells. One manufacturer was Perfect Circle, Inc., and according to its managing member, Gary  
8 Gibson, Perfect Circle made the majority of PepperBall Technologies’ projectiles for nearly 14  
9 years. More recently, PepperBall Technologies worked with a company called APON, located in  
10 Mexico, to assemble some of its PepperBall projectiles. The extent of APON and PepperBall  
11 Technologies’ relationship is uncertain; it appears that PepperBall Technologies hired APON to  
12 assemble some PepperBall projectiles, but whether PepperBall Technologies ever sold those  
13 APON-manufactured projectiles is unclear.

14 Around 2010, PepperBall Technologies experienced monetary troubles, defaulting on  
15 loans. Perfect Circle and another company, Tiberius Arms, joined together to purchase PepperBall  
16 Technologies’ loans, in the process forming a new company named Advanced Tactical Ordnance  
17 Systems, LLC (“ATO”). ATO did business as Phoenix International, Inc. On January 9, 2012,  
18 Phoenix International purchased “all the tangible and nontangible assets” of PepperBall  
19 Technologies at a Uniform Commercial Code sale in San Diego, California (the “UCC Sale” or  
20 “foreclosure sale”). Through this foreclosure, ATO allegedly acquired all of PepperBall  
21 Technologies’ tangible and intangible property—including the incontestable PepperBall  
22 trademarks, goodwill, business name, and trade secrets.

23 In the two month period before the sale, UTS alleges that ATO’s owners ensured a  
24 seamless transition with PepperBall Technologies, including retaining most employees, trainers,  
25 and suppliers. ATO operated PepperBall Technologies under the same trade name and was  
26 reachable by phone, e-mail, and via its website as PepperBall Technologies. Thus ATO, as

27  
28 <sup>1</sup> The Court will refer to Defendants’ exhibits attached to Dkt. No. 45 as “Defs.’ Ex.” with the  
corresponding number. For instance, Defs.’ Ex. 14 refers to Dkt. No. 45-14.

1 PepperBall Technologies, became the supplier of PepperBall irritant projectiles, with parent  
2 company Perfect Circle continuing to manufacture PepperBall projectiles. ATO sold standard live  
3 rounds, which were all red, and maximum strength rounds, which were half-red and half-black.

4 **B. RAP4**

5 Defendant RAP4 is a competitor in the irritant projectile market. RAP4 alleges that it has  
6 sold irritant projectiles since 2005, simultaneous with PepperBall Technologies. RAP4 sells its  
7 irritant projectiles under the trademark LESS LETHAL LIVE AGENT ROUNDS and MAX  
8 PAYLOAD LESS LETHAL ROUNDS. RAP4 has obtained its irritant projectiles from various  
9 suppliers over the years, including companies in China, South Africa, and the United States.  
10 RAP4 generally used orange shells to indicate live rounds. UTS Tab 94.<sup>2</sup> For a period of time,  
11 RAP4 purchased irritant projectiles from a United States company named SWAT. Defendants  
12 allege that SWAT merged with PepperBall Technologies in the late 2000s, and RAP4 then sold  
13 the projectiles from SWAT/PepperBall Technologies as PepperBall branded products. Aside from  
14 that time, RAP4 asserts that it has never sold PepperBall-branded irritant projectiles.

15 Following the foreclosure sale, Defendants began communicating with PepperBall  
16 Technologies' former Chief Operations Officer, Conrad Sun. Sun brokered an "Exclusive Dealing  
17 Agreement" for RAP4 to acquire irritant filled projectiles from APON. The agreement was made  
18 effective on April 5, 2012.

19 **C. August 2012**

20 Most of the events giving rise to this action occurred in August 2012. Around August 9,  
21 2012, RAP4 posted on its website and sent an email broadcast stating the following:

22  
23 RAP4 is proud to announce the acquisition of machinery, recipes,  
24 and materials once used by PepperBall Technologies Inc., the  
25 manufacturer of Less Lethal Live Rounds that are trusted by law  
26 enforcement and military units far and wide. Now we manufacture  
our Less Lethal Live Rounds directly, on that original machinery,  
and conforming with the original specifications, to provide our  
customers with improved quality control uninterrupted supplies.  
With the inspiring success and service-proven track record of our

27  
28 <sup>2</sup> The Court refers to UTS's exhibits found as "UTS Tab" with the corresponding number. UTS  
Tabs 1-105 refer exhibits attached to Dkt. No. 28; UTS Tabs 106 to 147 refer exhibits attached to  
Dkt. No. 55.

1 Less Lethal Launchers, comes the need for high-quality, highly  
2 effective less lethal ammunition like that originally manufactured by  
3 PepperBall Technologies Inc.

4 Earlier this year, PepperBall Technologies Inc was liquidated and  
5 foreclosed by their creditors. RAP4 acted immediately through  
6 acquisition and resume [sic] the machinery, recipes, and materials  
7 required to continue production of our Less Lethal Live Rounds.  
8 That means we have direct oversight of quality control, and the  
9 ability to keep producing those less lethal rounds that have proven  
10 themselves as invaluable tools time and again. [. . .]

11 With PepperBall Technologies Inc.'s equipment, recipes, and  
12 standards integrated into our manufacturing, we will be able to offer  
13 even more innovations . . . and an uninterrupted supply of the less  
14 lethal rounds that our police and military customers need!

15 UTS Tab 26 ("original broadcast announcement"). The posting, titled "RAP4 Resumes  
16 PepperBall Technologies Inc. Production[,]” contains pictures of RAP4’s new projectiles, which  
17 use red and red-black to indicate standard and maximum strength live rounds. *Id.*

18 On August 10, RAP4 issued “clarifications” on its Facebook page and elsewhere, stating  
19 among other things, that “[i]t has come to our Attention that there has been some misinformation  
20 and confusion in relation to our acquisition of PepperBall Technology.” UTS Tabs 27, 28, 144  
21 (titled “Clarification About RAP4’s Acquisition of PepperBall Technology”). These clarifications  
22 state that “The Original Recipe and machinery to produce pepperballs was acquisitioned by RAP4  
23 and RAP4 is now able to manufacture the original pepperball under the name of RAP4 Less  
24 Lethal.” The clarification also acknowledges that “Pepperball Technology is Forclosed [sic]” and  
25 “[a]ll rights to the name Pepperball belong to the new owners, which is Phoenix International,  
26 LLC LIMITED LIABILITY COMPANY INDIANA 2713 Ferguson Road Fort Wayne INDIANA  
27 46809.” A screen shot from August 14, 2012 shows RAP4’s website continued to display the  
28 original broadcast announcement even after posting these clarifications.

On August 14, 2012, ATO through its counsel sent a cease and desist letter to Tran. At  
some point not long after, RAP4 evidently sent a second email broadcast<sup>3</sup> and issued another  
statement on its website:

RAP4 Less Lethal Live Rounds are produced by the original OEM  
manufacturer that once produced for PepperBall Technologies Inc.  
In 2012 PepperBall Technologies Inc. was liquidated and foreclosed

<sup>3</sup> Both parties referred to this second email but neither produced the email for the Court’s review.

1 and now PepperBall Technologies Inc. and brands belong to  
 2 Phoenix International LLC. Because of this reason, RAP4 and  
 3 original OEM manufacturer have been able to team up and have  
 improved the formula and process for making Less Lethal Live  
 Rounds. Now RAP4 is able to guarantee the highest-quality product  
 and provide continuous availability!

4 **Disclaimer:**

- 5 - RAP4 is not associated nor affiliated with PepperBall  
 Technologies Inc. and brands. All rights to the PepperBall  
 Technologies Inc. and brands belong to its new owner.
- 6 - RAP4 live rounds are NOT made by the current PepperBall  
 Technologies Inc.

7  
 8 UTS Tab 36. Following RAP4's announcements, ATO's and RAP4's management and owners  
 9 had a meeting, where RAP4 informed ATO of its agreement with APON. Evidently the parties  
 10 discussed potential solutions, but they ultimately did not resolve their dispute.

11 In the meantime, both ATO and RAP4 received communications from customers and  
 12 others indicating that they believed that (1) RAP4 had purchased PepperBall Technologies, and  
 13 (2) RAP4 made and sold PepperBalls. UTS alleges that RAP4 told customers over the phone that  
 14 it was PepperBall Technologies and that it sold official PepperBalls. UTS also alleges that RAP4  
 15 did not correct customers' misunderstandings when they contacted RAP4.

16 **D. The Indiana Litigation**

17 In September 2012, ATO filed suit in the District Court for the Northern District of Indiana  
 18 and sought a temporary restraining order ("TRO") against Defendants. ATO's suit was primarily  
 19 based on RAP4's August announcements above. ATO also sued Conrad Sun and APON, but they  
 20 were dismissed after settling with ATO. The Northern District of Indiana issued a TRO in ATO's  
 21 favor enjoining RAP4 from selling certain projectiles that ATO claimed infringed on its  
 22 trademark. The TRO went into effect on September 5, 2012. A preliminary injunction was issued  
 23 on August 16, 2013. UTS Tab 1 ("Indiana Injunction").

24 Defendants appealed the preliminary injunction and the court's jurisdiction over them, as  
 25 both RAP4 and Tran are California residents. The Court of Appeals for the Seventh Circuit found  
 26 that the district court lacked personal jurisdiction over Defendants and ordered the preliminary  
 27 injunction vacated and the case dismissed. The injunction was dissolved on August 28, 2014.<sup>4</sup>

28 <sup>4</sup> RAP4 sued ATO in this District on May 27, 2014. See *Real Action Paintball, Inc. v. Advanced*

1 **E. Other Events Since August 2012**

2 1. RAP4 sells PAVA Less Lethal projectiles; ATO stops selling all-red projectiles

3 After the TRO was issued, sometime in late 2012 or early 2013, RAP4 began to sell all-red  
4 and red/black projectiles with slogan “PAVA Less Lethal” imprinted on the shell. UTS Tab 121.  
5 ATO moved for sanctions against RAP4, alleging that RAP4 had used the same stock of  
6 projectiles the Indiana Injunction ordered to be segregated. The Indiana Court found that ATO  
7 had not submitted sufficient proof that the projectiles came from the same segregated stock, noting  
8 that the fact that Defendants had used the same colors for the projectile shells as those in the  
9 segregated stock did not necessarily mean they were the same projectiles. UTS Tab 68.  
10 Defendants have sold these PAVA Less Lethal imprinted projectiles since the issuance of that  
11 Order. In the meantime, ATO stopped selling all red PepperBall projectiles in late 2012, when  
12 inventory ran out.

13 2. ATO becomes UTS and pursues this litigation

14 UTS is a relatively new entity, formed on July 17, 2014. On August 8, 2014, UTS  
15 allegedly acquired ATO’s assets—including the assets previously acquired from PepperBall  
16 Technologies. UTS filed this suit against Defendants on September 8, 2014 “to preserve the  
17 injunctive relief ATO already obtained.” Mot. at 6. On October 3, 2014, UTS filed the present Ex  
18 Parte Motion for a Temporary Restraining Order against Defendants. The Court denied UTS’s  
19 TRO request, but construed it as a motion for a preliminary injunction. Dkt. No. 34. The Court  
20 permitted Defendants the opportunity to respond, which they did on October 23, 2014. Dkt. No.  
21 45. UTS filed its Reply on October 31, 2014. Dkt. No. 53 (“Reply”). The Court held a hearing  
22 on the matter on November 13, 2014. Dkt. No. 72.

23 In its motion, UTS alleges that it and its authorized distributors are the sole source for  
24 PepperBall projectiles in the United States. UTS both manufactures and sells PepperBall branded  
25 products, including PepperBall projectiles. UTS claims that it and its predecessors have sold  
26 PepperBall projectiles to thousands of police and governmental agencies, militaries, and private  
27

28 *Tactical Ordnance Systems, LLC, et al.*, 3:14-cv-02435-MEJ (N.D. Cal.). RAP4 sued ATO for wrongful injunction, abuse of process, and malicious prosecution.

1 security firms across the United States and around the world as a non-lethal force compliance tool.

2 Today, UTS, under the name PepperBall Technologies, sells half red/half white regular  
3 strength PepperBalls in place of the all-red PepperBalls ATO sold previously. UTS has not  
4 decided whether to permanently discontinue selling all-red PepperBall projectiles but maintains  
5 that it has the ability to resume manufacturing all-red projectiles at any time it chooses. It  
6 continues to sell half red/half black PepperBalls. UTS Tab 140. RAP4 continues to sell the  
7 PAVA LESS LETHAL Projectiles and more recently has begun selling “Peppershot” Less Lethal  
8 Projectiles. UTS Tab 124.

### 9 III. LEGAL STANDARD

10 “A preliminary injunction is an ‘extraordinary and drastic remedy.’” *Munaf v. Geren*, 553  
11 U.S. 674, 689-90 (2008) (internal citations omitted). As a result, this remedy is “never awarded as  
12 of right.” *Alliance for the Wild Rockies v. Cottrell*, 632 F.3d 1127, 1131 (9th Cir. 2011) (quoting  
13 *Winter v. Natural Res. Def. Council, Inc.*, 555 U.S. 7, 24 (2008)). Rather “a plaintiff seeking a  
14 preliminary injunction must establish that he is likely to succeed on the merits, that he is likely to  
15 suffer irreparable harm in the absence of preliminary relief, that the balance of equities tips in his  
16 favor, and that an injunction is in the public interest.” *Winter*, 555 U.S. at 20. “[I]f a plaintiff can  
17 only show that there are ‘serious questions going to the merits’—a lesser showing than likelihood  
18 of success on the merits—then a preliminary injunction may still issue if the ‘balance of hardships  
19 tips sharply in the plaintiff’s favor,’ and the other two *Winter* factors are satisfied.” *Friends of the*  
20 *Wild Swan v. Weber*, 767 F.3d 936, 942 (9th Cir. 2014) (quoting *Shell Offshore, Inc. v.*  
21 *Greenpeace, Inc.*, 709 F.3d 1281, 1291 (9th Cir. 2013) and *Cottrell*, 632 F.3d at 1135). In this  
22 respect, the Ninth Circuit employs a sliding scale approach to these factors, wherein “the elements  
23 of the preliminary injunction test are balanced so that a stronger showing of one element may  
24 offset a weaker showing of another.” *Cottrell*, 632 F.3d at 1131.

25 The burden of showing a likelihood of success on the merits is placed on the party seeking  
26 to demonstrate entitlement to the extraordinary remedy of a preliminary injunction. *Perfect 10,*  
27 *Inc. v. Amazon.com, Inc.*, 508 F.3d 1158 (9th Cir. 2007). Once Plaintiff has shown a likelihood of  
28 success on the merits, the burden shifts to the Defendants to show a likelihood that its affirmative



1 defenses will succeed. *Id.* When evaluating the merits of a preliminary injunction motion, the  
2 Court's factual findings and legal conclusions are not binding at trial on the merits. *Univ. of Tex.*  
3 *v. Camenisch*, 451 U.S. 390, 395 (1981).

#### 4 IV. DISCUSSION

5 This motion comes to the Court with a protracted past rarely seen at this procedural stage.  
6 UTS naturally seeks to preserve the injunctive relief ATO obtained in Indiana, but it has not  
7 hesitated to ask for more in the process. In the meantime, Defendants assert that this Court is free  
8 to come to its own conclusions.

##### 9 A. Preliminary Evidentiary Issues

10 Before considering the merits, the Court considers the preliminary evidentiary issues raised  
11 by the parties. First, UTS asks the Court to take judicial notice of various documents including  
12 transcripts, orders, and motions developed in the Indiana Action pursuant to Federal Rule of  
13 Evidence 201. Dkt. Nos. 30, 56. Rule 201 obviates the need for formal fact-finding as to certain  
14 facts that are undisputed and easily verified. *See* Fed. R. Evid. 201; *see also Melong v.*  
15 *Micronesian Claims Comm.*, 643 F.2d 10, 12 n.5 (D.C. Cir. 1980) (Rule 201 judicial notice is  
16 designed for judicial recognition of scientific or historical facts without resort to cumbersome  
17 methods of proof). Rule 201 permits judicial notice of (1) facts that are generally known in the  
18 court's territorial jurisdiction; and (2) facts that are capable of accurate and ready determination by  
19 resort to sources whose accuracy cannot reasonably be questioned, e.g., a calendar or a dictionary.  
20 Thus, "the fact must be one that only an unreasonable person would insist on disputing." *United*  
21 *States v. Jones*, 29 F.3d 1549, 1553 (11th Cir. 1994). Documents in the public record may be  
22 judicially noticed to show, for example, that a judicial proceeding occurred or that a document was  
23 filed in another case, but a court may not take judicial notice of findings of facts from another  
24 case. *See Wyatt v. Terhune*, 315 F.3d 1108, 1114 & n.5 (9th Cir. 2003); *Lee v. City of Los*  
25 *Angeles*, 250 F.3d 668, 689 (9th Cir. 2001). Nor may a court take judicial notice of any matter  
26 that is in dispute. *Lee*, 250 F.3d at 689-90.

27 The Court takes judicial notice of the orders, motions, and transcripts related to the Indiana  
28 Action for their existence and authenticity, but will not take judicial notice of its findings of fact.



1 *Id.* at 690 (“when a court takes judicial notice of another court’s opinion, it may do so not for the  
2 truth of the facts recited therein, but for the existence of the opinion, which is not subject to  
3 reasonable dispute over its authenticity.” (citation and internal quotation marks omitted)).

4 Second, Defendants raise concerns about relying only on admissible evidence. Despite  
5 this litigation’s two-year history, there has only been limited discovery. In such circumstances,  
6 the Ninth Circuit has recognized that “the rules of evidence do not apply strictly to preliminary  
7 injunction proceedings.” *Herb Reed Enters., LLC v. Florida Entm’t Mgmt., Inc.*, 736 F.3d 1239,  
8 1250 n.5 (9th Cir. 2013) *cert. denied*, 135 S. Ct. 57 (2014) (quoting *Republic of the Philippines v.*  
9 *Marcos*, 862 F.2d 1355, 1363 (9th Cir. 1988) (“It was within the discretion of the district court to  
10 accept . . . hearsay for purposes of deciding whether to issue the preliminary injunction.”)). The  
11 Court is satisfied that it may properly consider both parties’ evidence as submitted and will  
12 address concerns with that evidence on an individual basis.

13 The Court now considers the merits relating to UTS’s motion for a preliminary injunction.

14 **B. Likelihood of Success on the Merits**

15 UTS argues that it is likely to succeed on the merits on seven claims: trademark  
16 infringement, trademark counterfeiting, deceptive comparative advertising, violations of  
17 California’s unfair competition and false advertising laws, willful infringement on trade dress,  
18 trademark dilution, and misappropriation of trade secrets. The Court addresses each claim below.

19 1. Section 32 Trademark Infringement and Counterfeiting Claims

20 Two of UTS’s claims—*infringement and counterfeiting of a registered trademark*—require  
21 UTS to first establish that it is the “registrant” of the PepperBall mark. Infringement and  
22 counterfeiting of a registered trademark are prohibited under Section 32 of the Lanham Act,  
23 codified at 15 U.S.C. § 1114, which states that violates Section 32(a) or (b) “shall be liable in a  
24 civil action *by the registrant* for the remedies hereinafter provided.” 15 U.S.C. § 1114 (emphasis  
25 added). The term “registrant” also embraces the actual registrant’s “legal representatives,  
26 predecessors, successors and assigns.” 15 U.S.C. § 1127. Section 32’s registrant requirement  
27 contrasts with Section 43(a) of the Lanham Act, which allows suits “*by any person* who believes  
28 that he or she is or is likely to be damaged” by the defendant’s actions. 15 U.S.C. § 1125(a)(1)

1 (emphasis added). Federal registration of the mark is prima facie evidence that the registrant is the  
2 owner of the mark. *Dep't of Parks & Recreation v. Bazaar del Mundo Inc.*, 448 F.3d 1118, 1124  
3 (9th Cir. 2006) (citations omitted); *see also Quiksilver, Inc. v. Kymsta Corp.*, 466 F.3d 749, 755  
4 (9th Cir. 2006) (“Federal registration of a trademark constitutes prima facie evidence of the  
5 validity of the registered mark and of [the registrant’s] exclusive right to use the mark in  
6 commerce.”) (internal citation and quotations omitted).

7 Here, UTS provided evidence that ATO assigned the PepperBall trademark to UTS (UTS  
8 Tab 109), indicating that UTS is now the registrant of the mark. UTS asserts that “it is undisputed  
9 that ‘pepperball’ is not only a registered mark, but that Plaintiff’s ‘pepperball’ trademarks are  
10 incontestable.” Mot. at 16 (citing UTS Tab 3). Defendants, however, challenge UTS’s purported  
11 ownership of the PepperBall mark on the grounds UTS has not shown that (1) ATO ever validly  
12 acquired the mark from PepperBall Technologies, or (2) that UTS then validly acquired the mark  
13 from ATO. Opp’n at 15.

14 UTS contends that ATO validly acquired all of PepperBall Technologies’ tangible and  
15 intangible property, including the incontestable PepperBall trademarks, goodwill, business name,  
16 and trade secrets through the UCC Foreclosure Sale in January 2012. Mot. at 3; *see also* Compl. ¶  
17 9. Defendants dispute the validity of this sale and note UTS’s failure to submit any written  
18 assignment executed by either PepperBall Technologies or ATO assigning the Federal  
19 Registration. Opp’n at 15 (“An assignment of a Federal registration ‘shall be by instrument in  
20 writing duly executed.’ 15 U.S.C. § 1060(a)(3).”). UTS’s Reply details the purchase of  
21 PepperBall Technologies’ loan agreements and related assets but does not provide a written  
22 assignment between PepperBall Technologies and ATO. Instead, UTS relies heavily on the  
23 registrations recorded with the USPTO. Reply at 11 (citing UTS Tabs 108 & 109). Defendants  
24 assert that reliance on these registrations is misplaced. The Court agrees.

25 While the Lanham Act provides that the fact that an assignment “is recorded in the United  
26 States Patent and Trademark Office . . . [is] prima facie evidence of execution” of that assignment,  
27 15 U.S.C. § 1060(a)(3), “prima facie evidence of execution is not the same as conclusive evidence  
28 of the validity of an assignment.” *Fed. Treasury Enter. Sojuzplodoimport v. Spirits Int’l N.V.*, 623

1 F.3d 61, 68 (2d Cir. 2010). As the USPTO explained, “[t]he mere act of recording [an  
2 assignment] document is a ministerial act,” and “[t]he Assignment Branch [of the USPTO] does  
3 not examine the substance of the transaction;” rather, it records any assignment “that appears on  
4 its face to be an assignment.” *In re Ratny*, 24 U.S.P.Q.2d 1713, 1715 (Com’r Pat. & Trademarks  
5 1992); *see also Spirits Int’l*, 623 F.3d at 68 (noting that it would be a “perverse result” if the use of  
6 “recording—a ministerial act—[was transformed] into a mechanism for conclusively defeating  
7 allegations . . . challenging the legality of the assignment.”).

8 To prove the validity of the assignment, UTS provided the USPTO registration of the  
9 PepperBall *nunc pro tunc* from ATO to ATO, and the accompanying bill of sale from ATO to  
10 ATO. As Defendants pointed out at the hearing, the *nunc pro tunc* assignment was recorded on  
11 December 5, 2012—after the Indiana litigation had commenced and the TRO was granted.  
12 Although this assignment was made effective on January 9, 2012, there is no indication that any  
13 written assignment was made on January 9, 2012. Gary Gibson, an owner of Perfect Circle, stated  
14 that the “United States Patent and Trademark Office has recorded the assignments of the  
15 PepperBall trademarks from PepperBall Technologies, Inc. to ATO, and from ATO to UTS.”  
16 UTS Tab 106 (“Second Gibson Decl.”) ¶ 4.<sup>5</sup> Gibson did not explain if he means the *nunc pro tunc*  
17 assignment to be the assignment from PepperBall Technologies to ATO, but if he was referring to  
18 a different document, that document was not provided to the Court. Gibson’s statement also  
19 conflicts with Conrad Sun’s statement that “Pepperball never executed an assignment of [the  
20 PepperBall trademark] registration to ATO.” UTS Tab 97 (“Sun Decl.”) ¶ 27.

21 Defendants also argue that the assignment fails because it was not made with the goodwill  
22 of the business. Opp’n at 15 (citing 15 U.S.C. § 1060(a)(1)). Notably, ATO’s recorded  
23 assignment of the PepperBall mark to UTS purports to convey the entire interest and the goodwill  
24 in the PepperBall mark. *See* Tab 109. This registration also attached a formal written and  
25 executed “Trademark Assignment Agreement” of the PepperBall mark from ATO to UTS. *Id.*

26  
27 <sup>5</sup> Defendants argue that Gary Gibson’s initial declaration (Tab 2, “Gibson Decl.”) should not be  
28 considered because it refers to events that occurred four days after the declaration was signed.  
UTS submitted a new declaration by Gary Gibson with its Reply, which clarifies that the signature  
date was a typographical error. The Court is satisfied with this explanation.

1 Gibson likewise stated that “on August 8, 2014, all of [Perfect Circle]’s and ATO’s tangible and  
2 intangible property was sold to the Plaintiff in this action, [UTS,] [and] [a] written assignment of  
3 the PepperBall trademarks and goodwill was executed and has been submitted to the United States  
4 Patent and Trademark Office for recordation.” Gibson Decl. ¶ 4. This statement highlights the  
5 absence of such an assignment from PepperBall Technologies to ATO. The issue then is whether  
6 the absence of a written assignment of the goodwill and trademark from PepperBall Technologies  
7 to ATO makes UTS unlikely to succeed showing it is the “registrant” under Section 32.

8 Some courts have held that a business trade name and its marks are presumed to pass to its  
9 buyer, absent contrary evidence. *See Dovenmuehle v. Gilldorn Mortg. Midwest Corp.*, 871 F.2d  
10 697, 700 (7th Cir. 1989) (citing *U.S. Ozone Co. v. U.S. Ozone Co. of Am.*, 62 F.2d 881, 885 (7th  
11 Cir. 1932) and *Okla. Beverage Co. v. Dr. Pepper Love Bottling Co.*, 565 F.2d 629, 632 (10th Cir.  
12 1977)); *see also* Restatement (Third) of Unfair Competition § 34 (1995) (“Trademark rights are  
13 ordinarily presumed to pass with a sale of the associated business absent evidence of a contrary  
14 intent.”); *Merry Hull & Co. v. Hi-Line Co.*, 243 F. Supp. 45, 52 (S.D.N.Y. 1965) (finding that  
15 defendant obtained good title to the mark through purchase at the bankruptcy sale, that it began to  
16 exploit it as soon as practicable). However, other courts have stressed the importance of the  
17 “writing requirement” in determining the validity of trademark assignments. *See, e.g., Fed.*  
18 *Treasury Enter. Sojuzplodoimport v. SPI Spirits Ltd.*, 726 F.3d 62, 74 (2d Cir. 2013) *cert. denied*,  
19 134 S. Ct. 1291 (2014) (analogizing Ninth Circuit Copyright Act precedent to the trademark  
20 context and noting that “the Ninth Circuit has explained that the Copyright Act’s assignment-  
21 related writing requirement . . . serves the ends of (1) ensuring that the owner of intellectual  
22 property will not assign it inadvertently; (2) forcing parties to determine the precise rights being  
23 transferred; and (3) enhancing predictability and certainty of ownership. *Effects Assocs., Inc. v.*  
24 *Cohen*, 908 F.2d 555, 557 (9th Cir. 1990).”); *see also Flu Shots of Tex., Ltd. v. Lopez*, 2014 WL  
25 1327706, at \*5 (N.D. Tex. Apr. 3, 2014) (noting “the prerequisite for a proper assignment [is] a  
26 written document memorializing the transfer of ownership” and concluding that without a written  
27 assignment plaintiff lacked standing to assert its federal trademark claims); *but see Trimarchi v.*  
28 *Together Dev. Corp.*, 255 B.R. 606, 611 (D. Mass. 2000) (collecting cases and finding the case

1 law “consistently supports the proposition that the Lanham Act does not pertain to security  
2 interests” under Article 9 of the Uniform Commercial Code).<sup>6</sup> UTS provided no case law  
3 supporting the validity of transfer of the PepperBall mark.

4 In deciding a motion for a preliminary injunction, the district court “is not bound to decide  
5 doubtful and difficult questions of law or disputed questions of fact.” *Int’l Molders’ & Allied*  
6 *Workers’ Local Union No. 164 v. Nelson*, 799 F.2d 547, 551 (9th Cir. 1986) (citation omitted).  
7 Perhaps UTS will ultimately be able to demonstrate that it is the rightful owner of the registered  
8 PepperBall mark, but claims under Section 32 of the Lanham Act are reserved for “registrants” of  
9 the mark, and at this point there are too many unresolved issues and factual disputes for the Court  
10 to find that UTS has demonstrated a likelihood of success that it is the “registrant” within the  
11 meaning of the Lanham Act. *See CLT Logistics v. River W. Brands*, 777 F. Supp. 2d 1052, 1070-  
12 71 (E.D. Mich. 2011) (court could not find plaintiffs had carried their burden to establish a strong  
13 likelihood of success on the ownership of the marks despite registration where the validity of the  
14 assignment to plaintiffs was in doubt); *see also The Planing Mill, L.L.C. v. Hays Planing Mill,*  
15 *Inc.*, 2005 WL 1319144, at \*5 (D. Kan. June 2, 2005) (plaintiff did not demonstrate a substantial  
16 likelihood of success where the transfer of the trademark at issue was disputed).

17 2. Section 43(a) Trademark Infringement and False Advertising Claims

18 UTS also brings claims for trademark infringement and false advertising under Section  
19 43(a) of the Lanham Act. As previously noted, unlike claims under Section 32, claims under  
20 Section 43(a) do not require UTS to be the owner of a registered mark. Instead, a party that  
21 violates the provisions of Section 43(a) “shall be liable in a civil action by any person who  
22 believes that he or she is or is likely to be damaged by such act.” 15 U.S.C. § 1125(a)(1).  
23 Commercial injury is generally presumed “when defendant and plaintiff are direct competitors and  
24 defendant’s misrepresentation has a tendency to mislead consumers.” *TrafficSchool.com, Inc. v.*  
25 *Edriver Inc.*, 653 F.3d 820, 826 (9th Cir. 2011); *see also Lexmark Int’l, Inc. v. Static Control*  
26 *Components, Inc.*, 134 S. Ct. 1377, 1393 (2014) (“diversion of sales to a direct competitor may be  
27

28 <sup>6</sup> UTS provided the transcript of a purported UCC sale selling all of PepperBall Technologies’  
“tangible and intangible assets” to Phoenix International, LLC. UTS Tab 4.

1 the paradigmatic direct injury from false advertising”). UTS and RAP4 are direct competitors in  
 2 the irritant projectile market. Mot. at 17. UTS asserted that UTS’s and RAP4’s products directly  
 3 compete, and there is “significant overlap” in their customer base, much of which includes law  
 4 enforcement and military. *Id.* (citing UTS Tabs 11 and 20). RAP4 does not dispute UTS’s  
 5 assertions. UTS thus properly brings claims under Section 43(a).

6 Section 43(a) of the Lanham Act provides in relevant part:

7 Any person who, on or in connection with any goods or services . . .  
 8 uses in commerce any word, term, name, symbol, or device, or any  
 9 combination thereof, or any false designation of origin, false or  
 10 misleading description of fact, or false or misleading representation  
 11 of fact, which—(A) is likely to cause confusion, or to cause mistake,  
 12 or to deceive as to the affiliation, connection, or association of such  
 13 person with another person, or as to the origin, sponsorship, or  
 14 approval of his or her goods, services, or commercial activities by  
 15 another person, or (B) in commercial advertising or promotion,  
 16 misrepresents the nature, characteristics, qualities, or geographic  
 17 origin of his or her or another person’s goods, services, or  
 18 commercial activities, shall be liable in a civil action by any person  
 19 who believes that he or she is or is likely to be damaged by such act.

20 15 U.S.C. § 1125(a). The Supreme Court recently held that Section 43(a) “creates two distinct  
 21 bases of liability: false association, § 1125(a)(1)(A), and false advertising, § 1125(a)(1)(B).”  
 22 *Lexmark Int’l*, 134 S. Ct. at 1384 (citing *Waits v. Frito-Lay, Inc.*, 978 F.2d 1093, 1108 (9th Cir.  
 23 1992), and abrogating it on other grounds). The *Waits* Court noted that Section 43(a) creates  
 24 liability for “(1) false representations concerning the origin, association, or endorsement of goods  
 25 or services through the wrongful use of another’s distinctive mark, name, trade dress, or other  
 26 device (‘false association’), and (2) false representations in advertising concerning the qualities of  
 27 goods or services (‘false advertising’).” 978 F.2d at 1108 (citations omitted). The Court  
 28 separately considers each of these claims.

*a. False Association/Trademark Infringement Claim*

A false association claim is often considered as a trademark infringement claim. “Section  
 43(a)(1) provides similar protection to trademarks regardless of registration.” *Bell v. Harley*  
*Davidson Motor Co.*, 539 F. Supp. 2d 1249, 1254 (S.D. Cal. 2008) (citing *Brookfield Commc’ns,*  
*Inc. v. W. Coast Entm’t Corp.*, 174 F.3d 1036, 1046 n.6 (9th Cir. 1999)). “To be liable for  
 trademark infringement under § 1125(a), a person must (1) use in commerce (2) any word, false



1 designation of origin, false or misleading description, or representation of fact, which (3) is likely  
2 to cause confusion or misrepresents the characteristics of his or another person's goods or  
3 services." *Freecycle Network, Inc. v. Oey*, 505 F.3d 898, 902 (9th Cir. 2007) (citing 15 U.S.C. §  
4 1125(a)); *see Int'l Order of Job's Daughters v. Lindeburg & Co.*, 633 F.2d 912, 917 (9th Cir.  
5 1980) (trademark infringement claims under Section 43(a) of the Lanham Act "preclude the use of  
6 another's trademark in a manner likely to confuse the public about the origin of goods").

7 *i. Protectable mark*

8 Before considering likelihood of confusion, Defendants challenge that the PepperBall mark  
9 is generic and no longer afforded trademark protections. They contend that "the public uses the  
10 term PEPPERBALL in a generic sense to refer to pepper-filled balls" and present dozens of pages  
11 of online printouts from newspaper articles, online forums, etc., where people have used the terms  
12 "pepperball," "pepper ball," and "pepper-ball" amongst other things to refer to irritant filled  
13 projectiles. Defendants argue that "[e]ven though UTS claims that the PEPPERBALL trademark  
14 registration is 'incontestable,' this does not preclude a finding that the term is not enforceable as a  
15 trademark because it has become generic." Opp'n at 17.

16 "To be sure, even an incontestable mark is subject to challenge as generic." *Reno Air*  
17 *Racing Ass'n, Inc. v. McCord*, 452 F.3d 1126, 1135 (9th Cir. 2006). "Generic marks are not  
18 capable of receiving protection because they identify the product, rather than the product's  
19 source." *KP Permanent Make-Up, Inc. v. Lasting Impression I, Inc.*, 408 F.3d 596, 602 (9th Cir.  
20 2005) (citing *Park 'N Fly, Inc. v. Dollar Park & Fly, Inc.*, 469 U.S. 189, 194 (1985)). Even "a  
21 registered mark may be canceled . . . on the grounds that it has become generic." *Id.*  
22 Nevertheless, "registered marks are endowed with a strong presumption of validity, and a  
23 defendant has the burden of showing genericness by a preponderance of the evidence." *Reno Air*  
24 *Racing Ass'n*, 452 F.3d at 1135 (citing *Yellow Cab Co. of Sacramento v. Yellow Cab of Elk Grove,*  
25 *Inc.*, 419 F.3d 925, 928 (9th Cir. 2005)).

26 "To determine whether a term has become generic, we look to whether consumers  
27 understand the word to refer only to a particular producer's goods or whether the consumer  
28 understands the word to refer to the goods themselves." *KP Permanent Make-Up*, 408 F.3d at 604



1 (citation omitted). “If the buyer understands the word to refer to the source of the goods, the term  
2 is not generic. However, if the disputed term is ‘identified with all such goods or services,  
3 regardless of their suppliers, it is generic.’” *Id.* (citation omitted). “Genericide has spelled the end  
4 for countless formerly trademarked terms, including ‘aspirin,’ ‘escalator,’ ‘brassiere,’ and  
5 ‘cellophane.’” *Freecycle*, 505 F.3d at 905.

6 Defendants’ genericness challenge raises a perplexing issue, particularly as UTS submitted  
7 evidence showing other manufacturers using the term “Pepper Balls” to identify irritant filled  
8 projectiles. *See* UTS Tabs 135 (“Duel Military Spec Pepper Balls . . . The Hottest Pepper Ball On  
9 The Market”); 136 (“Green Riot Pepper Balls – Extremely Hot . . . Pepper Balls are fantastic for  
10 stopping an intruder and pet control”); 137 (“Super Hot In Fact 55% Hotter Than Standard  
11 Pepperballs . . . . A pepperball projectile, also called a pepper-spray ball, is a hard plastic ball  
12 filled with a powdered chemical . . .”). UTS also submitted evidence where the term  
13 “pepperball” was inserted into Google’s search engine, and the results show that “pepper-ball” is  
14 used to refer to pepper-spray projectiles. UTS Tab 130. While all of this evidence is compelling,  
15 it is still limited, and some of Defendants’ evidence could be construed as referring to PepperBall  
16 branded products, as opposed to a generic term. *See e.g.*, Defs.’ Ex. 9 (“I view the Pepperball as a  
17 good tool . . . . “The Pepperball works relatively well in my experience”). Given that the test of  
18 whether mark is generic is a question of fact (*Yellow Cab Co.*, 419 F.3d at 929), at this point there  
19 is not yet enough evidence to show that consumers understand the term “PepperBall” to refer  
20 generally to irritant filled projectiles as opposed to the specific irritant projectile associated with  
21 PepperBall Technologies. Defendants raise a valid concern, but at this point the evidence is not  
22 enough to find the PepperBall mark generic.

23 *ii. Likelihood of confusion*

24 “The ‘likelihood of confusion’ inquiry generally considers whether a reasonably prudent  
25 consumer in the marketplace is likely to be confused as to the origin or source of the goods or  
26 services bearing one of the marks or names at issue in the case.” *Rearden*, 683 F.3d at 1209  
27 (citation omitted). “[T]he classic type of source confusion [is] ‘forward confusion,’ where  
28 customers ‘want to buy the senior user’s product and because of the similarity of marks,

1 mistakenly buy the junior user’s product instead’ and the junior user thus trades on the goodwill of  
 2 the senior user.” *SunEarth, Inc. v. Sun Earth Solar Power Co.*, 2013 WL 4528539, at \*13 (N.D.  
 3 Cal. Aug. 23, 2013) *amended in part*, 2013 WL 6157208 (N.D. Cal. Nov. 22, 2013) (quoting  
 4 McCarthy, *supra*, § 23:10).<sup>7</sup>

5 “To succeed, a plaintiff must show more than simply a possibility of such confusion.”  
 6 *Rearden*, 683 F.3d at 1209 (citations omitted). The Ninth Circuit has articulated a non-exhaustive  
 7 list of factors to be used in evaluating the likelihood of confusion by consumers. *See AMF, Inc. v.*  
 8 *Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979). Those factors include: similarity of the  
 9 marks; relatedness or proximity of the companies’ products or services; marketing channels used;  
 10 strength of the mark; degree of care likely to be exercised by purchasers; defendant’s intent in  
 11 selecting the mark; evidence of actual confusion; and likelihood of expansion in product lines. *See*  
 12 *Brookfield*, 174 F.3d at 1053-54. Some factors are more important than others and the relative  
 13 significance of each factor is case specific. *Id.* at 1054.

14 But this is not a traditional trademark case; UTS alleges RAP4 used the actual PepperBall  
 15 mark and name in its announcements and in metatags and hidden text on RAP4’s website. RAP4  
 16 claims that its identification of PepperBall and PepperBall Technologies, Inc. in its  
 17 announcements is “nominative use” and thus not infringing. Opp’n at 17-18 (citing *Toyota Motor*  
 18 *Sales, U.S.A., Inc. v. Tabari*, 610 F.3d 1171, 1175 (9th Cir. 2010)). While RAP4 asserted the  
 19 nominative use defense in its papers, it did not consider the test for nominative use, but instead  
 20 proceed to analyze UTS’s claim under the *Sleekcraft* factors. Where a defendant uses the mark to  
 21 refer to the trademarked good itself, the *Sleekcraft* analysis does not apply. *Tabari*, 610 F.3d at  
 22 1175. Rather “where a nominative fair use defense is raised, we ask whether (1) the product was  
 23 “readily identifiable” without use of the mark; (2) defendant used more of the mark than  
 24 necessary; or (3) defendant falsely suggested he was sponsored or endorsed by the trademark

25 <sup>7</sup> UTS established that it is the senior user of the PepperBall mark as ATO used the mark and  
 26 name PepperBall Technologies in commerce in January 2012 and UTS assumed the PepperBall  
 27 mark and PepperBall Technologies name from ATO via the Trademark Assignment Agreement.  
 28 Second Gibson Decl. ¶ 19; UTS Tab 109. While UTS may be able to establish rights to the mark  
 even before 2012, the Court is satisfied that it has demonstrated priority of use since at least  
 January 2012, at which point the PepperBall mark and trade name came to identify UTS’  
 predecessor, ATO, as the source of PepperBall products.

1 holder. This test evaluates the likelihood of confusion in nominative use cases.” *Id.* at 1175-76  
2 (citations and internal quotation marks omitted) (referring to the “*New Kids* test” from *New Kids*  
3 *on the Block v. News Am. Publ’g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992)).

4 UTS argues that the nominative use test does not apply here because Defendants used the  
5 PepperBall mark “to convey properties of their own products, not to refer to the products of UTS’s  
6 predecessors in interest.” Reply at 14. But the *New Kids* test also applies where “the defendant’s  
7 ultimate goal is to describe his own product.” *Tabari*, 610 F.3d at 1186 n.1 (citation omitted).  
8 UTS also argues that Defendants’ reference to *Tabari* is misplaced because that case involved the  
9 sale/brokering of authentic products. UTS provides no support for this argument, and in any case,  
10 it is better addressed in the likelihood of confusion analysis. As Defendants asserted a nominative  
11 use defense, the burden reverts to UTS to show a likelihood of confusion under the *New Kids*  
12 factors. *See id.* at 1183.

13 a. The 2012 announcements

14 Considering the factors in reverse order, *New Kids* explained that “nominative use of a  
15 mark . . . lies outside the strictures of trademark law: Because it does not implicate the source-  
16 identification function that is the purpose of trademark, it does not constitute unfair competition;  
17 such use is fair because it does not imply sponsorship or endorsement by the trademark holder.”  
18 971 F.2d at 308. Here, RAP4 did not falsely suggest it was sponsored or endorsed by the  
19 trademark holder; rather it implicated the source-identification function by essentially implying it  
20 was the new source of PepperBalls. The evidence shows confusion over RAP4’s announcements.  
21 *See* UTS Tabs 31 (email from customer stating: “I have received an e-mail from RAP 4 stating  
22 they are taking over your business. Is there any information you can give me regarding this email  
23 and the training and equipment we have been purchasing from you over the years?”); 33 (email  
24 from customer stating: “What do you know about Pepperball going out of business and being  
25 purchased by another company called RAP4? Is this true and, if so, how would it affect us?”); *see*  
26 *also* Tabs 28-30, 32, 54-55 (showing confusion over RAP4’s announcements). Even though  
27 RAP4 used the name LESS LETHAL LIVE AGENT as the actual name of its irritant projectiles,  
28 it “may not avoid likely confusion by appropriating another’s entire mark and adding descriptive

1 or non-distinctive matter to it.” *SMC Promotions, Inc. v. SMC Promotions*, 355 F. Supp. 2d 1127,  
2 1135-36 (C.D. Cal. 2005) (quoting McCarthy, *supra*, § 23:50).

3 *New Kids* referred to nominative use cases as “a class of cases where the use of the  
4 trademark does not attempt to capitalize on consumer confusion or to appropriate the cachet of one  
5 product for a different one.” 971 F.2d at 307-08. For instance, in *Toyota Motor Sales*, the  
6 defendants were auto brokers and used the trademark “Lexus” and the circular “L Symbol Design  
7 mark” on their website and in their website domain name to indicate that they brokered Lexus  
8 vehicles. 610 F.3d at 1171. The Ninth Circuit noted “one way or the other, the [defendants] need  
9 to let consumers know that they are brokers of Lexus cars, and that’s nearly impossible to do  
10 without mentioning Lexus.” *Id.* at 1180-81. Likewise, in *New Kids*, Plaintiffs did not allege that  
11 “there was anything false or misleading about the newspapers’ use of their mark. Rather, [they  
12 alleged that] the newspapers’ use of the New Kids name in conducting the unauthorized polls  
13 somehow implied that the New Kids were sponsoring the polls.” 971 F.2d at 308. Unlike *Toyota*  
14 *Motor Sales* and *New Kids*, UTS alleges that RAP4’s use of the PepperBall mark was misleading.

15 Considering the first and second *New Kids* factors, Defendants were capable of referring to  
16 their irritant filled projectiles without use of the PepperBall mark, and in fact did so for many  
17 years. *See* UTS Tabs 61, 113-14, 120. RAP4 also used the trade name PepperBall Technologies,  
18 Inc. in its announcements, thus directly referring to the source of PepperBall products. *See*  
19 *Accuride Int’l, Inc. v. Accuride Corp.*, 871 F.2d 1531, 1535 (9th Cir. 1989) (confirming trade  
20 names can also be protected because “[t]rade name infringement . . . is based on considerations  
21 similar to trade-mark infringement,” and “both preclude one from using another’s distinctive mark  
22 or name if it will cause a likelihood of confusion or deception as to the origin of the goods.”).  
23 Even if Defendants used the PepperBall mark and name to refer to the arrangements Defendants  
24 had with Sun and APON to describe their purported connection to PepperBall products, there is  
25 considerable dispute as to whether RAP4’s statements were true, even without considering the  
26 underlying implications of those statements. While this may be more a case of false association  
27 than trademark infringement under Section 43(a), the Court nevertheless finds that UTS has  
28 demonstrated a likelihood of confusion from RAP4’s announcements.

## b. Metatags and hidden text

The likelihood of confusion over RAP4's use of metatags and hidden text is more complicated. UTS presented evidence that in December 2012, after the Indiana TRO and after RAP4 apparently removed the announcements above for its website, RAP4 used the metatags "Pepperball Projectiles," "pepper ball," "pepperball," "pepperballs," and "Pepperball" on its website instead. *See* UTS Tab 88. It also provided evidence that RAP4 used hidden text, i.e., white text on a white background, which included the name pepperball on its website. UTS Tabs 59-60. UTS alleges that RAP4 used "PepperBall in hidden text and metatags on RAP4's website in order to drive consumers to their store by driving up RAP4's position with search engines." Mot. at 18; *see also* UTS Tab 130. UTS did not provide much evidence about how the metatags and hidden text function, and RAP4 did not assert any defenses or argument related to its metatags or hidden text. There is no evidence about whether RAP4 uses metatags and hidden text with the PepperBall mark today, but at the hearing, UTS's counsel indicated that RAP4 continues to do so. Hearing Transcript at 79:17-20. The issue is whether such metatags and hidden text are likely to cause confusion.

In *Brookfield*, the Ninth Circuit held that a defendant's use of a trademark in website metatags is actionable if it allows a defendant to improperly benefit from the goodwill associated with the mark. 174 F.3d at 1061-65. *Brookfield* held that it was enough that the metatags caused initial interest confusion even if consumers were not ultimately confused at the time of purchase. *Id.* at 1064-65. Recently, however, the Ninth Circuit warned against finding confusion "when a consumer is never confused as to source or affiliation, but instead knows, or should know, from the outset that a product or web link is not related to that of the trademark holder because the list produced by the search engine so informs him." *Network Automation, Inc. v. Advanced Sys. Concepts, Inc.*, 638 F.3d 1137, 1147 (9th Cir. 2011) (citing *Playboy Enters., Inc. v. Netscape Commc'ns Corp.*, 354 F.3d 1020, 1034-35 (9th Cir. 2004) (Berzon, J., concurring)). "Because the *sine qua non* of trademark infringement is consumer confusion, when we examine initial interest confusion, the owner of the mark must demonstrate likely confusion, not mere diversion." *Id.* at 1149.

1 RAP4 has not alleged nominative use, and in such circumstances, courts have referred to  
2 the *Sleekcraft* factors to weigh likelihood of confusion. *See Network*, 638 F.3d at 1152 n.5.  
3 Considering the *Sleekcraft* factors as a whole, the Court find that UTS has established at least  
4 serious questions going to the merits of its claims related to infringing use of the terms PepperBall  
5 in RAP4’s metatags and hidden text. The metatags and hidden text use terms that are very similar  
6 and in some cases identical to the PepperBall mark. The companies’ products or services are  
7 closely related as they are direct competitors. Both companies use similar marketing channels as  
8 both companies market their products online via their websites. These three factors—referred to  
9 as the “Internet trinity” or “Internet troika”—are often relied on by courts in resolving internet  
10 trademark infringement cases. *But see Network*, 638 F.3d at 1148-49 (the *Sleekcraft* factors  
11 “should be applied flexibly, particularly in the context of Internet commerce” rather than relying  
12 solely on the Internet trinity factors).

13 There is little argument by the parties or evidence about the factors relating to (1) the  
14 degree of care likely to be exercised by purchasers, (2) the likelihood of expansion in product  
15 lines, or (3) evidence of actual confusion as a result of the metatags and hidden text. These factors  
16 have neutral weight. There is also little evidence about Defendants’ intent in using the mark in its  
17 metatags and hidden text. However, courts have found that the intent to deceive factor “favors the  
18 plaintiff where the alleged infringer adopted his mark with knowledge, actual or constructive, that  
19 it was another’s trademark.” *Brookfield*, 174 F.3d at 1059 (citation omitted). This factor weighs  
20 in favor of UTS, because RAP4 had this knowledge by December 2012.

21 The remaining factor is strength of the mark. “The stronger a mark—meaning the more  
22 likely it is to be remembered and associated in the public mind with the mark’s owner—the greater  
23 the protection it is accorded by the trademark laws.” *Brookfield*, 174 F.3d at 1058. Two relevant  
24 measurements are conceptual strength and commercial strength. Conceptual strength involves  
25 classification of a mark “along a spectrum of generally increasing inherent distinctiveness as  
26 generic, descriptive, suggestive, arbitrary, or fanciful.” *Id.* Commercial strength is based on  
27 “actual marketplace recognition,” and thus “advertising expenditures can transform a suggestive  
28 mark into a strong mark.” *Id.* Determining the strength of a mark is probative of confusion



1 “because a consumer searching for a generic term is more likely to be searching for a product  
2 category.” *Network*, 638 F.3d at 1149 (citation omitted). “That consumer is more likely to expect  
3 to encounter links and advertisements from a variety of sources. By contrast, a user searching for a  
4 distinctive term is more likely to be looking for a particular product, and therefore could be more  
5 susceptible to confusion when sponsored links appear that advertise a similar product from a  
6 different source.” *Id.* As to conceptual strength, federal trademark “[r]egistration alone may be  
7 sufficient in an appropriate case to satisfy a determination of distinctiveness,” but courts are  
8 instructed to look to the mark itself in weighting conceptual strength. *Id.* (citations omitted).

9 Courts have found that the strength of the mark is of diminished importance in the  
10 likelihood of confusion analysis where the products involved are closely related and use identical  
11 terms. *Brookfield*, 174 F.3d at 1058-59 (citing *McCarthy*, *supra*, 11:76 (“Whether a mark is weak  
12 or not is of little importance where the conflicting mark is identical and the goods are closely  
13 related.”)). Here, while there are potential issues related to genericide of the mark, the  
14 combination of the registration of the PepperBall marks and the fact the products are closely  
15 related and use identical and nearly identical terms establishes at least serious questions going  
16 toward the merits of a trademark infringement claim relating to RAP4’s metatags and hidden text.  
17 *See Friends of the Wild Swan*, 767 F.3d at 942 (preliminary injunction may issue if a plaintiff can  
18 show *inter alia* that there are “serious questions going to the merits”).

19 *b. Deceptive Comparative Advertising Claims*

20 UTS also brings claims for deceptive comparative advertising under Section 43(a)(1)(B) of  
21 the Lanham Act. To prevail on a false advertising claim, a plaintiff must show (1) a false  
22 statement of fact by the defendant in a commercial advertisement about its own or another’s  
23 product; (2) the statement actually deceived or has the tendency to deceive a substantial segment  
24 of its audience; (3) the deception is material, in that it is likely to influence the purchasing  
25 decision; (4) the defendant caused its false statement to enter interstate commerce; and (5) the  
26 plaintiff has been or is likely to be injured as a result of the false statement, either by direct  
27 diversion of sales from itself to defendant or by lessening of the goodwill associated with its  
28 products. *Wells Fargo & Co. v. ABD Ins. & Fin. Servs., Inc.*, 758 F.3d 1069, 1071 (9th Cir.



1 2014), *as amended* (Mar. 11, 2014) (citing *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d  
2 1134, 1139 (9th Cir. 1997)).

3 *i. Elements 1 & 4: falsity of statements entering interstate commerce*

4 As to the first element, a plaintiff may establish the “falsity” of the advertisement in one of  
5 two ways. *Southland Sod*, 108 F.3d at 1139 (9th Cir. 1997). A “plaintiff may show that the  
6 statement was literally false, either on its face or by necessary implication, or that the statement  
7 was literally true but likely to mislead or confuse consumers.” *Id.* (citing *Castrol Inc. v. Pennzoil*  
8 *Co.*, 987 F.2d 939, 943, 946 (3d Cir. 1993)); *see also Cook, Perkiss & Liehe, Inc. v. N. Cal.*  
9 *Collection Serv., Inc.*, 911 F.2d 242, 245 (9th Cir. 1990) (“[A] false advertising cause of action  
10 under the [Lanham] Act is not limited to literal falsehoods; it extends to false representations made  
11 by implication or innuendo.”). “When evaluating whether an advertising claim is literally false,  
12 the claim must always be analyzed in its full context.” *Id.* at 1139 (citing *Castrol*, 987 F.2d at  
13 946). Defendants must have also “caused its false statement[s] to enter interstate commerce.”  
14 *Wells Fargo*, 758 F.3d at 1071.

15 RAP4 issued several different announcements around August 2012 in which it connects  
16 itself with PepperBall Technologies and the PepperBall projectiles. RAP4’s original broadcast  
17 announcement was titled “RAP4 Resumes PepperBall Technologies Inc. Production[.]” UTS  
18 Tabs 26, 29. The announcement then goes on to explicitly state that “PepperBall Technologies Inc  
19 was liquidated and foreclosed by their creditors”—perhaps a literally true statement, but when that  
20 statement is combined with RAP4’s other statements, including remarks about RAP4’s  
21 “acquisition” of PepperBall’s equipment and technology, it is likely to mislead or confuse  
22 consumers into thinking that RAP4 acquired PepperBall Technologies. *See* UTS Tab 26, 29. The  
23 implication of RAP4’s announcement was that the source of RAP4’s new projectiles was the  
24 former PepperBall Technologies, with the same qualities and key characteristics.

25 Defendants argue that RAP4’s subsequent announcements belie the notion that they  
26 intended to “palm off” its projectiles as PepperBall branded projectiles. *Opp’n* at 19; *see also*  
27 *McCarthy, supra*, § 25:2 (palming off is an “attempt to make the purchaser believe that the  
28 product of the subsequent entrant is that of his better known competitor.”). Specifically,

1 Defendants posted disclaimers saying that (1) “RAP4 is not associated nor affiliated with  
2 PepperBall Technologies Inc. and brands[;]” (2) “All rights to the PepperBall Technologies Inc.  
3 and brands belong to its new owner[;]” and (3) “RAP4 live rounds are NOT made by the current  
4 PepperBall Technologies Inc.[.]” UTS Tab 36. While these disclaimers are perhaps an attempt at  
5 clarification, the Court cannot ignore full context. The previous section of the announcement  
6 describes how RAP4’s Live Rounds “are produced by the original OEM manufacturer that once  
7 produced for PepperBall Technologies Inc.” *Id.* The implication is that RAP4’s projectiles are,  
8 for all intents and purposes, PepperBalls. There is also some indication that RAP4 implied that it  
9 had “improved” the PepperBall formula and quality control. UTS Tabs 26, 36.

10 RAP4’s other “clarifications” are also likely to cause confusion. RAP4 indeed recognizes  
11 this fact, stating in a Facebook post and elsewhere “[i]t has come to our Attention that there has  
12 been some misinformation and confusion in relation to our acquisition of PepperBall  
13 Technology.” UTS Tabs 27, 28, 144. While RAP4 is purportedly clarifying the confusion, in the  
14 very same breathe it insinuates that it has acquired PepperBall Technology. This is not a singular  
15 error; the titles of these statements are “Clarification About RAP4’s Acquisition of PepperBall  
16 Technology[.]” The statements also declare that “[t]he Original Recipe and machinery to produce  
17 pepperballs was acquisitioned by RAP4 and RAP4 is now able to manufacture the original  
18 pepperball under the name of RAP4 Less Lethal.” While these statements acknowledge that  
19 “Pepperball Technology is Forclosed[sic]” and “[a]ll rights to the name Pepperball belong to the  
20 new owners, which is Phoenix International, LLC[.]” the implication and likelihood of confusion  
21 remains that RAP4 is now the manufacturer of PepperBall irritant projectiles.

22 RAP4 argues that the announcements it made were not about its “own product” and  
23 therefore UTS’s false advertising claim should not survive. RAP4 argues that its statements were  
24 about what it does and what it acquired. The Court disagrees with RAP4’s argument. RAP4’s  
25 announcements may have included statements about what it does and what it acquired, but these  
26 statements could also be interpreted by consumers to mean that RAP4’s projectiles are for all  
27 intents and purposes PepperBalls as originally sold by PepperBall Technologies.<sup>8</sup> As described

28 <sup>8</sup> It is also worth noting that the statute itself does not require the representation to be only about

1 by UTS, RAP4 publicized that it had “‘PepperBall’ projectiles in everything but name.” Mot. at  
2 20. Consumers could also interpret RAP4’s announcements communicating that RAP4 had  
3 improved the PepperBall formula and quality control. While at some point RAP4 may have  
4 altered the formula, there is no evidence those alterations occurred by the time RAP4 made its  
5 announcements or that there were changes in quality control.

6 RAP4 sent its announcements by email and posted them on its website and other online  
7 forums. Courts have held that such acts are sufficient to establish that a defendant caused its false  
8 statement to enter interstate commerce. *See, e.g., SuccessFactors, Inc. v. Softscape, Inc.*, 544 F.  
9 Supp. 2d 975, 982 (N.D. Cal. 2008) (finding a likelihood of success on the merits on this element  
10 where defendant had disseminated the misleading statement via email and on its website);  
11 *Neighborhood Assistance Corp. of Am. v. First One Lending Corp.*, 2012 WL 1698368, at \*18  
12 (C.D. Cal. May 15, 2012) (likelihood of success on interstate commerce element met where  
13 misleading statements “appear[ed] on websites available to anyone in the United States.”). The  
14 Court finds that UTS is likely to succeed in showing that RAP4 made misleading statements  
15 concerning its irritant projectiles in interstate commerce.

16 *ii. Elements 2 & 3: tendency to deceive & materiality*

17 UTS must also establish a likelihood of success in showing that RAP4’s statements  
18 actually deceived or had the tendency to deceive a substantial segment of its audience, and that  
19 deception is material in that it is likely to influence the purchasing decision. *Wells Fargo*, 758  
20 F.3d at 1071. UTS provided several communications from customers showing confusion resulting  
21 from RAP4’s announcements. *See* UTS Tabs 28-33 (described above). Tran also testified that  
22 even after posting the clarifications he still received letters from customers showing that they were  
23 confused. UTS Tab 56 at 999:3-1000:3.

24 RAP4 argues that this evidence is insufficient to establish that a substantial section of the  
25 audience was confused, contending that UTS’s failure to present survey evidence demonstrating  
26 confusion is fatal to UTS’s claim. However, courts have recognized that “failure to establish that  
27

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28 RAP4’s products—the misrepresentation can go to the nature, characteristics, or qualities of  
“goods, services, or commercial activities.” 15 U.S.C. § 1125(a)(1)(B).

1 a significant number of consumers were actually deceived is not necessarily fatal to [a plaintiff's]  
2 case. If [the defendant] intentionally misled consumers, we would presume consumers were in  
3 fact deceived.” *William H. Morris Co. v. Grp. W, Inc.*, 66 F.3d 255, 258 (9th Cir.) *supplemented*  
4 *sub nom. William H. Morris Co. v. Grp. W. Inc.*, 67 F.3d 310 (9th Cir. 1995); *see also Harper*  
5 *House, Inc. v. Thomas Nelson, Inc.*, 889 F.2d 197, 210 (9th Cir. 1989) (intent to mislead justifies  
6 presumption that consumers are in fact deceived). To show RAP4’s intent to deceive, UTS  
7 highlights Tran’s testimony in the Indiana Action, which indicated that Tran may have realized  
8 that use of the word “acquisition” in RAP4’s announcements was confusing for customers. *See*  
9 UTS Tab 53 at 942:3-7; 937:14-940:17; *see also* Tab 52.

10 UTS’s evidence is compelling. While Defendants are correct that evidence of deception is  
11 required, the cases they cite did not find any intent to deceive on the part of the defendant. *See*  
12 *Cairns v. Franklin Mint Co.*, 24 F. Supp. 2d 1013, 1036, 1042-43 (C.D. Cal. 1998) (recognizing  
13 that “If a defendant intentionally misled consumers, the Court may presume consumers were in  
14 fact deceived, and defendant has the burden of demonstrating otherwise[.]” but finding no  
15 persuasive evidence of such intent by defendant); *see also Henri’s Food Prods. Co. v. Kraft, Inc.*,  
16 717 F.2d 352, 359 (7th Cir. 1983) (affirming district court’s finding that no intent was found in the  
17 record); *Ragold, Inc. v. Ferrero, U.S A., Inc.*, 506 F. Supp. 117, 128 (N.D. Ill. 1980) (plaintiff had  
18 presented no evidence of consumer responses). The evidence UTS presents is different; it shows  
19 evidence of actual consumer confusion and Defendants’ intent to deceive. The Court is persuaded  
20 that there are at least serious questions going to the merits as to this element.

21 RAP4 does not raise much argument as to the materiality of the purported deception, but  
22 after reviewing the record, the Court is persuaded that deception concerning RAP4’s ability to  
23 produce PepperBall quality projectiles—or better—would be material. PepperBall Technologies  
24 and its PepperBall projectiles had a strong reputation for quality and reliability. *See* UTS Tab 8 at  
25 76:11-24 (testimony describing PepperBall Technologies’ good reputation); *see also* Tab 91 at  
26 552:15-19 (same). If consumers believed that RAP4 purchased PepperBall Technologies and thus  
27 the ability to produce the original PepperBall, consumers could likewise believe that RAP4 now  
28 sells PepperBalls, inducing them to purchase from RAP4. The Court again finds that UTS has

1 established a likelihood of success for this element as well.

2 *iii. Likelihood of injury*

3 The final element is whether the plaintiff has been or is likely to be injured as a result of  
 4 the false statement, either by direct diversion of sales from itself to defendant or by lessening of  
 5 the goodwill associated with its products. *Wells Fargo*, 758 F.3d at 1071. Proof of this element  
 6 may not be strictly necessary; the Ninth Circuit held that “because of the possibility that a  
 7 competitor may suffer future injury, as well as the additional rationale underlying section 43(a)—  
 8 consumer protection—a competitor need not prove injury when suing to enjoin conduct that  
 9 violates section 43(a).” *Harper House*, 889 F.2d at 210 (citation omitted); *see also Southland Sod*,  
 10 108 F.3d at 1145-46 (“[E]ven if Plaintiffs had failed to raise a triable issue as to causation and  
 11 injury, their Lanham Act claim would still be viable to the extent it sought an injunction.”).

12 In any case, UTS has established a likelihood of injury as a result of these false statements.  
 13 ATO and now UTS sell PepperBall projectiles and PepperBall branded products; RAP4 does not  
 14 dispute this. If consumers are misled into thinking that RAP4 sells PepperBall products, and that  
 15 RAP4 is the former PepperBall Technologies, then sales that would otherwise go to UTS are  
 16 likely to be diverted instead to RAP4. UTS provided evidence of one such potentially diverted  
 17 sale that occurred during the pendency of the TRO in the Indiana Action. *See* UTS Tab 92 at  
 18 508:8-509:21. The Court is finds UTS has demonstrated likelihood of success on this element.

19 In sum, on the claim of deceptive advertising under Section 43(a) of the Lanham Act, the  
 20 Court finds that UTS has demonstrated a likelihood of success on the merits.

21 3. California Unfair Competition and False Advertising Claims

22 UTS raises claims under both California Business and Professions Code section 17200  
 23 (California’s Unfair Competition Law, or “UCL”) and section 17500 (California’s False  
 24 Advertising Law). The Ninth Circuit “has consistently held that . . . actions pursuant to California  
 25 Business and Professions Code § 17200 are ‘substantially congruent’ to claims made under the  
 26 Lanham Act.” *Zeltiq Aesthetics, Inc. v. BTL Indus., Inc.*, \_\_\_ F. Supp. 2d \_\_\_, 2014 WL 1245222,  
 27 at \*8 (N.D. Cal. Mar. 25, 2014) (quoting *Cleary v. News Corp.*, 30 F.3d 1255, 1262-63 (9th Cir.  
 28 1994)); *see also Philip Morris v. Shalabi*, 352 F. Supp. 2d 1067, 1072 (C.D. Cal. 2004) (noting

1 that the essential elements of 15 U.S.C. § 1125(a)(1) “are identical and if met with adequate  
2 evidence are sufficient to establish liability under” the UCL as well).

3 The UCL prohibits “any unlawful, unfair or fraudulent business act or practice and unfair,  
4 deceptive, untrue or misleading advertising . . . .” Cal. Bus. & Prof. Code § 17200. Because  
5 section 17200 is written in the disjunctive, “a business act or practice need only meet one of the  
6 three criteria—unlawful, unfair, or fraudulent—to be considered unfair competition under the  
7 UCL.” *Daro v. Superior Court*, 151 Cal. App. 4th 1079, 1093 (2007). “Under its ‘unlawful’  
8 prong, the UCL borrows violations of other laws . . . and makes those unlawful practices  
9 actionable under the UCL.” *See Berryman v. Merit Prop. Mgmt.*, 152 Cal. App. 4th 1544, 1554  
10 (2007) (citation and quotation marks omitted). “Thus, a violation of another law is a predicate for  
11 stating a cause of action under the UCL’s unlawful prong.” *Id.*

12 As the Court finds that UTS has established a likelihood of success under Section 43(a) of  
13 the Lanham Act, UTS is therefore able to establish a likelihood of success under the UCL.  
14 Likewise, a section 17500 claim requires that Plaintiff prove that Defendants engaged in “false,  
15 unfair, misleading, or deceptive advertising” that had the tendency to deceive members of the  
16 public. *Day v. AT & T Corp.*, 63 Cal. App. 4th 325, 331-32 (1998). UTS’s establishment of  
17 likelihood of success under Section 43 of the Lanham Act allows it to establish the same relief it  
18 would be entitled to under Section 17500. *See J.K. Harris & Co., LLC v. Kassel*, 253 F. Supp. 2d  
19 1120, 1130 n.9 (N.D. Cal. 2003).

20 Accordingly, the Court finds that UTS has demonstrated a likelihood of success on the  
21 merits of its claims under the UCL and California’s False Advertising Law.

22 4. Willful Infringement on Trade Dress

23 UTS contends that Defendants willfully infringed on its trade dress. UTS alleges that  
24 Defendants were capable of choosing other colors and color schemes for their projectiles, but  
25 chose the PepperBall color scheme to “compete” with UTS and its predecessor ATO because red  
26 and red/black were identified as “[PepperBall’s] colors.” *See* UTS Tab 34. Defendants contend  
27 that because irritant projectiles are used in high-stress crowd-control or military situations, a user  
28 needs to be able to quickly distinguish the “live” projectiles from other types, and live projectiles



1 are generally made “red” in color so the users can distinguish them from the other kinds. Tran  
2 Decl. ¶ 4, Dkt. No. 45-1. The primary dispute is thus whether the all-red and red/black color  
3 schemes are functional.

4 To prevail on a claim for trade dress infringement, a plaintiff must prove that: (1) its trade  
5 dress is nonfunctional; (2) the trade dress is inherently distinctive or has acquired secondary  
6 meaning; and (3) the imitation of the trade dress creates a likelihood of consumer confusion. *See*  
7 *Fuddruckers, Inc. v. Doc’s BR Others, Inc.*, 826 F.2d 837, 842 (9th Cir. 1987). “Under the  
8 Lanham Act, Congress imposes a presumption of functionality, and plaintiff bears the burden of  
9 proving non-functionality.” *Secalt S.A. v. Wuxi Shenxi Const. Mach. Co.*, 668 F.3d 677, 683 (9th  
10 Cir. 2012) (quoting 15 U.S.C. § 1125(a)(3) (“In a civil action for trade dress infringement under  
11 this Act for trade dress not registered on the principal register, the person who asserts trade dress  
12 protection has the burden of proving that the matter sought to be protected is not functional.”)).  
13 Thus, UTS, as the “one who seeks to establish trade dress protection[,] must carry the heavy  
14 burden of showing that the feature is not functional, for instance by showing that it is merely an  
15 ornamental, incidental, or arbitrary aspect of the device.” *TrafFix Devices, Inc. v. Mktg. Displays,*  
16 *Inc.*, 532 U.S. 23, 30 (2001).

17 “A product feature is functional and cannot serve as a trademark ‘if [the product feature] is  
18 essential to the use or purpose of the article or if it affects the cost or quality of the article,’ that is,  
19 if exclusive use of the feature would put competitors at a significant, non-reputation-related  
20 disadvantage.” *Kendall-Jackson Winery, Ltd. v. E. & J. Gallo Winery*, 150 F.3d 1042, 1048 (9th  
21 Cir. 1998) (quoting *Qualitex Co. v. Jacobson Prods. Co., Inc.*, 514 U.S. 159, 165 (1995)). The  
22 functionality doctrine thus “prevents trademark law, which seeks to promote competition by  
23 protecting a firm’s reputation, from instead inhibiting legitimate competition by allowing a  
24 producer to control a useful product feature.” *Qualitex*, 514 U.S. at 164. “Functionality is a  
25 potent public policy, for it trumps all evidence of actual consumer identification of source and all  
26 evidence of actual consumer confusion caused by an imitator.” McCarthy, *supra*, § 7:63. To  
27 analyze functionality, the Ninth Circuit has applied the “*Disc Golf* factors”: (1) whether the design  
28 yields a utilitarian advantage, (2) whether alternative designs are available, (3) whether advertising



1 touts the utilitarian advantages of the design, and (4) whether the particular design results from a  
2 comparatively simple or inexpensive method of manufacture. *Secalt S.A.*, 668 F.3d at 685 (citing  
3 *Disc Golf Ass’n, Inc. v. Champion Discs, Inc.*, 158 F.3d 1002 (9th Cir. 1998)).

4 As to the first factor, Defendants present evidence that the color red provides utilitarian  
5 advantages. The training materials used by PepperBall Technologies shows that different colors  
6 of projectiles indicated different things about them, e.g., a green projectile was for marking,  
7 whereas purple is an inert round used for training, and red projectiles are live rounds filled with  
8 the active irritant PAVA (capsaicin II). Defs.’ Ex. 14. UTS continues to maintain those color  
9 combinations as used by PepperBall Technologies. *See* UTS Tab 124. Conrad Sun also stated  
10 that “users of projectiles use the color of the projectiles to indicate the power or strength of the  
11 projectiles, not the source or the manufacturer of the projectiles. For example red projectiles are  
12 associated with ‘live’ rounds, i.e., rounds that have irritant powder.” Sun Decl. ¶ 17.

13 Testimony during the Indiana Action’s preliminary injunction hearing likewise indicates  
14 that the color red is important for customers of RAP4’s projectiles. RAP4’s witness testified that  
15 in “[r]ecent history, our clients do require that the colors be in red for live-fire for reason that they  
16 have already successfully training their personnel to identify by the colors used.” Defs.’ Ex. 15, at  
17 467:20-4. This witness also testified that at that time other manufacturers also used the color red  
18 and/or reddish-orange to identify live pepper-filled rounds. *Id.* at 467:3-14; *see also* Defs.’ Ex. 6  
19 (showing pepper-filled projectiles using the color red). Conrad Sun’s declaration confirms that  
20 “Purchasers of ‘live’ irritant-filled projectiles often require the projectiles they purchase be red.  
21 This is because they have adopted a color scheme for their projectiles, and trained their personnel  
22 on what color of projectile is associated with what strength. For example, the one government  
23 agency specifies that its ‘OC’[oleoresin capsicum] projectiles be ‘red.’” Sun Decl. ¶ 18.

24 UTS argues that the government agency only identified red for the projectiles because it  
25 wanted to purchase from United States manufacturers (*see* Reply at 19, n.20; Transcript at 17:5-  
26 14). While this could be the case, UTS has presented no evidence to that effect, and even if true,  
27 this fact does not undermine Defendants’ evidence that their other customers require the live  
28 rounds to be indicated by the color red. Defendants also submitted a document from the

1 Department of Justice that states “distinctive markings and colorings on the different shells would  
2 help to more reliably distinguish lethal from less lethal [munitions].” Defs.’ Ex. 11. While this  
3 document refers to coloring and marking to distinguish between less and non-lethal munitions  
4 rather than strength of irritant projectiles, it nevertheless supports Defendants’ notion that coloring  
5 plays a role for the government in distinguishing between types of projectiles. There is support for  
6 a utilitarian advantage to the color red—namely that customers use the red to identify irritant filled  
7 projectiles as opposed to other projectiles, such as inert training and marking projectiles.

8 However, in considering the second *Disc Golf* factor—whether alternative designs are  
9 available—UTS contends that the use of alternative color schemes by RAP4 prior to August and  
10 by other manufacturers undermines RAP4’s assertion that red indicates a “live” projectile. UTS  
11 provided evidence that in June 2012, RAP4 sold irritant filled projectiles that were half orange and  
12 half white. *See* UTS Tabs 33 and 62; *see also* Tab 61 (half orange/white live projectiles used in  
13 2009). It also presents screen shots of websites showing that other manufacturers appear to use  
14 different colors than red to identify live irritant projectile rounds. *See* UTS Tabs 135-38. Finally,  
15 UTS presents an email between Sun and Tran indicating that RAP4 indeed selected the red and  
16 red/black color scheme “to compete with Pepperball[.]” UTS Tab 34. In essence, UTS argues the  
17 red and red/black color scheme specifically identifies PepperBall branded products.

18 The Ninth Circuit “has suggested that ‘in order to establish nonfunctionality the party with  
19 the burden must demonstrate that the product feature serves *no purpose* other than identification.’”  
20 *Disc Golf*, 158 F.3d at 1007 (quoting *Sega Enters. Ltd. v. Accolade, Inc.*, 977 F.2d 1510, 1531 (9th  
21 Cir. 1992)); *accord Keene Corp. v. Paraflex Indus., Inc.*, 653 F.2d 822, 826 (3d Cir. 1981) (“Proof  
22 of nonfunctionality generally requires a showing that the element of the product serves no purpose  
23 other than identification.”). “Under the functionality doctrine, competitors can reasonably  
24 replicate important non-reputation-related product features.” *Kendall-Jackson*, 150 F.3d at 1048  
25 (citing *Qualitex*, 514 U.S. at 169).

26 While UTS’s evidence shows that other manufacturers produce and offer for sale irritant-  
27 filled projectiles in colors other than red, it does not show that alternative color schemes are  
28 purchased or used by law enforcement, or other customers who may have come to rely on the red

1 color scheme to indicate live rounds. UTS states that “the only advantage red and red/black  
2 projectiles offer Defendants is that it makes it easier for them to sell to departments already trained  
3 to use UTS’s system”—which UTS says is “one of the reasons some customers specify that their  
4 live projectiles be red.” Reply at 19 & n.20. While a “wide range of available packaging and  
5 design options allows a producer to appropriate a distinctive identity without unduly hindering his  
6 competitors’ ability to compete[.]” *Clicks Billiards, Inc. v. Sixshooters, Inc.*, 251 F.3d 1252, 1261  
7 (9th Cir. 2001) (citation omitted), a functional feature is one the “exclusive use of [which] would  
8 put competitors at a significant non-reputation-related disadvantage.” *TrafFix*, 532 U.S. at 32.

9 RAP4’s evidence indicates that it would be at a commercial disadvantage if it was  
10 prohibited from selling red projectiles, which identify live, pepper-filled rounds. Likewise, the  
11 two-toned, half red/half black projectiles appear to serve a functional purpose, indicating that they  
12 are extra strength rounds as compared with the all red-regular strength rounds. UTS’s counsel also  
13 indicated that there may be other functional tracking reasons for two-toned projectiles. Hearing  
14 Transcript at 18:17-20. Despite showing that other manufacturers produce and sell non-red irritant  
15 projectiles, UTS has not shown that the red coloring serves no purpose other than identification.

16 As to the third *Disc Golf* factor, PepperBall Technologies included in its training materials  
17 that “red” symbolized live rounds. Defs.’ Exs. 12-14. UTS has maintained PepperBall  
18 Technologies’ identification of rounds by color, using red to indicate when projectiles are live.  
19 UTS Tab 140. “If a seller advertises the utilitarian advantages of a particular feature, this  
20 constitutes strong evidence of functionality.” *Disc Golf*, 158 F.3d at 1009 (citation omitted). The  
21 implication from UTS’s website and PepperBall training and advertising materials is that users can  
22 identify different rounds by their coloring. The Court finds that this factor weighs against UTS.

23 The fourth *Disc Golf* factor inquires as to whether the particular design results from a  
24 comparatively simple or inexpensive method of manufacture. A functional benefit may arise if  
25 “the design achieves economies in manufacture or use.” *Disc Golf*, 158 F.3d at 1009 (citation  
26 omitted). The parties presented little evidence to weight this factor, thus this factor is neutral.

27 Considering these factors in total, UTS has not established likelihood of success on the  
28 merits with its “heavy burden” to prove non-functionality of the red or half red/half black coloring.

1 UTS does not allege that the red coloring of the PepperBall “is merely an ornamental, incidental,  
2 or arbitrary aspect of the device,” nor does it refute Defendants’ arguments that the coloring serves  
3 a utilitarian purpose by identifying live rounds. One of the purposes for the important of the  
4 functionality doctrine is to “[p]reserv[e] free and effective competition by ensuring that  
5 competitors can copy features that they need to compete effectively.” *McCarthy, supra*, § 7:63.  
6 UTS raises the specter that RAP4 choose the red and red/black coloring to invoke the coloring  
7 used on the PepperBall-branded projectiles and presents persuasive evidence to that effect. UTS  
8 may ultimately be able to show that the red coloring is not functional and that RAP4 could  
9 compete effectively with PepperBall products without this red coloring, but at this point UTS has  
10 not established that the red and red/black is non-functional.

11 5. Trademark Dilution

12 UTS asserts that Defendants have diluted its trademark by both tarnishment and blurring.  
13 A successful claim for federal trademark dilution under Section 43(c) of the Lanham Act requires  
14 that a plaintiff prove that: (1) it owns a famous trademark; (2) the famous mark is distinctive; (3)  
15 the defendant is using or has used in commerce an identical or nearly identical trademark; (4) the  
16 defendant began using the mark after the mark became famous; and (5) the defendant’s use of the  
17 mark is likely to cause dilution by blurring or tarnishment. *Parts.com, LLC v. Yahoo! Inc.*, 996 F.  
18 Supp. 2d 933, 940 (S.D. Cal. 2013) (citations omitted); *see also* 15 U.S.C. § 1125(c).

19 A viable claim for federal trademark dilution requires that the mark be famous at the time  
20 the defendant begins using it. 15 U.S.C. § 1125(c)(1). “A mark is famous if it is widely  
21 recognized by the general consuming public of the United States as a designation of source of the  
22 goods or services of the mark’s owner.” *Id.* § 1125(c)(2)(A). In determining whether a mark is  
23 famous, a court may consider “all relevant factors,” including: (1) “[t]he duration, extent, and  
24 geographic reach of advertising and publicity of the mark”; (2) “[t]he amount, volume, and  
25 geographic extent of sales of goods or services offered under the mark”; (3) “[t]he extent of actual  
26 recognition of the mark”; and (4) whether the mark is registered. *Id.* § 1125(c)(2)(A)(i)-(iv).

27 “It is well-established that dilution fame is difficult to prove.” *Coach Servs., Inc. v.*  
28 *Triumph Learning LLC*, 668 F.3d 1356, 1373 (Fed. Cir. 2012) (citation omitted); *Everest Capital*,

1 *Ltd. v. Everest Funds Mgmt. LLC*, 393 F.3d 755, 763 (8th Cir. 2005) (“The judicial consensus is  
2 that ‘famous’ is a rigorous standard.”); McCarthy, *supra*, § 24:104 (fame for dilution is “a difficult  
3 and demanding requirement” and that, although “all ‘trademarks’ are ‘distinctive’—very few are  
4 ‘famous’”). “[C]ourts agree that a mark must be truly prominent and renowned to be granted the  
5 extraordinary scope of exclusive rights created by the Federal Antidilution Act.” *Rosetta Stone*  
6 *Ltd. v. Google, Inc.*, 676 F.3d 144, 171 (4th Cir. 2012) (quoting McCarthy, *supra*, § 24:104).  
7 “Because protection from dilution comes close to being a ‘right in gross,’ . . . the [Act] extends  
8 dilution protection only to those whose mark is a ‘household name.’” *Nissan Motor Co. v. Nissan*  
9 *Computer Corp.*, 378 F.3d 1002, 1011 (9th Cir. 2004).

10 In light of this rigorous standard, the Court finds that UTS has failed to establish that the  
11 PepperBall mark and trade name is famous within the meaning of Section 43(c) of the Lanham  
12 Act. UTS provided very little evidence to support its claim of fame. It asserted that it and the  
13 prior owners of the PepperBall mark “have spent millions of dollars and fifteen years publicizing  
14 the mark and selling the projectiles at issue in this litigation with the PepperBall trademark.” Mot.  
15 at 24. But UTS did not provide support for exactly how much money was actually spent, how the  
16 mark was publicized, or when the mark became famous. *Compare Visa Int’l Serv. Ass’n v. JSL*  
17 *Corp.*, 590 F. Supp. 2d 1306, 1315 (D. Nev. 2008) *aff’d*, 610 F.3d 1088 (9th Cir. 2010) (finding  
18 plaintiff established fame of the VISA mark with abundant evidence showing how much plaintiff  
19 spent on advertising the mark, where the mark was used, how consumers recognized the mark, and  
20 how the mark was used in \$1.3 trillion in sales during the relevant time period). Here UTS alleges  
21 that PepperBall Technologies “sold over 23 million PepperBall projectiles between the late 1990s  
22 and 2011 with each projectile selling for at least one dollar” (Mot. at 24), but it does not cite to  
23 any evidence for this statement. Nor does it explain where those sales were made or that the mark  
24 would be recognized by the “general consuming public.” *Cf. Coach Servs.*, 668 F.3d at 1374-75  
25 (plaintiff did not provide sufficient evidence to prove that COACH for high-end handbags and  
26 leather goods was a “famous” mark). Moreover, the fact that the PepperBall mark is registered is  
27 not conclusive evidence of fame. *Id.* at 1374 (finding the Board erred to the extent it found that  
28 proof of registration as conclusive evidence of fame). Perhaps UTS may ultimately be able to

1 demonstrate that its PepperBall mark is famous within the meaning of Section 43(c), but at this  
2 time it has not shown a likelihood of success on this claim.

3 6. Misappropriated Trade Secrets

4 California's Uniform Trade Secrets Act ("CUTSA"), codified at California Civil Code  
5 sections 3426-3426.11, "authorizes a court to enjoin the actual or threatened misappropriation of  
6 trade secrets." *Cytodyn, Inc. v. Amerimmune Pharmaceuticals, Inc.*, 160 Cal. App. 4th 288, 296  
7 (2008) (citing Cal. Civ. Code § 3426.2). "A plaintiff requesting injunctive relief has the burden to  
8 show that the information that was misappropriated constitutes a trade secret." *Agency*  
9 *Solutions.Com, LLC v. TriZetto Grp., Inc.*, 819 F. Supp. 2d 1001, 1015 (E.D. Cal. 2011) (citation  
10 omitted). "A 'trade secret' is defined as 'information, including a formula, pattern, compilation,  
11 program, device, method, technique or process, that: (1) [d]erives independent economic value,  
12 actual or potential, from not being known generally to the public or to other persons who can  
13 obtain economic value from its disclosure or use; and (2) [i]s subject to efforts that are reasonable  
14 under the circumstances to maintain its secrecy.'" *Id.* (citing Cal. Civ. Code § 3426.1(d)).

15 To state a claim for trade secret misappropriation, a plaintiff must show: "(1) the plaintiff  
16 owned a trade secret, (2) the defendant acquired, disclosed, or used the plaintiff's trade secret  
17 through improper means, and (3) the defendant's actions damaged the plaintiff." *Cytodyn*, 160  
18 Cal. App. 4th at 297. Use or acquisition of "a trade secret by "[i]mproper means' includes theft,  
19 bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or  
20 espionage through electronic or other means." *DVD Copy Control Ass'n, Inc. v. Bunner*, 31 Cal.  
21 4th 864, 875 (2003), *as modified* (Oct. 15, 2003) (citing Cal. Civ. Code § 3426.1, subd. (a)).  
22 "Reverse engineering or independent derivation alone," is not "considered improper means." *Id.*  
23 (citing Cal. Civ. Code § 3426.1, subd. (a)). "It is crucial to any CUTSA cause of action—and any  
24 defense—that the information claimed to have been misappropriated be clearly identified."  
25 *Agency Solutions.Com*, 819 F. Supp. 2d at 1015. The trade secret must be described "with  
26 sufficient particularity to separate it from matters of general knowledge in the trade or of special  
27 knowledge of those persons who are skilled in the trade and to permit the defendant to ascertain at  
28 least the boundaries within which the secret lies." *Altavion, Inc. v. Konica Minolta Sys. Lab. Inc.*,



1 226 Cal. App. 4th 26, 43-44 (2014), *review denied* (Aug. 20, 2014) (collecting cases).

2 UTS claims to own trade secrets “in the formula and recipe for the irritant powder used in  
3 the projectiles in question.” Mot. at 26. Later, UTS asserts that “RAP4 and Tran contracted with  
4 [Conrad] Sun for *inter alia* market leads and market research knowing that [Sun] was a former  
5 officer of PepperBall Technologies, Inc. and that the information he would be providing RAP4  
6 would likely have originated from PepperBall Technologies, Inc. As such, RAP4 and Tran  
7 contracted to receive trade secrets that were ‘acquired under circumstances giving rise to a duty to  
8 maintain its secrecy or limit its use.’” *Id.* Although much of UTS’s evidence focuses on Sun, he  
9 is not a party to this litigation, and the Court’s inquiry is focused on the actions of RAP4 and K.T.  
10 Tran and whether these Defendants misappropriated trade secrets owned by UTS, namely (1) “the  
11 formula and recipe used in the projectiles in question;” (2) UTS’ “customer list;” and (3) “*inter*  
12 *alia* market leads and market research.”

13 Starting in reverse order, UTS has failed to show likelihood of success on the merits  
14 concerning trade secrets in “*inter alia* market leads and market research.” First, UTS has not  
15 shown that this information is proprietary. *See, e.g., Logtale, Ltd. v. IKOR, Inc.*, 2013 WL  
16 4427254, at \*5 (N.D. Cal. Aug. 14, 2013) (company failed to show its market research was  
17 proprietary or to identify a specific ownership interest in that information). Second, even if UTS  
18 could demonstrate that the information is proprietary, UTS has not demonstrated that Defendants  
19 had or used this information. Third, perhaps as a consequence of the former, UTS has not shown  
20 that it was damaged by Defendants’ alleged misappropriation of market leads and market research.  
21 Finally, the Court is not convinced that “*inter alia* market leads and market research” is described  
22 “with sufficient particularity.” *See Altavion*, 226 Cal. App. 4th at 43-44. Thus, UTS has not  
23 shown likelihood of success its market research and market leads trade secret claims.

24 As to UTS’s second claim concerning its customer lists, the California Supreme Court has  
25 recognized that a client list can qualify as a trade secret under CUTSA if it meets the requirements  
26 of California Civil Code section 3426.1(d). *See Reeves v. Hanlon*, 33 Cal. 4th 1140, 1155 (2004).  
27 UTS provides very little discussion about its customer lists, both in how they were developed and  
28 in how RAP4 misappropriated them. Instead, UTS argues “Defendants contracted for and likely



1 received UTS's trade secrets, including powder formula and customer lists." Mot. at 30. RAP4  
2 denies that it received customer lists, noting that its "witnesses testified that they never received  
3 any customer list or pepper powder formula that ATO had accused Real Action of  
4 misappropriating." Opp'n at 28 (citing Defs.' Ex. 17). At this point, UTS has not shown that its  
5 customer list qualifies as a trade secret under California Civil Code section 3426.1(d) or that  
6 RAP4 ever received UTS's customer lists.

7 Finally, to show that UTS has trade secrets in "the formula and recipe used in the  
8 projectiles in question," UTS submitted evidence showing that PepperBall Technologies  
9 developed and used a formula in its PepperBalls that it considered both secret and proprietary.  
10 UTS also submitted testimony from Gary Gibson which explained that even Perfect Circle was not  
11 allowed to know the formula, beyond what was on the material safety data sheets ("MSDSs").  
12 Additionally, UTS submitted testimony that the secrecy of the formula and recipe were maintained  
13 through the foreclosure sale and that the proprietary nature of the formula and recipe were critical  
14 considerations in the foreclosure decision. *See* UTS Tab 46 at 98:18-99:3. There is little dispute  
15 then that PepperBall Technologies' irritant powder formula would qualify as information with  
16 independent economic value. *See* Cal. Civ. Code § 3426.1(d)(1).

17 RAP4 contends, however, that UTS and its alleged predecessors failed to show  
18 "reasonable" efforts under section 3426.1, subd. (d)(2) were taken to protect the secrecy of its  
19 purported trade secrets. In support of this argument, Defendants submit Sun's declaration where  
20 he notes the contents of PepperBall Technologies' powder were listed in the MSDSs posted on  
21 PepperBall Technologies' website, and that the recipes are posted in PepperBall Technologies'  
22 patents.<sup>9</sup> At the hearing, Defendants' counsel again stated the formula was available in PepperBall  
23 Technologies' patents. Hearing Transcript at 39:20-24.

24 Secrecy is an essential characteristic of information that is protectable as a trade secret.  
25 *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1002 (1984). "It is well established that the  
26 disclosure of a trade secret in a patent places the information comprising the secret into the public  
27 domain. Once the information is in the public domain and the element of secrecy is gone, the

28 <sup>9</sup> UTS did not bring a patent infringement claim against RAP4.

1 trade secret is extinguished and ‘the patentee’s only protection is that afforded under the patent  
 2 law.’” *Forcier v. Microsoft Corp.*, 123 F. Supp. 2d 520, 528 (N.D. Cal. 2000) (citing *Stutz Motor*  
 3 *Car of Am., Inc. v. Reebok Int’l, Ltd.*, 909 F. Supp. 1353, 1359 (C.D. Cal. 1995) *aff’d*, 113 F.3d  
 4 1258 (Fed. Cir. 1997)); *see also Rototron Corp. v. Lake Shore Burial Vault Co.*, 712 F.2d 1214,  
 5 1215 (7th Cir. 1983) (“The grant of a patent automatically constitutes full disclosure of the  
 6 patented process. . . . thereafter the patentee’s only protection is that afforded under the patent law.  
 7 These provisions of federal patent law prevail over any inconsistent State remedies.”); *Ultimax*  
 8 *Cement Mfg. Corp. v. CTS Cement Mfg. Corp.*, 587 F.3d 1339, 1356 (Fed. Cir. 2009) (affirming  
 9 summary judgment under CUTSA; plaintiff could not prove existence of a secret given its patent).

10 UTS did not dispute that such patents exist. In light of Defendants’ allegation, and without  
 11 any argument by UTS to the contrary, the Court cannot find that UTS has shown likelihood of  
 12 success on the merits for its trade secret claim at this time.<sup>10</sup>

### 13 **C. Likelihood of Irreparable Harm**

14 Plaintiff may not obtain a preliminary injunction unless it can show that irreparable harm is  
 15 likely to result in the absence of the injunction. *See Cottrell*, 632 F.3d at 1135. To prove  
 16 irreparable harm, UTS relies heavily on presumptions of harm arising from trademark and false  
 17 advertising violations. Mot. 27-28. However, the Supreme Court’s rulings in *Winter* and *eBay*  
 18 *Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393 (2006), disapproved the use of such categorical  
 19 rules. *See Herb Reed*, 736 F.3d at 1249 (discussing same). As the Ninth Circuit has held, “the  
 20 *eBay* principle—that a plaintiff must establish irreparable harm—applies to a preliminary  
 21 injunction in a trademark case.” *Id.* “Gone are the days when once the plaintiff in an infringement  
 22 action has established a likelihood of confusion, it is ordinarily presumed that the plaintiff will  
 23 suffer irreparable harm if injunctive relief does not issue.” *Id.* at 1250-51 (citations and internal  
 24 quotation marks omitted). Even where a party has demonstrated likelihood of success on the

25  
 26 <sup>10</sup> In its Reply, UTS raised for the first time allegations that Defendants received confidential  
 27 pricing data from Sun. Tab 40 shows Sun transmitted pricing data to Defendants, and according  
 28 to the testimony of ATO’s counsel at the time, the pricing data was nonpublic. However, UTS  
 provides no analysis establishing (1) that this information is a trade secret within CUTSA’s  
 definition, (2) that UTS owns this information, (3) that RAP4 and K.T. Tran misappropriated this  
 information, or (4) that UTS has been injured by Defendants actions in this respect.

1 merits, the Ninth Circuit has warned against “collaps[ing] the likelihood of success and the  
2 irreparable harm factors.” *Id.* at 1251. Instead, “[t]hose seeking injunctive relief must proffer  
3 evidence sufficient to establish a likelihood of irreparable harm.” *Id.*

4 “An irreparable harm is one that cannot be redressed by a legal or equitable remedy  
5 following trial.” *Optinrealbig.com. LLC v. Ironport Sys.*, 323 F. Supp. 2d 1037, 1051 (N.D. Cal.  
6 2004) (citing *Public Util. Comm’n v. FERC*, 814 F.2d 560, 562 (9th Cir. 1987)). “Evidence of  
7 loss of control over business reputation and damage to goodwill could constitute irreparable  
8 harm.” *Herb Reed*, 736 F.3d at 1250 (citing *Stuhlbarg Int’l Sales Co., Inc. v. John D. Brush and*  
9 *Co., Inc.*, 240 F.3d 832, 841 (9th Cir. 2001)). But “[s]peculative injury cannot be the basis for a  
10 finding of irreparable harm.” *In re Excel Innovations, Inc.*, 502 F.3d 1086, 1098 (9th Cir. 2007).

11 While UTS primarily focuses on RAP4’s actions in 2012, it has established that it is likely  
12 to suffer irreparable harm today in the absence of the injunction because without such relief  
13 continued loss of control over its business reputation is likely. Specifically, UTS asserts that  
14 several of the accused announcements are still on the Internet to this day and that Defendants  
15 never corrected their misrepresentations. Reply at 8, 22. UTS submitted a screen shot of an  
16 online forum post showing that one such announcement was still online on October 31, 2014.  
17 UTS Tab 144. Additionally, UTS’s counsel represented UTS still receives calls indicating that  
18 there is confusion. Hearing Transcript at 55:4-14. Ongoing confusion over the source of  
19 PepperBalls is likely to contribute to loss of control over UTS’s reputation and goodwill.

20 UTS also argues that confusion over whether RAP4’s projectiles are PepperBalls harms  
21 UTS because RAP4’s projectiles “were established to be inferior in every sense,”<sup>11</sup> asserting in  
22 particular that RAP4’s projectiles have a propensity to leak because of weight problems. Mot. at  
23 29. There is considerable dispute over this issue. While RAP4 argues that UTS offers no  
24 evidence that *any customer* of RAP4 has ever received a defective projectile (Opp’n at 11), UTS  
25 cites a picture of leaking projectiles that RAP4 evidently sent to a customer. Reply at 23 & n.26  
26 (citing UTS Tab 16, picture of irritant projectiles). The circumstances surrounding this photo are

27  
28 <sup>11</sup> This broad statement appears inconsistent with UTS’s claims that RAP4 used PepperBall’s irritant powder and formula.

1 unclear, but if UTS's representations are accurate, this evidence supports its theory of loss of  
2 control over its reputation and damage to goodwill.

3 In light of the foregoing, the Court finds that UTS has established irreparable harm in the  
4 loss of control over its reputation and goodwill.

5 **D. Balance of Hardships**

6 RAP4 argues that it would suffer hardships, noting a loss in sales that occurred in  
7 September 2012 following the Indiana TRO. Opp'n at 29. This information, however, is based on  
8 sales that occurred after RAP4 made the infringing announcements and lost sales after RAP4 was  
9 prohibited from engaging in infringing activities. Tran Decl. ¶ 22. *See Cadence Design Sys. v.*  
10 *Avant! Corp.*, 125 F.3d 824, 829 (9th Cir. 1997) ("a defendant who knowingly infringes another's  
11 copyright cannot complain of the harm that will befall it when properly forced to desist from its  
12 infringing activities") (internal quotations omitted). RAP4 also submitted evidence that it had to  
13 reduce the number of its employees because of the reduced sales following the Indiana injunction,  
14 but it has not shown how such a similar reduction is likely to occur in the face of this injunction.  
15 Ultimately, RAP4 has not shown that its hardships outweigh the harm to UTS.<sup>12</sup>

16 **E. Public Interest**

17 "A plaintiff seeking an injunction must establish that the injunction is in the public  
18 interest." *Internet Specialties W., Inc. v. Milon-DiGiorgio Enters., Inc.*, 559 F.3d 985, 993 (9th  
19 Cir. 2009) (citing *Winter*, 555 U.S. at 7). Here, the public interest is served by an injunction to  
20 prevent consumer confusion and misleading advertising. *See Stark v. Diageo Chateau & Estate*  
21 *Wines Co.*, 907 F. Supp. 2d 1042, 1067 (N.D. Cal. 2012) ("Preventing consumer confusion serves  
22 the public interest"); *Church & Dwight Co., Inc. v. S.C. Johnson & Son Inc.*, 873 F. Supp. 893,  
23 912 (D.N.J. 1994) (granting injunction preventing defendant from deceptive advertising and  
24 stating that "the public has a right not to be deceived or confused."). The Court thus finds that an  
25 injunction would be in the public's interest.

26 <sup>12</sup> RAP4 argues that "[i]f UTS or its 'intellectual property' are truly suffering 'irreparable harm'  
27 now, UTS could have easily avoided that harm by not buying [ATO]'s assets." Opp'n at 12.  
28 RAP4 does not provide support for this argument, and while UTS states that the case law does not  
support this proposition, it likewise provides no case to assist the Court. Regardless, this  
argument does not affect the Court's decision.

1 **F. Injunctive Relief**

2 Considering the four factors required to warrant a preliminary injunction applied to this  
3 case, the Court finds that injunctive relief is appropriate. “The scope of an injunction is within the  
4 broad discretion of the district court[.]” *TrafficSchool.com*, 653 F.3d at 829 (citing *Interstellar*  
5 *Starship Servs., Ltd. v. Epix, Inc.*, 304 F.3d 936, 941 (9th Cir. 2002)). Under the Lanham Act,  
6 courts “have power to grant injunctions, according to the principles of equity and upon such terms  
7 as the court may deem reasonable.” 15 U.S.C. § 1116(a). However, an injunction should be  
8 “tailored to eliminate only the specific harm alleged,” *E. & J. Gallo Winery v. Gallo Cattle Co.*,  
9 967 F.2d 1280, 1297 (9th Cir. 1992), and “[c]ourts should not enjoin conduct that has not been  
10 found to violate any law.” *Skydive Arizona, Inc. v. Quattrocchi*, 673 F.3d 1105, 1116 (9th Cir.  
11 2012) (citation omitted). “The essence of trademark infringement is the likelihood of confusion,  
12 and an injunction should be fashioned to prevent just that.” *Internet Specialties*, 559 F.3d at 993.  
13 When the infringing use is for a similar service, a broad injunction is “especially appropriate.”  
14 *GoTo.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1211 (9th Cir. 2000) (citation omitted).<sup>13</sup>

15 Considering the claims at issue in this case, the Court enters a preliminary injunction  
16 against RAP4 and K.T. Tran as follows:

17 For the duration of this case, Defendants RAP4 and K.T. Tran and their principals,  
18 officers, agents, employees, attorneys, and affiliated companies or enterprises, as all persons in  
19 active concert or participation with them who receive actual notice of this order by personal  
20 service or otherwise, are barred from:

21 (a) advertising, displaying or distributing products, literature or any other materials  
22 bearing the word(s) PepperBall or PepperBall Technologies to refer to RAP4 or RAP4’s irritant  
23 projectiles;

24 (b) advertising, offering for sale, manufacturing, purchasing, shipping, selling, or  
25 brokering, irritant powder filled projectiles bearing the word(s) PepperBall or PepperBall

26 <sup>13</sup> RAP4 argues that it is entitled to discovery before any injunction is issued because it needs  
27 additional information about “how UTS acquired the rights it seeks to assert.” The Court finds  
28 that since most of that discovery would relate to UTS’ Section 32 claims (25 U.S.C. § 1114),  
which the Court did not find a likelihood of success on the merits, the discovery RAP4 seeks is  
unnecessary at this time.

1 Technologies;

2 (c) shipping, selling or filling orders for PepperBall projectiles;

3 (d) making any false statements, directly or indirectly, concerning: United Tactical  
4 Systems, LLC; Advanced Tactical Ordnance Systems, LLC; PepperBall Technologies; or Phoenix  
5 International, LLC; and/or

6 (e) making any false statements, directly or indirectly, concerning the availability of  
7 authentic PepperBall projectiles from United Tactical Systems, LLC or PepperBall Technologies.

8 It is further ordered that RAP4 shall preserve and segregate at least one hundred (100)  
9 irritant projectiles received from APON in 2012, or however many are remaining if fewer than one  
10 hundred. RAP4 is additionally prohibited from destroying, modifying, moving or disposing of  
11 any molds, tools or equipment for manufacturing said projectiles, or any business or personal  
12 records relating or referring to manufacture, sale, purchase, receipt, delivery or transfer of its  
13 irritant powder filled projectiles.

14 Finally, as a condition to a preliminary injunction, UTS is required to post bond “in an  
15 amount that the court considers proper to pay the costs and damages sustained by any party found  
16 to have been wrongfully enjoined or restrained.” Fed. R. Civ. P. 65(c). “Despite the seemingly  
17 mandatory language, Rule 65(c) invests the district court with discretion as to the amount of  
18 security required, if any.” *Johnson v. Couturier*, 572 F.3d 1067, 1086 (9th Cir. 2009) (citation and  
19 internal quotation marks omitted).

20 RAP4 requests a bond of \$5,284,129, primarily based on the possibility that (1) there will  
21 be a seizure of assets; (2) it will be prohibited from selling irritant projectiles entirely; and (3) it  
22 will have been found to violate UTS’s trade secrets. None of these concerns result from this  
23 injunction. Additionally, while RAP4 provides estimates of lost days and lost profits, those  
24 estimates are based on profits from 2012 in the midst of the disputed activities giving rise to this  
25 case. UTS argues that no more than a \$10,000 bond is warranted, as was issued in Indiana.

26 RAP4 has raised valid concerns in addressing UTS’s motion for preliminary injunction.  
27 The Court finds that a \$20,000 bond is appropriate given its findings above. *Cf. GoTo.com*, 202  
28 F.3d at 1211 (finding \$25,000 bond appropriate for injunction against the Walt Disney Company,



1 which had requested at least \$20 million).

2 **V. CONCLUSION**

3 For the reasons set forth above, the Court GRANTS IN PART and DENIES IN PART  
4 Plaintiff's motion for a preliminary injunction (Dkt. No. 27). Issuance of this preliminary  
5 injunction is contingent upon Plaintiff filing proof of issuance of a bond in the amount of \$20,000  
6 by no later than 3:00 p.m. on January 2, 2015. Should Plaintiff fail to file proof of such  
7 undertaking by that time, this injunction shall be dissolved without further Order by the Court.

8 **IT IS SO ORDERED.**

9  
10 Dated: December 2, 2014



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11 MARIA-ELENA JAMES  
12 United States Magistrate Judge

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United States District Court  
Northern District of California