

Bong Maker Avoids Having to Cough Up Attorney's Fees

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A bong distributor with a reputation as a serial trademark plaintiff managed to persuade a Florida federal court that it should not be on the hook for the prevailing party's attorney's fees. In *Sream Inc. et al. v. CIJ Enterprises Inc.*, Plaintiffs Roor, a German "water pipe" maker and its U.S. licensee, Sream, alleged that defendant CIJ infringed Plaintiffs' trademark by selling a bong at its convenience store that bore the Roor mark. After CIJ prevailed at trial, it moved for attorney's fees. On March 3, however, Judge Reinhart of the Southern District of Florida issued an order denying the motion on the grounds that CIJ had failed to establish that the case was exceptional under the Lanham Act.

Judge Reinhart began with a brief overview of the applicable law regarding what constitutes an exceptional case. As another Southern District of Florida court noted, courts may consider whether there was purposeful, intentional or willful conduct that went beyond "mere negligence" in assessing whether a case is exceptional. An attorney's fees award may also be justified when a plaintiff has brought an "obviously

weak" Lanham Act claim and the evidence shows that the plaintiff acted in bad faith and with an "improper motive." The policy reason for this doctrine is clear: to, ahem, *weed* out frivolous claims. As this case demonstrates, however, it is no easy feat to recoup attorney's fees under the exceptional case doctrine.

In this case, CIJ made three principal arguments in support of its position that this was an exceptional case justifying an award of attorney's fees.

CIJ first argued that Plaintiffs were on notice of the weakness of their case, as a judgment had been entered against them in a similar case, *Sream, Inc. v. Smokers Edge, LLC*, just nine months earlier. Notably, in *Smokers Edge*, the court *had* ruled it was an exceptional case meriting an award of attorney's fees.

Next, CIJ claimed that Plaintiffs' "apparent business model" is to file trademark infringement lawsuits against "smaller, stand-alone, independent stores" and obtain settlements before trial an (oh no, not again) *chronic* litigant, if you will. According to CIJ, Plaintiffs likely earn more revenue from these settlements than from sales of their water pipes.

Finally, CIJ contended that Plaintiffs' attempt to obtain damages for allegedly infringing the mark of what it deemed an unlawful product made this an exceptional case. CIJ noted that Plaintiffs' bongs had competed in the Cannabis Cup (the horror!) and that it had asserted the affirmative defense of illegality. Apparently, CIJ failed to see the irony in raising this argument given that its own presence in the bong market is what led to the suit to begin with.

Judge Reinhart found CIJ's *Smokers Edge* argument to be its strongest. In that case, the same plaintiffs had raised identical claims against a smoke shop that sold a counterfeit Roor water pipe. Nevertheless, Judge Reinhart found several reasons to distinguish the two cases.

First, while the *Smokers Edge* court found that the bongs at issue were not "remotely similar in design, construction or quality," the *CIJ* court found that a consumer seeing the two bongs next to each other could reasonably conclude that both came from the same source.

Second, the defendant in *Smokers Edge* had twice made settlement offers that the plaintiffs rejected; in this case, however, there was no evidence that CIJ had offered to settle and been rebuffed (perhaps CIJ should have—please make it stop—tried to *hash* it out with Plaintiffs before trial?).

Third, in *Smokers Edge*, despite the fact that the plaintiffs knew the identity of the distributor who sold the counterfeit bong to the defendant, they had never investigated the distributor nor sought to add them as a party, suggesting that the infringement was not actually causing Plaintiffs the harm they claimed. By contrast, in *CIJ*, there was nothing in the record regarding the distributor's identity.

Fourth, Judge Reinhart was also unpersuaded by CIJ's argument that Plaintiffs did not actually care about the alleged infringement and only brought these actions to achieve settlement payments. As the court noted, there was no evidence Plaintiffs' settlement proceeds exceeded their sales revenues (as CIJ had speculated), and Plaintiffs had a reasonable basis for bringing an infringement action, despite the fact they ultimately failed to prevail.

Finally, the court rejected CIJ's claim that the case was exceptional due to the alleged illegality of the water pipes. CIJ's affirmative defenses did not include a claim that Plaintiffs had fraudulently procured their trademark by misrepresenting the nature of their water pipes. And, at least according to testimony from Plaintiffs' corporate representative, Plaintiffs "advertise and market their water pipes only for tobacco use." One suspects, of course, that most consumers of Roor bongs employ them for marijuana use. Absent evidence of misrepresentations to the USPTO, however, the fact that most consumers likely use Plaintiffs' bongs to smoke an unlawful product does not make this case exceptional.

It's not at all surprising that winning trademark defendants are anxious to have their attorney's fees paid—particularly when it appears to them that the plaintiff is in the trademark infringement litigation business. Judge Reinhart's opinion reminds us once again that, absent truly *exceptional* cases, the expectation of an attorney's fees award under the Lanham Act is generally nothing but ... a pipe dream.