UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES – GENERAL

Case No.	LA CV13-01842 JAK (JCGx)	Date	July 23, 2013
Title	Gravity Defyer Corporation v. Under Armour, Inc., et al.		

Present: The Honorable	JOHN A. KRONSTADT, UNITED STATES DISTRICT JUDGE
Andrea Keifer	Not Reported
Deputy Clerk	Court Reporter / Recorder
Attorneys Present for Plaintiffs:	Attorneys Present for Defendants:
Not Present	Not Present

Proceedings: **(IN CHAMBERS) ORDER RE DEFENDANTS' MOTION FOR BIFURCATION OF THE INFRINGEMENT (LIABILITY) AND DAMAGES (DKT. 40)**

I. Introduction

Gravity Defyer Corp. ("Plaintiff") brings this action for trademark infringement and violations of California unfair competition law against Under Armour and 15 retailers of Under Armour products (collectively "Defendants"). Defendants bring this motion for bifurcation of liability and damages for purposes of both discovery and trial (the "Motion"). Dkt. 40. The Court heard argument on the Motion on July 22, 2013. For the reasons stated at the hearing, and in this Order, the Motion is DENIED.

II. Factual Background

Plaintiff is in the business of manufacturing and selling specialty shoes, primarily online and through catalogs. FAC, Dkt. 9, ¶ 21. Plaintiff has applied for a patent on its shoes, which it claims "absorb the harmful impacts of walking and running in a revolutionary way." *Id.* Plaintiff holds two trademarks, U.S. Registration No. 3,749,223 for G DEFY and No. 4,240,151 for GRAVITY DEFYER. *Id.* ¶ 24. Plaintiff alleges that it has been using its G DEFY mark in interstate and intrastate commerce in connection with advertising and promoting its shoes and related products. *Id.* ¶ 22. Plaintiff alleges that the mark is now closely identified with Plaintiff's goods. *Id.* ¶ 23.

Plaintiff alleges that it recently became aware that Under Armour was using the designation "Micro G Defy" in connection with the sale of certain Under Armour brand shoes. *Id.* ¶ 27. Plaintiff alleges that the use of this mark by Under Armour, particularly with respect to athletic shoes that are similar to those sold by Plaintiff, is likely to cause confusion or deception among consumers. *Id.* ¶ 28.

On March 14, 2013, Plaintiff filed its original complaint against Under Armour for trademark infringement and violations of California unfair competition law. Dkt. 1. On April 4, 2013, Plaintiff amended its complaint to add 15 retailer defendants: Finish Line, Inc., Foot Locker, Inc., Nordstrom, Inc., Dick's Sporting Goods, Inc., Champs Sports, Inc., Sport Chalet, Inc., Amazon.com, Inc., Zappos IP, Inc.,

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Backcountry.com, Inc., Rogan's Shoes, Inc., Road Runner Sports Retail, Inc., Monkeysports, Inc., Holabird Sports, LLC, Eastbay Inc., and Dodds Shoe Company. Dkt. 9. Dodds Shoe Company was dismissed by Plaintiff on April 19, 2013, leaving 15 remaining defendants in the case (collectively "Defendants"). Dkt. 11.

Defendants answered the complaint on May 10, 2013. Dkt. 31. On the same day, Defendants filed a counterclaim for cancellation of trademark registration. Dkt. 36. Defendants amended their counterclaim on May 20, 2013. Dkt. 39.

Defendants now bring this Motion. Defendants propose to litigate their counterclaim with respect to trademark cancellation in the first, *i.e.,* the liability phase, of the proceedings. *Id.* p. 10-11.

III. Discussion

A. Legal Standard

Rule 42(b) provides that "for convenience, to avoid prejudice, or to expedite and economize, the court may order a separate trial of one or more separate issues, claims, crossclaims, counterclaims, or third-party claims. When ordering a separate trial, the court must preserve any federal right to a jury trial." "Bifurcation of the trial of liability and damage issues is well within the scope of a trial court's discretion." *Arthur Young & Co. v. U. S. Dist. Court*, 549 F.2d 686, 697 (9th Cir. 1977); *see also M2 Software, Inc., v. Madacy Entm't*, 421 F.3d 1073, 1088 (9th Cir. 2005) (district court did not abuse its broad discretion in bifurcating damages from liability in a trademark action). The court's discretion is "broad." *Hangarter v. Provident Life and Acc. Ins. Co.*, 373 F.3d 998, 1021 (9th Cir. 2004) ("Rule 42(b) of the Federal Rules of Civil Procedure confers broad discretion upon the district court to bifurcate a trial, thereby deferring costly and possibly unnecessary proceedings.").

"Courts have considered the following factors in determining whether bifurcation is appropriate: 1) complexity of the issue of damages, 2) confusion of the jury, 3) overlap of issues, and 4) prejudice to parties." *Amylin Pharmaceuticals Inc. v. Regents of Univ. of Minn.*, WL 35031973 (S.D. Cal. 1998). *See also Medtronic Minimed Inc. v. Animas Corp*, WL 3233341 (C.D. Cal. 2013) (listing relevant factors such as "convenience, prejudice to the parties, simplification of discovery and conservation of resources, risk of jury confusion, and separability of the issues"). The party seeking bifurcation bears "the burden of proving that bifurcation is justified given the facts in [the] case." *Spectra-Physics Lasers, Inc. v. Uniphase Corp.*, 144 F.R.D. 99, 101 (N.D. Cal. 1992). In general, bifurcation is the exception, not the norm. *See, e.g.*, *Clark v. IRS*, 772 F. Supp. 2d 1265, 1269 (D. Haw. 2009) ("Bifurcation, however, is the exception rather than the rule of normal trial procedure."); *Dallas v. Goldberg*, 143 F. Supp. 2d 312, 315 (S.D.N.Y. 2001) ("[B]ifurcation remains the exception rather than the rule."). Thus, in general, a single proceeding will be a more efficient and reasonable means of resolving the action.

B. The Parties' Positions

1. Efficiency and Costs

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Defendants argue that the issue of infringement, including the core element of "likelihood of confusion," will be common to all 15 Defendants, but that a determination of damages will be unique for each of them. Dkt. 40, p. 7. As a result, Defendants argue that the facts here make it "uniquely efficient" to bifurcate. *Id.* Only after a determination that infringement occurred would the Court have to engage in the lengthy process of determining what damages, if any, can be shown. *Id.* For the same reasons, Defendants argue that the case should be bifurcated for discovery, because this may reduce the costs to the parties if liability is not established. *Id.* Thus, Defendants contend that time and resources spent on discovery and trial of damages may be avoided through bifurcation. *Id.* In addition, absent a finding of willful infringement, Defendants' profits, if any, would not be subject to recovery by Plaintiff. Defendants contend that this is another reason that bifurcation may save the time and expense of conducting certain discovery and presenting trial evidence. Dkt. 46, p. 4. In support of these positions, Defendants note that "[o]ne of the purposes of Rule 42(b) is to permit deferral of costly and possibly unnecessary discovery proceedings pending resolution of potentially dispositive preliminary issues." *Ellingson Timber Co. v. Great N. R. Co.*, 424 F.2d 497, 499 (9th Cir. 1970).

Plaintiff argues that bifurcation will result in a substantial increase in the costs of litigating this case. Dkt. 44, p. 6-7. Plaintiff claims that it will have to depose many witnesses twice if discovery is bifurcated -- first on liability, and potentially a second time as to damages. This would require multiple trips to the East Coast as well as multiple depositions of each of the Defendants. *Id.* Plaintiff also argues that if there is bifurcation, there will be the potential for two trials – another significant cost and inefficiency for the parties. Thus, many of the same witnesses and exhibits would be presented twice to two different juries. Two trials would take more time and cause greater expenditures than a single trial proceeding. *Id.* at 10. As a result, Plaintiff states that it expects costs to be "up to 100% higher, or nearly doubled if bifurcated." *Id.* at 7.

2. Delay

Defendants argue that bifurcation will expedite the conclusion of this matter because discovery on infringement would move more quickly than discovery on both infringement and damages. Dkt. 40, p. 10. If liability is bifurcated for trial, and Defendants prevail, the trial process will be shorter because there would be no need for a trial on damages. Dkt. 46, p. 5. Further, should a jury find that infringement occurred, this would lead to a higher likelihood of settlement on the damages issue. *Id.* This would also save time. *Id.*

Plaintiff argues that the delay caused by bifurcation would be substantial. It contends that successive proceedings will take significantly longer than a consolidated one. Dkt. 44, p. 7. Plaintiff also argues that infringement is a given and, therefore, the Court will spend 1-2 years overseeing the infringement case only to then have to spend an additional 1-2 years on damages issues. *Id.*

3. Separability/Overlap of Issues

Defendants argue that there will be no overlap in evidence needed to establish liability and to determine damages. Indeed, they argue that there will be different types of evidence and witnesses on each issue. Dkt. 40, p. 9. Whether there was trademark infringement, including whether cancellation of the trademark

registration is appropriate and whether there is a likelihood of confusion between Plaintiff's mark and Defendants' product name, will require evidence distinct from what would be proffered in support of claims concerning Plaintiff's lost sales and Defendants' profits. Defendants concede that some of Plaintiff's witnesses could be the same for both phases of the litigation, but that those witnesses are local and would be testifying to very different subject matter in the liability and damages phases. Dkt. 46, p. 5.

Defendants contend that there will likely be less confusion as a result of this separation of issues, because the jury will not be distracted by the evidence of damages when deciding the issue of liability. *Id.* p.10. The two issues are not intertwined such that they need to be decided at the same time or by the same jury. *Id.* p. 10.

Plaintiff argues that the issues are intertwined. Plaintiff asserts that Defendants' wrongful intent in selecting and using the G DEFY mark may influence both liability (willful infringement) and the damages amount. Dkt. 44, p. 9. Plaintiff also claims that the timing of events, as to whether Plaintiff unreasonably delayed in bringing this action, and whether Plaintiff failed to mitigate damages, will be relevant to both phases of the litigation. *Id.* Further, Plaintiff argues that there will be substantial evidence that will be duplicative if the matters proceed in sequence: the same witnesses and documents would need to be used in both phases. *Id.* at 10. This, Plaintiffs argue, will not serve judicial economy, as the same evidence will need to be presented twice. *Id.*

C. Application

Defendants have not carried their burden to show that bifurcation will result in a significantly more efficient proceeding. On the contrary, bifurcation may well lead to significant additional costs. First, two trials will be an inefficient use of party, jury and court resources. As to Defendants' suggestion of jury confusion in a liability and damages trial, jury instructions are adequate to address this issue, which is presented in almost every civil action. Second, two separate pre-trial periods will lead to similar added costs. Thus, the longer a matter is pending, the more disputes are likely to arise and the more motions are likely to be brought, with higher costs the result. Bifurcation invites two rounds of discovery, with depositions of some the same persons taken more than once, and additional potential for disputes. Third, the date proposed by Defendants for completing non-expert discovery and conducting trial in the event of bifurcation is approximately three months earlier than the date proposed in the event that there is no bifurcation. This is not a significant time saving in light of the foregoing inefficiencies that may arise from successive proceedings. *See* Joint Report, Dkt. 47, p. 12. Finally, Defendants are represented by a single law firm. This also counsels in favor of a single proceeding, because this counsel and the firm representing Plaintiff can work in a collaborative manner to achieve both pre-trial and trial efficiency. Thus, this is not a case in which 16 different attorneys would seek to pose questions to witnesses, file motions and take other steps that could impose costs on all parties.

IV. Conclusion

For the foregoing reasons, the Motion is DENIED.

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IT IS SO ORDERED.

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