

UNITED STATES DISTRICT COURT

NORTHER DISTRICT OF ILLINOIS, EASTERN DIVISION

<p>JOURNALINESH, INC., a Colorado Corporation,</p> <p>Plaintiff,</p> <p>v.</p> <p>THE PARTNERSHIPS and UNINCORPORATED ASSOCIATIONS IDENTIFIED ON SCHEDULE “A” a Foreign Entity</p> <p>Defendants</p>	<p>Case No.1:22-cv-03740</p> <p>Hon. Matthew F. Kennely</p>
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**PLAINTIFF’S OPPOSITION TO DEFENDANT MEMORANDUM IN SUPPORT OF
PLAINTIFF’S MOTION FOR PRELIMINARY INJUNCTION**

Plaintiff JOURNALINESH, INC. (“Plaintiff”) by its counsel submits the following opposition to Motion to Dissolve the Preliminary Injunction filed by Defendant Guangzhou Gaocheng Leather LTD., d/b/a Miaodam (“Miaodam” of “Defendant”) (Defendant No. 17 on Schedule A).

BACKGROUND

As explained in Plaintiff’s Complaint, Plaintiff is an assignee of intellectual property of Dongguan Youmaimai Trading Company Limited (DYTCL or Plaintiff’s assignor), a leader in the production of calendars, planners and journals (“Planners”) and related products. DYTCL’s products are distinguishable due to their specific design that involves copyrighted background artwork at the header of the pages of the planners, turquoise colored elements in the planners and motivational quotes included with each calendar month that the planner has (“Copyrighted Designs”). Defendant was promoting, advertising, marketing, distributing, offering for sale, and selling products using infringing and counterfeit versions of Plaintiff’s trade dress

(Plaintiff's Mark), unauthorized copies of Plaintiff's federally registered copyrighted designs, or both (collectively, the "Unauthorized Products") through at least the fully interactive e-commerce stores. Defendant operates an interactive e-commerce store named MIAODAM on the Amazon platform ("Defendant's E-Commerce Store"). Defendant's E-Commerce Store advertised, offered for sale and sold the product bearing Plaintiff's copyrighted artwork ("Counterfeit Product") without Plaintiff's authorization. Attached hereto as Exhibit A is a true and correct copy of the screen printout of defendant's listing for sale and advertising of the Counterfeit Products. Based on the images in Exhibit A Defendant listed at least three different counterfeit products for sale.

Plaintiff filed this action on July 19, 2022 [1], and First Amended complaint on August 31, 2022. On September 6, 2022, this Court entered a Temporary Restraining Order ("TRO") enjoining Defendant's offering for sale of Counterfeit Products and restraining funds in Defendant's Amazon account ("Defendant's Amazon Account"). [26]. A subsequent corrected TRO was entered on September 16, 2022. [35]. On September 7, 2021, Plaintiff served the TRO on Amazon and learned that Defendant's E-commerce Store was registered using the email address miaodam@icloud.com and had a restrained balance of \$42,509.53. Khojayan Declaration ¶ 3. Pursuant to the court order, on September 29, 2022 Plaintiff served the TRO and accompanying documents to Defendant at that same email address. [40]. On October 7, 2022, Defendant filed its Motion [48].

ARGUMENT

Plaintiff continues to satisfy all of the elements required for a Preliminary Injunction, including showing a strong likelihood of success on the merits and irreparable harm. Additionally, the balance of harms remains in Plaintiff's favor. Without the asset restraint in place, Defendant is likely to move any restrained assets offshore and Plaintiff would be prevented from realizing its right to final equitable relief of an accounting of profits. Conversely, Defendant seeks to dissolve the asset restraint based on its own self-serving statements prior to any discovery and without being subject to cross-examination. Defendant has not met its burden, and the Motion should be denied.

Specifically, Defendant has failed to meet its burden to present documentary proof that the assets in Defendant's Amazon Account are not the proceeds of counterfeit sales. First,

Defendant's motion is silent on the fact that Defendant did in fact advertise and offer for sale Counterfeit Products. Further, Defendant does not provide any information to characterize the type of products sold that make up the current restrained sum or any other revenue Defendant's Amazon Account received. Similarly, Defendant provides no evidence or explanation regarding the search methodology used to determine how many infringing products were sold on Defendant's E-Commerce Store or any of the other e-commerce stores that Defendant may operate. While Defendant self-servingly claims that it searched certain keywords and came back empty, his allegations in that regard are not credible. First, Defendant is able to generate reports showing the specific products and their sales. In fact, defendant did generate such a report and email to Plaintiff's counsel showing that it did offer for sale infringing products. See Exhibit B. The product listed on Exhibit B described as "MIAODAM English Schedule Book Daily Plan, Weekly Calendar Note pas AS Coil Notebook" would match keywords "planner" "book" and "calendar" had defendant performed a proper search. This lead to one inevitable conclusion that defendant is misrepresenting facts about its search, listings and sales.

Further, Defendant also does not provide any evidence that Amazon is the sole payment method available to its customers, and thus, there may be other methods of payment used by Defendant to sell counterfeit products.

Additionally, Defendant provides no details indicating that it is a legitimate business seller and that the frozen funds are not revenues from accused sales. Given Defendant's misrepresentations about its inability to find listings of infringing products, any claim made by defendant to this regard is not credible. Defendant also presents no evidence that it is suffering any harm from the injunction. For example, Defendant does not provide sufficient evidence of hardship any evidence of hardship or reason for why it needs to access the funds at this time. Instead, Defendant claims it has sufficient balance to cover the damages. [48] at p. 13. Courts in this district have regularly denied similar attempts by counterfeiters to dissolve asset restraints. See *Gianni Versace, S.p.A. v. ZOU YULAN*, et al., No. 17-cv-07869 (N.D. Ill. Dec. 4, 2017) (unpublished) (Coleman, J.) (Docket No. 52) (denying dissolution of the asset restraint); *Luxottica Group S.p.A., et al. v. The Partnerships, et al.*, No. 18-cv-06608 (N.D. Ill. Jan. 24, 2019) (unpublished) (Docket No. 75) (same); *Monster Energy Co. v. Chen Wensheng*, 136 F. Supp. 3d 897, 910 (N.D. Ill. Sep. 29, 2015) (same). Defendant's Motion should be denied, or at a minimum, stayed until discovery has taken place.

PRELIMINARY INJUNCTION REMAINS APPROPRIATE

This Court has already found that Plaintiff has satisfied the requirements for entry of a Preliminary Injunction. *See* [44]. Specifically, this Court has found that the following elements were met: (1) there is a reasonable likelihood that Plaintiff will succeed on the merits; (2) Plaintiff will suffer irreparable injury if the order is not granted because there is no adequate remedy at law; (3) the balance of hardships tips in Plaintiff's favor; and (4) the public interest will not be disserved by the injunction. *See Ty, Inc. v. The Jones Group, Inc.*, 237 F.3d 891, 895 (7th Cir. 2001). These requirements remain satisfied.

Defendant's exhibits are unclear and do not rebut the findings made by the Court. Defendant merely presents a blank screen as a proof that no sales, or listings took place, when Exhibits A and B contradict Defendant's representatives sworn statements. Nothing in Defendant's declaration provides any information as to the sales related to the product identified on Exhibits A and B.

Since Defendant has not presented any credible evidence, Defendant has failed to meet its burden and the Motion should be denied.

A. Plaintiff Has Shown a High Likelihood of Success on the Merits.

A defendant is liable for copyright infringement and counterfeiting under the Lanham Act if it, "without the consent of the registrant, use[s] in commerce, any reproduction, copy, or colorable imitation of a registered mark in connection with the sale, offering for sale, distribution, or advertising of any goods ... which such use is likely to cause confusion, or to cause mistake or to deceive." 15 U.S.C. § 1114(1). First, plaintiff must show "that its mark is protected under the Lanham Act." *Barbecue Marx, Inc. v. 551 Ogden, Inc.*, 235 F.3d 1041, 1043 (7th Cir. 2000). Second, plaintiff must show that the challenged mark is likely to cause confusion among consumers. *Id.*

i. Plaintiff's Copyrights are federally registered.

Plaintiff's copyright is federally registered. Defendant does not dispute that fact, and Plaintiff's copyright registration is attached to the amended Complaint as Exhibit 1. [9]

ii. **Defendant advertised, offered to Sell and Sold Counterfeit Products in Commerce without Plaintiff's Authorization.**

Defendant advertised, offered for sale, and sold products using the Plaintiff's Copyright via Defendant's E-Commerce Store. Khojayan Decl. at ¶¶ 2,4, Exhibits A and B. Defendant is not an authorized retailer of genuine Plaintiff products, and the Counterfeit Product advertised, offered for sale, and sold using the Plaintiff's copyright on Defendant's E-Commerce Store is not a genuine Plaintiff product. *Id.*; [9] at ¶21-22. The Seventh Circuit has held that where, as here, "one produces counterfeit goods in an apparent attempt to capitalize upon the popularity of, and demand for, another's product, there is a presumption of a likelihood of confusion." *Microsoft Corp. v. Rechanik*, 249 F. App'x 476, 479 (7th Cir. 2007); *see also NBA Props., Inc., et al. v. Yan Zhou, et al.*, 2017 U.S. Dist. LEXIS 148971, at *5 (N.D. Ill. Sept. 14, 2017) (internal citation omitted). Accordingly, the Court can presume a likelihood of confusion from Defendant's use of the Plaintiff's copyrighted designs.

The result is the same when considered in light of the Seventh Circuit's seven enumerated factors to determine whether there is a likelihood of confusion, which include: (1) the similarity between the marks in appearance and suggestion; (2) the similarity of the products; (3) the area and manner of concurrent use; (4) the degree and care likely to be exercised by consumers; (5) the strength of the plaintiff's mark; (6) any actual confusion; and, (7) the intent of the defendant to "pass off" its products as that of another. *AutoZone, Inc. v. Strick*, 543 F.3d 923, 929 (7th Cir. 2008). No one factor is dispositive, but the similarity of the marks, actual confusion, and the defendant's intent are "particularly important." *Id.* Plaintiff has submitted evidence showing that Defendant is using counterfeit versions of the Plaintiff's copyrighted designs on products not manufactured or licensed by Plaintiff. *See Khojayan Decl.* at ¶¶ 2, 4; [9] at ¶ 21-22. Both Plaintiff and Defendant sell products bearing Plaintiff's copyrighted designs to the same consumers, targeting those consumers searching for genuine Plaintiff's products. [9] at ¶¶ 21-22. Thus, consumers searching for genuine Plaintiff's products (who are diverse with varying degrees of sophistication) are likely to have difficulty distinguishing genuine Plaintiff's products from Defendant's Counterfeit Product, which is not licensed or manufactured by Plaintiff. This is particularly true in this case where Defendant's Counterfeit Product was offered for sale, and sold on the Internet, where consumers cannot inspect the physical product. Moreover, Plaintiff does not need to prove actual consumer

confusion; rather it only needs to show a likelihood of confusion exists, particularly given the compelling evidence that Defendant is attempting to “palm off” its goods as genuine Plaintiff products by using Plaintiff’s copyright. *CAE, Inc. v. Clean Air Eng’g, Inc.*, 267 F.3d 660, 685 (7th Cir. 2001). In addition to point-of-sale confusion about the source of products sold on the Defendant’s E-Commerce Store, the Seventh Circuit has recognized that the Lanham Act’s protections also extend to post-sale confusion of potential customers. *Id.* at 683. Post-sale confusion refers to a situation in which, for example, a potential customer sees a product bearing the infringing label used by others and mistakenly attributes the product to the brand owner, thereby influencing his buying decision, either positively or negatively. *Id.* That association also constitutes infringement of the Plaintiff’s copyrighted designs. *Id.* Here, because of the Defendant’s unlawful use OF Plaintiff’s copyrighted designs, that association is likely to result.

Likewise, Defendant has not presented any evidence that it has not used or offered for sale Plaintiff’s copyrighted designs. To the contrary, as Exhibits A and B demonstrate Defendant has advertised and offered for s sale counterfeit products, and then misrepresented that fact to the Court.

B. Plaintiff Does Not Have an Adequate Remedy at Law and Will Suffer Irreparable Injury Without the Preliminary Injunction.

Plaintiff is “entitled to a rebuttable presumption of irreparable harm” in this case pursuant to the Trademark Modernization Act of 2020. *See Consolidated Appropriations Act, 2021, Pub. L. 116-260.* The Trademark Modernization Act of 2020, signed into law on December 27, 2020, modified the text of 15 U.S.C. § 1116(a) relating to awarding injunctive relief in trademark infringement actions by inserting the following sentence:

A plaintiff seeking any such injunction shall be entitled to a rebuttable presumption of irreparable harm upon a finding of a violation identified in this subsection in the case of a motion for a permanent injunction or upon a finding of likelihood of success on the merits for a violation identified in this subsection in the case of a motion for a preliminary injunction or temporary restraining order. *Id.*

Because Plaintiff has shown a likelihood of success on the merits, Plaintiff is entitled to the benefit of the rebuttable presumption provided in § 1116(a). Defendant has failed to rebut that presumption. Moreover, the Seventh Circuit has clearly and repeatedly held that damage to a trademark holder's goodwill can constitute irreparable injury for which the trademark owner has no legal remedy. *See Kraft Foods Group Brands LLC v. Cracker Barrel Old Country Store, Inc.*, 735 F.3d 735, 740 (7th Cir. 2013) (“irreparable harm is especially likely in a copyright or trademark infringement case because of the difficulty of quantifying the likely effect on a brand of a nontrivial period of consumer confusion (and the interval between the filing of a infringement complaint and final judgment is sure not to be trivial)”; *Re/Max North Cent., Inc. v. Cook*, 272 F.3d 424, 432 (7th Cir. 2001).

Plaintiff has expended significant resources in advertising, promoting and marketing featuring its copyrighted designs. [9] at ¶ 30. As such, the goodwill associated with Plaintiff's copyright is incalculable and inestimable value to Plaintiff. Defendant's attempt to “piggyback” off Plaintiff's efforts through the unauthorized use of Plaintiff's copyrights has and continues to irreparably harm Plaintiff through diminished goodwill and brand confidence, damage to Plaintiff's reputation, loss of exclusivity, and loss of future sales. *See* [9] at ¶¶ 45. The extent of the harm to Plaintiff's reputation and the goodwill associated therewith and the possible diversion of customers due to loss in brand confidence are both irreparable and incalculable, thus warranting an immediate halt to Defendant's infringing activities through injunctive relief. *See Promatek Industries, Ltd. v. Equitrac Corp.*, 300 F.3d 808, 813 (7th Cir. 2002) (Finding that damage to plaintiff's goodwill was irreparable harm for which plaintiff had no adequate remedy at law); *Gateway Eastern Railway Co. v. Terminal Railroad Assoc. of St. Louis*, 35 F.3d 1134, 1140 (7th Cir. 1994) (“[S]howing injury to goodwill can constitute irreparable harm that is not compensable by an award of money damages.”). Plaintiff will suffer immediate and irreparable injury, loss, or damage without the Preliminary Injunction: “[l]ike trying to un-ring a bell, trying to ‘compensate’ after the fact for damage to business goodwill and reputation cannot constitute a just or full compensation.” *Adidas Am., Inc. v. Skechers USA, Inc.*, 149 F. Supp. 3d 1222, 1249 (D. Oregon 2016) (citing McCarthy on Trademarks § 30:46).

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**C. The Balance of Harms Remains in Plaintiff's Favor The Balance of Harms
Remains in Plaintiff's Favor.**

Defendant argues that it has not sold a single infringing product and therefore, an injunction is no longer necessary. [48] at p. 2. This assertion is clearly false, as Defendant did list and sell the infringing products in question and only removed the product after the injunction was issued. *See* Exhibits A and B. A defendant “faces a heavy burden to establish mootness [of an injunction] in such cases because otherwise they would simply be free to return to their old ways after the threat of a lawsuit has passed.” *Rebel Debutante LLC v. Forsythe Cosmetic Group, Ltd.*, 799 F. Supp. 2d 558, 567 (N.D. N. Cal. 2011) (quoting *Lyons P’ship, L.P. v. Morris Costumes, Inc.*, 243 F.3d 789, 800 (4th Cir. 2001)).

Bald assertions by a defendant that it will not sell infringing products again are not enough to carry this heavy burden and, in the context of an infringement action, such assertions standing alone cannot eliminate the plaintiff’s reasonable expectation that the alleged violation will recur in the absence of a court order. Defendant has already proven that it could not be trusted as it misrepresented its own listings of infringing products. Instead, to render the need for an injunction moot, the reform of the defendant must be irrefutably demonstrated and total, and if there is a substantial possibility that the act sought to be enjoined may be repeated, the matter is not necessarily mooted. *Cherokee Inc. v. Wilson Sporting Goods Co.*, 2015 U.S. Dist. LEXIS 82915, at *8 (C.D. Cal. June 25, 2015) (*citing* McCarthy on Trademarks and Unfair Competition § 30:11). *See also Bulgari S.p.A. v. Zou Xiaohong, et al.*, 2015 U.S. Dist. LEXIS 140606, at *8- 9 (N.D. Ill. Oct. 15, 2015) (“Li’s only opposition to such an injunction is that Bulgari has failed to establish a threat of future continued infringement. Such a showing, however, is unnecessary for this Court to grant a permanent injunction. Moreover, in light of Li’s willful infringement this Court does perceive such a threat.”). If Defendant has truly voluntarily ceased its infringing conduct and has no interest in selling the Counterfeit Product, an injunction would be an insignificant burden on Defendant. *See Market Track, LLC v. Efficient Collaborative Retail Mktg., LLC*, 2015 U.S. Dist. LEXIS 75916, at *89-90 (N.D. Ill. June 11, 2015).

Moreover, Defendant has placed no evidence in the record to show that it is being harmed by the asset restraint. After making self-serving claims about how the damage to Plaintiff is *de minimis*, Defendant claims it has sufficient balance to cover any damages to

Plaintiff. See [48] p. 13. Nonetheless, in assessing the risk of irreparable harm to Defendant, the Court should “exclude any burden it voluntarily assumed by proceeding in the face of a known risk.” *Luxottica Grp. S.p.A. v. Light in the Box Ltd.*, 2016 U.S. Dist. LEXIS 144660, at *28 (N.D. Ill. Oct. 19, 2016). Conversely, without the asset restraint in place, Defendant is likely to move any restrained assets offshore and Plaintiff would be prevented from realizing its right to final equitable relief of an accounting of profits. See Khojayan Decl. at ¶6. Accordingly, the balance of harms continues to favor Plaintiff and Defendant’s Motion presents no contrary evidence.

D. The Asset Restrain Remain Appropriate.

A restraint on assets is proper if a suit seeks equitable relief. *CSC Holdings, Inc. v. Redisi*, 309 F.3d 988, 996 (7th Cir. 2002) Cf. *Grupo Mexicano de Desarrollo, S.A.v. Alliance Bond Fund, Inc.*, 527 U.S. 308, 333 (1999) (district court may not issue an injunction freezing assets in an action for money damages where no equitable interest is claimed). Plaintiff seeks equitable relief. Section 35 of the Lanham Act provides that a plaintiff in a trademark infringement suit shall be entitled “subject to the principles of equity, to recover (1) defendant’s profits, (2) any damages sustained by the plaintiff, and (3) the costs of the action.” 15 U.S.C. § 1117(a) (emphasis added). “If the court shall find that the amount of the recovery based on profits is either inadequate or excessive the court may in its discretion enter judgment for such sum as the court shall find to be just, according to the circumstances of the case.” *Id.*

Additionally, subsection (c) provides that “plaintiff may elect, at any time before final judgment is rendered by the trial court, to recover, instead of actual damages and profits under subsection (a), an award of statutory damages....as the court consider just.” 15 U.S.C. § 1117(c).

Plaintiff’s Complaint [1] includes, among other relief, a claim for an accounting of Defendant’s profits. An accounting of profits is an equitable remedy. *Gucci Am. v. Bank of China*, 768 F.3d 122, 130-133 (2d Cir. 2014). The burden to prove “the amount of any continued asset freeze” and “the statutory burden of proving sales [is] placed squarely upon” the party seeking relief, i.e., Defendant, to present documentary proof that particular assets are not the proceeds of counterfeiting activities. *Luxottica USA LLC v. P’ships & Unincorporated Ass’ns Identified on Schedule "A"*, 2015 U.S. Dist. LEXIS 78961, at *11 (N.D. Ill. June 18, 2015) (citing *N. Face Apparel Corp. v. TC Fashions, Inc.*, 2006 U.S. Dist. LEXIS 14226, at *11 (S.D.N.Y. Mar. 30,

2006)).

Defendant has failed to produce credible evidence to prove that the transactions processed through Defendant's Amazon Account for the restrained balance of "more than \$40,000" are not the proceeds of counterfeiting activities. Defendant has also failed to produce any evidence characterizing the transactions or products attributed to revenue received by Defendant's Amazon Account, if any, that is not part of the restrained balance. Defendant's explanation on the search methodology used is flawed. As indicated *supra*, Defendant had an infringing product listed for sale and has previously produced different screen printouts showing images of products that he it supposedly did not sell. Problem is that defendant's images of products that had no sales do not match with the infringing products that Plaintiff discovered. Defendant made no representation about the sales of the infringing product and seems that purposely avoided that topic in its motion.

E. Defendant's Submitted False Discovery Responses That Diminish Its Credibility.

Shortly before this Pleading was drafted, Defendant responded to eth discovery requests sent by plaintiff. Defendant's responses were unverified and were not accompanied by any actual document production. Defendant submitted blanket objections to production requests.

Further, in its discovery responses, Defendant responded to interrogatories by claiming that it did not advertise and/or offered for sale any products that carried plaintiff's copyrighted design. This statement is clearly false in light of the attached Exhibits A and B where defendant obviously offered for sale and advertised products with plaintiff's copyrighted design.

It is evident that Defendant continues to stand by the falsehoods alleged in Motion. Defendant's allegation that it did not advertise or offer to sell infringing products is even more surprising as defendant itself produced reports demonstrating listings of said products. It is clearly false and it is contradicted by Evidence submitted herein as Exhibits A and B. For that reason, defendant's allegations and assertions made in support of its Motion.

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CONCLUSION

Accordingly, Plaintiff respectfully requests that this Court deny Defendant's Motion [48] to Dissolve the Preliminary Injunction [44] against Defendant.

Dated this October 11, 2022

/s/ Vahe Khojayan

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CERTIFICATE OF SERVICE

I hereby certify that on the 11th day of October 2022, I will electronically file the foregoing with the Clerk of the Court using the CM/ECF system, I electronically published the documents on a website and I sent an e-mail to the e-mail addresses provided for in the Declaration of Vahe Khojayan [40] that includes a link to said website.

Dated this October 11, 2022

/s/ Vahe Khojayan

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