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IN THE DISTRICT COURT OF SHAWNEE COUNTY, KANSAS  
DIVISION SEVEN

CLIFF ELECTRONICS COMPONENTS, LTD.,	)	
	)	
	)	
Plaintiff,	)	Case No. 08C1820
	)	
vs.	)	
	)	
CLIFF ELECTRONIC COMPONENTS, INC., and ANDREW BRUNT,	)	
	)	
Defendants.	)	
	)	

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**MEMORANDUM OPINION AND ORDER**

**NATURE OF THE CASE:**

This case involves three corporate entities, Cliff Electronic Components, Ltd. (Cliff UK), Cliff Electronic Components, Inc. (Cliff USA), and Cliff Hong Kong, as well as Andrew Brunt, the president of two of these corporate entities, Cliff USA and Cliff Hong Kong, concerning the right to use a trademark on certain electronic parts, to distribute and sell them, and to distribute and sell electronic parts generally

under the Cliff USA name. Cliff UK is the Plaintiff here and Cliff USA and Andrew Brunt are the Defendants.

Cliff Hong Kong is not a party and no relief is claimed against it directly. Factually, however, Plaintiff claims Cliff Hong King is the alleged source of "counterfeit" parts, which it is claimed, Cliff USA has wrongfully imported into, and distributed in, the USA under the "Cliff" trademark.

Plaintiff seeks injunctive relief from the abuse of its trademark name (trademark infringement, false designation of origin, unlawful importation, and unfair competition). It seeks the damages authorized by common law and/or federal statute (15 U.S.C. § 1117) for trademark infringement (15 U.S.C. § 1114 (1)(a) and (b)), false designation of origin (15 U.S.C. § 1125 (a)), unfair competition, and, otherwise, on a theory of unjust enrichment to Cliff USA and its president, Andrew Brunt. Damages are claimed personally from the latter based on Mr. Brunt's asserted active, personal, participation as well as the irregular operation of Cliff USA at the times relevant here such as to place

Mr. Brunt without benefit of a corporate shield from personal liability.

Both Defendants deny Plaintiff's claims. The Defendant, Cliff USA, claims ownership of the trademark or co-ownership, and both Defendants also assert that Plaintiff, by conduct, has acquiesced in the use of or has otherwise abandoned any trademark claimed, hence, justifying either its past use or future use by Cliff USA, hence, engendering no damage to Plaintiff and no basis for injunctive relief. Both Defendants deny any wrongful act or, if there be one, such act was not intentional (15 U.S.C. § 1114 (1)(b)).

The Defendant Cliff USA has asserted counterclaims, first seeking a declaratory ruling of Defendant Cliff USA's entitlement to use the trademark, one claiming Plaintiff breached its contractual arrangements with Cliff USA by demanding immediate payment of a credit line with Plaintiff that Plaintiff had agreed could be paid in installments, one that accuses Plaintiff of fraud and misrepresentation in obtaining Cliff USA's local California phone service and subsequent misuse of

communication facilities (47 U.S.C. § 605(a)), another of defaming Defendants by the act of contacting Cliff USA's customers with the allegation of Cliff USA's "counterfeiting" of its products, and one of Plaintiff's tortuous interference in Cliff USA's business relationships with others as a result of Plaintiff's counterfeit allegation, its misuse of communications, and its appropriation of Cliff USA's customer contact list and, lastly, independent of the last mentioned claim, appropriating Cliff USA's telephone number and its customer lists, for which the corporate Defendant claims Plaintiff's liability for unauthorized use of communications (47 U.S.C. § 605(a)) and misappropriation of trade secrets (customer lists as defined by K.S.A. 60-3320(4)), both resulting in monetary loss to it. Further, this Defendant claims it is entitled to the return of certain product design tools in the possession of Cliff UK without dollar obligation to it or a recovery from Plaintiff or setoff based on unjust enrichment.

The Defendant, Andrew Brunt, counterclaims,

individually, for defamation based on Plaintiff's assertion of "counterfeiting", otherwise, he posits claims or defenses that align with those of Defendant Cliff USA in avoidance of any liability to him personally if his corporate shield is found to have been lost. These matters are now before the Court on the Plaintiff, Cliff UK's, motion for summary judgment both Cliff USA and Andrew Brunt. Further, the Court has revisited the separate motion for summary judgment of Andrew Brunt in connection with Plaintiff's motion.

**FINDINGS OF MATERIALLY UNCONTROVERTED FACT:**

The following facts are taken from Plaintiff's *Brief in Support*, unless otherwise noted by omission or addition by the Court, noted by bracketing and cited to source, if any. As with all facts propounded, materiality, if any, will be discussed subsequent.

1. Derek Souch, Arthur Montague, and a third individual founded Cliff Plastic Products, Ltd., the first "Cliff" company, in the United Kingdom in 1963. Cliff Plastic Products eventually changed its name to Cliff Group. (Taylor Depo. vol. I, p. 8, l. 21, to p.

9, l. 21, Sep. 28, 2009)

2. Cliff Plastic Products/Cliff Group initially manufactured in the United Kingdom various component parts for electronic devices, including jack plugs and sockets, terminal posts, control knobs, and various other sockets. (Ex. 66)

3. Cliff Plastic Products/Cliff Group marketed its products in the United Kingdom under the "CLIFF" name. (Ex. 66)

4. Cliff Plastic Products/Cliff Group registered the "CLIFF" trademark in the United Kingdom. (Taylor Depo. vol. I, p 27, l. 13-19)

5. Plaintiff Cliff UK now owns Cliff Plastic Products/Cliff Group's assets and the goodwill associated with the "CLIFF" mark in the United Kingdom, having purchased Cliff Plastic Products/Cliff Group's name and trademark registration goodwill, together with certain equipment from a liquidator in the UK [in 2009]. (Taylor Depo. vol. I, p. 14, l. 19-24)

6. Robert Taylor, Souch, and Montague formed Cliff UK in 1977 to distribute products manufactured by Cliff

Plastic Products/Cliff Group. (Taylor Depo. vol. I, p 10, l. 16; p. 12, l. 15; p. 32, l. 7-18) Cliff UK is currently owned by Taylor and his daughter, who hold 63 percent, and Kevin Murphy, who holds 37 percent. (Taylor Depo. vol. I, p. 10, l. 20-25)

7. Cliff UK first sold "CLIFF"-branded products manufactured for it by Cliff Plastic Products/Cliff Group in the United States in the 1980s. (Taylor Depo. vol. I, p 41, l. 16) Cliff UK initially was the sole distributor of "CLIFF" products in the United States. (Taylor Depo. vol. I, p. 41, l. 18-19) Currently, Cliff UK distributes its products worldwide via its website, industry tradeshow, and regional distributors. Cliff UK has regional distributors in the United States, Asia, Australia, and throughout Europe. (Ex. 67)

8. In 1988, Cliff UK financed the formation of a Texas Company, Cliff Houston, to distribute [ ] "CLIFF" products in the United States. (Taylor Depo. vol. I, p. 42, l. 22, to p. 43, l. 1; p. 43, l. 13-19) [See also, Plaintiff's Reply at II re ¶ 8]

9. After the failure of Cliff Houston, Robert

Taylor and Kevin Murphy, the principal owners of Cliff UK, formed Cliff USA in California in 1992 to distribute "CLIFF" products in the United States.

(Taylor Depo. vol. I, Exs. 1 and 7) Cliff UK financed the formation of Cliff USA with \$75,000, and hired defendant Andrew Brunt to run the new corporation.

(Taylor Depo. vol. I, p. 52, l. 18-25); (Ex. 68)

10. Cliff UK intended that Cliff USA be a subsidiary of Cliff UK. However, due to immigration laws, Taylor and Murphy, as individuals, incorporated Cliff USA on Cliff UK's behalf. (Ex. 114); (Ex. 68).

11. Taylor, Murphy, and Brunt were the initial directors of the corporation. (Taylor, Depo. vol. I, p. 61, l. 15) Cliff UK hired Brunt as president of Cliff USA on January 2, 1992. (Ex. 68) Taylor was Cliff USA's secretary, and Murphy was its chief financial officer. (Taylor Depo. vol. I, Exs. 7 and 8) Cliff USA's current shareholders are Taylor and Murphy, who each own 30 percent, and Brunt, who owns 40 percent. (Taylor Depo. vol. I, Ex. 8) [See also, Plaintiff's Reply at II re 11]

12. In January 2008, Cliff USA sold its Benicia,



California, office building, terminated all of its employees, and transferred the operation to a Topeka, Kansas warehouse (Brunt Depo. vol. II, p. 116 l. 8-11, Sep. 30, 2009); (Taylor Depo. vol. I, p. 195, l. 4-23) [Uncontroverted that Cliff USA sold its warehouse in Benicia, California and transferred its operations to Topeka, Kansas in an attempt to reduce its operating costs. Such move occurred in July 2007, however, with January 2008 being the date Plaintiff or its individual directors established a new company, Cliff, Inc., in California in order to compete with Cliff USA. Pl.'s Exs. 43 & 46.]

13. Brunt is [now] Cliff USA's only employee. (Brunt Depo. vol. II, p. 107, l. 3-7). Cliff USA has no employees in Kansas. (Brunt Depo. vol. 11, p. 106, l. 11-16) [One] independent contractor[ ] manage[s] the Cliff USA warehouse. (Brunt Depo. vol. II, p. 106, l. 23, to p. 107, l. 2)

14. [Controverted that Cliff USA markets its products worldwide under the CLIFF trademark. Cliff USA does not market any products in the European Union

where the CLIFF trademark was registered by Cliff Group and is now owned by Plaintiff. Defs.' Ex. A, Murphy Aff., 1[ 31. Further controverted that Cliff USA has regional "distributors" in the United States, Asia and Australia. Cliff USA's affiliates in Asia and Australia are Cliff Hong Kong and Cliff Australia, both of which sell their own products and have trademarked the name CLIFF in their respective countries. Defs.' Ex. A, Murphy Aff, 1. 32.] [See Defendant's Reply at 14.]

15. Although formed to distribute Cliff UK's "CLIFF" products, Cliff USA was free to purchase products from other vendors in addition to Cliff UK. However, Cliff USA was only allowed to sell "CLIFF"-branded products purchased from Cliff UK. (Taylor Depo. vol. I, p. 73, l. 16-18) Cliff UK imposed this prohibition to maintain the quality of "CLIFF" products entering the market. (Taylor Depo. vol. I, p. 73, l. 20-22[; See also Plaintiff's Reply at II, re 15])

16. [At one time] [a]t Brunt's request, Cliff UK agreed to allow Cliff USA to purchase some "CLIFF"

branded products [directly] from Cliff Plastic Products Cliff Group. (Taylor Depo. vol. I, p. 74, l. 8, to p. 75, l. 2); (Ex. 115) However, to control the quality of "CLIFF" branded products, Cliff UK only permitted Cliff USA to purchase and market "CLIFF" products from sources Cliff UK approved. [When other part sourcing was used, the record shows Defendants made request to Cliff UK. Neither Cliff USA nor Andrew Brunt did so for parts imported from Cliff Hong Kong.] (Taylor Depo. vol. I, p. 74, l. 20-21) [See also, Defendants' Response at 16; Plaintiff's Reply at II re: 16]

17. At all times relevant, [ ] Cliff UK did not approve of Cliff USA's use of the "CLIFF" trademark on products not acquired from Cliff UK-authorized sources. (Ex. 70); (Ex. 71)

### **"CLIFF" PRODUCTS**

18. Cliff UK now owns the "CLIFF" trademark in the United Kingdom [and] has always owned it in the United States. Cliff UK currently has pending trademark applications in China and Taiwan. (Taylor Depo. vol. I, p. 26, l. 24, to p. 27, l. 7) .

19. The "CLIFF" mark was placed on the United States Patent and Trademark Office's Principal Register of trademarks in Cliff UK's name in 1994. (Ex. 72)

20. The "CLIFF" mark consists of the word "CLIFF" in standard characters, or block letters. (Ex. 72) The mark is sometimes used inside a rectangle, and it is often used in blue typeface over a white rectangular field surrounded by a blue border. (Ex. 73); (Ex. 67)

21. "CLIFF" is the only trademark on the Principal Register of US trademarks that both (1) incorporates the word "Cliff" and (2) is used in connection with parts for electronic devices. (Ex. 74)

22. Cliff UK filed an affidavit of continuing use on January 21, 2000, with the United States Patent and Trademark Office. (Ex. 75) Cliff USA [provided the information used] in preparing this affidavit of continuing use. (Ex. 76); (Ex. 77) [See also Defendants' *Response* at 22] Cliff UK renewed its US trademark registration of "CLIFF" on November 23, 2004. (Ex. 78, p. 3) [See Defendants' *Statement of Additional Facts* at No. 102]

23. [Though disputed by Defendants, the Court finds no facts support Defendants' position. Thus, the Court finds] Cliff UK is the sole owner of the "CLIFF" trademark in the United States, and has the sole authority and responsibility to monitor [,or direct the monitoring of,] its use in this country. (Ex. 72)

24. [Brunt and Cliff USA knew of and acknowledged Cliff UK's authority and responsibility to monitor use of the "CLIFF" trademark in the United States.] On December 23, 1994, Cliff UK advised Cliff USA that the "CLIFF" mark was registered in the United States, authorized Cliff USA to use the mark on data or publicity material, and requested that Cliff USA maintain records of its use of the mark. (Ex. 77). [Based on Cliff UK's and Cliff USA's interlocking ownership, both corporations knew the trademark registration in the USA was in Cliff UK's name only. This information was available to Andrew Brunt. (See, Facts, supra, Nos. 6, 9, 11, 13)]

25. Cliff UK monitors [Cliff USA and Cliff USA monitors] use of the "CLIFF" trademark in the United

States. Cliff UK [intends] the "CLIFF" mark to be affixed only to products produced by itself or one of its approved subcontractors—Cliff Plastic and Metal Products and formerly Cliff Plastic Products/Cliff Group, which Cliff UK purchased from a Liquidator in the United Kingdom [,unless Cliff UK permits otherwise.] (Taylor Depo. vol. II, p. 314, l. 15, to p. 315, l. 23)

26. The only Cliff UK-approved suppliers for the parts involved in this litigation are: Cliff UK; Cliff Plastic and Metal Products, which Taylor founded with Jerry Wu in 2003 to manufacture goods for Cliff UK; and formerly Cliff Plastic and Metal Products. (Taylor Depo. vol. I, p. 15, l. 14-17; Taylor Depo. vol. II, p. 314, l. 11-19)

27. Cliff UK requires manufacturers of its terminals and jack sockets to maintain ISO certification. (Taylor Depo. vol. 11, p. 365, l. 19, to p. 366, l. 10)

28. Cliff UK has an in-house, ISO-certified system to monitor the quality of the goods it manufactures in

the United Kingdom. (Taylor Depo. vol. II, p. 365, l. 19, to p. 366, l. 10) (Ex. 79)

29. Cliff UK relies on Cliff Plastic and Metal Products' in-house, ISO-certified quality control system to ensure the quality of "CLIFF" goods it produces. (Taylor Depo. vol. 11, p. 365, l. 19, p. 366, l. 10); (Ex. 80) Cliff Plastic Products/ Cliff Group also maintained an ISO certification. (Ex. 81)

### **Intellectual property protection**

30. Cliff USA has been involved in litigating two patent infringement actions regarding Cliff UK patents, known to the parties as the Neutrik and Amphenol actions. (Taylor Depo. vol. I, p. 170, l. 11, to p. 171, l. 8); (Brunt Depo. vol. I, p. 169, l. 4-17)

31. Cliff USA paid a portion of the legal costs in both cases. (Brunt Depo. vol. 11, p. 167, l. 21-25). Cliff USA voluntarily contributed the amounts it paid. (Brunt Depo. vol. 11, p. 168, l. 12-16) Cliff UK was plaintiff in both actions. (Taylor Depo vol. I, Exs. 31, 32, and 33); (Ex. 120) Cliff USA incurred the costs to "protect its right to continue [to] sell these

particular products and get the benefit from the sales of those products." (Brunt Depo. vol. II, p. 169, l. 22, to p. 170, l. 3)

32. Both of these legal actions, for which Cliff USA now claims reimbursement, were beneficial to both Cliff USA and Cliff UK. (Brunt Depo. vol. II, p. 170, l. 23, to p. 171, l. 1)

33. Cliff USA controlled the Neutrik litigation. (Taylor Depo vol. I, Exs. 31 and 32) The final invoice for legal fees in the Neutrik litigation was issued on October 31, 2002. (Ex. 118)

34. Cliff UK was reluctant to pursue the Amphenol action. Cliff USA, however, urged Cliff UK to pursue the action to protect Cliff USA's customer base. (Ex. 82) Brunt characterizes the Amphenol action as "the legal action that I've taken against Amphenol .... " (Ex. 119)

35. Cliff USA agreed to split legal costs with Cliff UK for the Amphenol action. (Brunt Depo. vol. II, p. 172, l. 21, to p. 173, l. 7; p. 175, l. 21, to p. 176, l. 7) Cliff UK agreed to share royalties from the



patent at issue with Cliff USA. (Brunt Depo. vol. 11, p. 176, l. 8-11)

36. The Amphenol litigation concluded in 2005. (Ex. 120)

37. Brunt cannot recall, but concedes that Cliff UK likely honored its agreement to split legal costs 50/50 with Cliff USA. (Brunt Depo. vol. 11, p. 176, l. 12-18)

38. Cliff UK currently holds Cliff USA's share of royalty payments (less than \$2,000.00) from the Amphenol action in escrow pending resolution of this case. (Taylor Depo. vol. I, p. 181, l. 22, to p. 182, l. 5; p. 183, l. 4-10)

**Cliff USA's account with Cliff UK**

39. Cliff UK is currently owed UK £174,243.73 from Cliff USA for goods it purchased on credit from Cliff UK. (Taylor Depo. vol. I, p. 116, l. 4, to p. 118, l. 1-2); (Ex. 83); (Ex. 84). [Though Defendants dispute the amount of the obligation, they fail to identify facts to rebut the claim, rather only that it is subject to setoff (Defendants' Response at 39)].

40. In 2007, Cliff UK and Cliff USA exchanged e-mails regarding a plan for the repayment of debt owed to Cliff UK by Cliff USA for its antecedent purchases of parts on credit. (Taylor Depo. vol. I, Ex. 38) A repayment plan was implemented in November 2007. Cliff USA paid Cliff UK according to the plan until March 27, 2008, when Cliff UK demanded full payment of the debt upon discovering Cliff USA was importing counterfeit "CLIFF" branded products into the United States. (Taylor Depo. vol. I, Ex. 39)

**Tooling costs**

41. Cliff UK's standard written sale terms provide if it holds a customers tooling, the tooling "will be transferred back to the owner for collection only after all outstanding liabilities for payments outstanding, raw materials and parts in stock have been paid for." (Ex. 85). [Cliff USA knew, and its president, Andrew Brunt, knew or should have known of this policy. (See, *Facts*, supra, at nos. 6, 9, 11, 13)]

42. Cliff UK required Cliff USA to contribute to the cost of tooling for certain products that it asked

Cliff UK to redesign and manufacture for its American customers. (Taylor Depo. vol. I, p. 133, l. 23, to p. 134, l. 18) Cliff Plastic Products/Cliff Group or Cliff Plastic and Metal Products used the tooling to manufacture the products for Cliff USA. (Taylor Depo. vol. I, p. 134, l. 23, to p. 135, l. 5)

43. Cliff USA alleges it has paid Cliff UK approximately [ ]163,000 [in British pounds] for tooling. (Brunt Depo. vol. I, p. 40, l. 15, to p. 43, l. 9) Cliff USA never made demand upon Cliff UK for the tooling costs until just prior to the beginning of this lawsuit. (Brunt Depo. vol. II, p. 297, l. 25, to p. 298, l. 7, Sep. 30, 2009)

44. Brunt cannot recall any promise by Cliff UK to reimburse Cliff USA for tooling costs. (Brunt Depo. vol II, p. 175, l. 9-18)

45. The tooling costs Cliff USA paid to Cliff UK inured to the benefit of Cliff USA by enabling Cliff UK to provide Cliff USA custom parts. (Taylor Depo. vol. I, p. 137, l. 11-16) In exchange for Cliff USA's payment of tooling costs, Cliff UK computer-engineered,

developed, and tested the tools. (Taylor Depo. vol. I, p. 143, l. 22, to p. 144, l. 7) Cliff UK then caused products to be manufactured and delivered to Cliff USA. (Taylor Depo. vol. I, p. 144, l. 21, to p. 145, l. 8) The cost of tooling was part of the cost of obtaining goods. (Taylor Depo. vol. I, p. 145, l. 19-23) Cliff USA paid tooling costs for products, but Cliff UK engineered the tools and produced the products. (Taylor Depo. vol. 11, p. 382, l. 2-17)

**Cliff USA begins selling unauthorized "CLIFF" products**

46. Brunt formed a Hong Kong company, Cliff Hong Kong, in November 2005, investing \$15,000 of his own money in the enterprise. (Taylor Depo. vol. I, p. 16, l. 6); (Brunt Depo. vol. I, p. 55, l. 21, to p. 56, l. 11) Brunt owns 60 percent of the shares of Cliff Hong Kong. The remaining shares are owned by John Ho, PC Suen, and Roseanna Lam. (Brunt Depo. vol. I, p. 57, l. 18, to p. 58, l. 4; Depo. Errata Sheet)

47. Cliff Hong Kong procures "CLIFF"-branded products for Cliff USA. (Brunt Depo. vol. I, p. 72, l.

15, to p. 73, l. 16); (Ex. 86, ¶21) Some Cliff Hong Kong products physically bear the "CLIFF" mark. (Brunt Depo vol. I, p. 82, l. 20, to p. 83, l. 10); (Ex. 87); (Ex. 88); (Ex. 89) Some Cliff Hong Kong products are virtually identical to Cliff UK products. (Ex. 90); (Ex. 91); (Ex. 87); (Ex. 88); (Ex. 89)

48. [The fact] Cliff Hong Kong has reproduced Cliff UK part drawings for making "CLIFF"-branded parts [is relevant to this lawsuit when such products are imported into, and marketed, in the United States as "Cliff" products or marketed in the USA under the name of Cliff USA.] (Ex. 92); (Ex. 93); (Ex. 94); (Ex. 95)

49. Subcontractors manufacture Cliff Hong Kong's "CLIFF"-branded parts. (Brunt Depo. vol. I, p. 73, l. 22-25) These subcontractors are not required to maintain ISO-certified quality control systems. (Brunt Depo. vol. I, p. 74, l. 1-4)

50. Cliff USA purchases "CLIFF"-branded products from Cliff Hong Kong and imports them into the United States. Cliff USA imports the products from Cliff Hong Kong via sea freight from Hong Kong to Long Beach,

California. (Ex. 96, p. 9) A majority of the products pass through Cliff USA's Topeka, Kansas, warehouse.

(Brunt Depo. vol II, p. 104, l. 24, to p. 105, l.

17) Cliff USA sells the products to its customers from its Topeka warehouse. (Brunt Depo vol. I, p. 77, l.

3-15)

51. Cliff Hong Kong identifies Cliff USA as its "head office." (Ex. 97)

52. Cliff USA advertises the imported Cliff Hong Kong products, which it sells to American consumers, as genuine "CLIFF" goods. (Ex. 98); (Ex. 69); (Ex. 99); (Ex. 100); (Ex. 101); (Ex. 102)

**Cliff UK discovers Cliff USA's, Cliff Hong Kong's, and Brunt's counterfeiting**

53. Cliff UK first learned of Cliff Hong Kong in 2006. (Taylor Depo. vol. I, p. 111, l. 17-21) Brunt told Taylor and Murphy that he established Cliff Hong Kong to manage Cliff USA's Asian customers. (Brunt Depo. vol. I, p. 56, l. 12, to p. 57, l. 4)

54. In November or December 2007, Cliff UK discovered the existence of counterfeit "CLIFF"

products when a US customer complained to Cliff UK about the quality of goods it purchased from Cliff USA. (Taylor Depo. vol. I, p. 201:6-9; p. 201, l. 19, to p. 202, l. 2); (Ex. 116) After Cliff UK investigated the complaint and determined neither it nor its ISO-certified suppliers produced the complained of goods, the customer told Cliff UK it purchased the goods from Cliff Hong Kong. (Taylor Depo. vol. I, p. 202, l. 7-16)

55. Cliff UK does not consent to Cliff Hong Kong's unauthorized manufacture of "CLIFF"-branded products. (Taylor Depo. vol. II, p. 396, l. 19, to p. 397, l. 15) Cliff UK informed Brunt of that fact after discovering Brunt's and Cliff USA's sale of unauthorized "CLIFF" parts. (Ex. 117)

56. Taylor resigned as a director of Cliff USA in December 2007, after [ ] learning that Cliff USA was selling counterfeit "CLIFF" products—products supplied by Cliff Hong Kong. (Taylor Depo. vol. I, p. 81, l. 10-18); (Ex. 103) Taylor remains a Cliff USA shareholder. (Taylor Depo. vol. II, p. 290, l. 25, to p. 291, l. 23)

57. On January 2, 2008, Cliff UK terminated Cliff USA's right to distribute Cliff UK products. (Taylor Depo. vol. II, Ex. 55)

58. On May 30, 2008, Cliff UK ordered Cliff USA by letter to cease using the "CLIFF" mark. (Ex. 83)

59. Cliff USA continues to utilize the "CLIFF" mark on its website, drawings, product data sheets, invoices, and letterhead. (Ex. 69); (Ex. 98); (Ex. 99); (Ex. 100); (Ex. 101); (Ex. 102); (Ex. 113)

60. Data sheets currently available on Cliff USA's website for parts it provided in response to discovery requests bear the "CLIFF" mark accompanied by the "®" registered trademark symbol. (Ex. 99); (Ex. 100); (Ex. 101); (Ex. 102)

61. Cliff USA utilizes the word "CLIFF" in block letters, often blue, and often over a white rectangular field, sometimes with a blue border. (Ex. 69); (Ex. 98); (Ex. 99); (Ex. 100); (Ex. 101); (Ex. 102); (Ex. 113)

62. Prior to Brunt's establishment of Cliff Hong Kong, [the only evidence is that] Cliff USA purchased



its goods from [a] Cliff UK [sanctioned source]. (Ex. 98)

63. Cliff USA is Cliff Hong Kong's largest purchaser. (Brunt Depo. vol. I, p. 85, l. 10-17) From October 1, 2008, through September 30, 2009, Cliff USA purchased \$539,201 of product from Cliff Hong Kong. (Ex. 105, p. 1) During this period, [Cliff UK claims] Cliff USA made a net profit of \$330,307. (Ex. 106) [What the net profit was is a subject of dispute (Defendant's Response at 63)].

64. Brunt [should have known that] when he began [manufacturing, or causing to be manufactured] copies of "CLIFF"-branded goods at his Cliff Hong Kong facility [,or goods intended to be marketed in the USA as "CLIFF" branded goods,] that Cliff UK [had not given] consent to the introduction of "CLIFF" products [into the USA from this non-approved source or] non-approved certified manufacturing facilit[y]. (Ex. 107)

65. Brunt and Cliff USA intentionally purchased from Cliff Hong Kong "clones" of Cliff UK goods for sale to their customers [and sold them to its USA

customers under its Cliff USA name.] Brunt and Cliff USA intentionally passed off the "clones" to consumers as genuine Cliff [UK] products. In at least one instance, Brunt and Cliff USA planned to supply Cliff Hong Kong parts under Cliff UK part numbers, noting that the customer "shouldn't see any difference." (Ex. 112)

66. Cliff USA knew that Cliff UK protected its intellectual property in the United States by taking action against unauthorized uses of that property. (Ex. 108) .

67. Cliff USA continues to utilize the "CLIFF" mark to market its goods to this day. (Ex. 39); (Ex. 98)

**Cliff UK notifies consumers of counterfeit goods**

68. On March 28, 2008, Cliff UK distributed a counterfeit product alert via e-mail. The email stated that Cliff Hong Kong was causing counterfeit "CLIFF" products to enter the United States, but it contained no reference to Cliff USA. Rather, it informed customers of the risk in using non-UL-approved "CLIFF"

components in their UL products. (Taylor Depo. vol. II, Ex. 53)

69. A later counterfeit notice states that Cliff USA used Cliff Hong Kong to produce counterfeit "CLIFF" goods. It also states that customers who purchase parts from Cliff USA may be supplied with products that do not meet the standards of UL certification and could infringe Cliff`UK's US patents. (Taylor Depo., vol. II, Ex. 55)

70. In a January 2, 2009 document entitled "Cliff UK Update Counterfeit Parts," Cliff UK warned customers that (1) Brunt and Cliff USA were importing counterfeit goods into the United States; (2) that Cliff USA's parts do not meet certain quality standards; and (3) that Cliff, Inc., is the only Cliff UK-authorized "CLIFF" distributor in the United States. (Taylor Depo. vol. II, Ex. 58)

71. In April 2010, Cliff UK received a letter from a customer, 65 Amps, outlining its disappointment with "CLIFF"-branded parts procured from Cliff USA. The disappointment stemmed from the low quality of the

goods. The customer shipped the goods to Cliff UK with its letter, (Ex. 109) The goods of which 65 Amps complained, attached to this memorandum as Exhibit 24, are counterfeit jack sockets produced by Cliff Hong Kong. [Exs. 88-90. See Plaintiff's Reply at II, re 71]

72. In another incident, a Cliff USA customer, Ashly Audio, received a shipment of parts, all the same part number, containing two different styles of packaging. The parts were marked differently; the Cliff UK part had the words "CLIFF," "CLIFFUK" and "patented" stamped on it; the counterfeit part had only the word "CLIFF" stamped on it. (Ex. 110) Ashly Audio has received multiple non-uniform shipments like this from Cliff USA. (Ex. 121, LaMarche Depo. p. 3, l. 20-23, Sep. 28, 2010)

73. Ashly Audio's purchasing manager, Patricia LaMarche, contacted a "Cliff company" after receiving the non-uniform shipment. However, confusion due to several businesses operating as Cliff companies prevented LaMarche could from identifying precisely

which Cliff company she contacted; she could only identify the company by the person she contacted. (Ex. 121, LaMarche Depo. p. 3, l. 3-15)

74. In an August 13, 2010, letter authored by Brunt, which is available on Cliff USA's website at [http://www.cliffusa.com/drawing/Counterfeit Alert 2010.gdf](http://www.cliffusa.com/drawing/Counterfeit%20Alert%202010.gdf), Brunt asserts that the products Cliff USA purchases from Cliff Hong Kong are genuine "CLIFF" products and admits marketplace confusion over the source of genuine "CLIFF" products. The "CLIFF" mark serves as letterhead for the letter. (Ex. 98)

75. Brunt cannot identify any Cliff UK employee who knowingly caused a Cliff USA customer to breach a contract with Cliff USA. (Brunt Depo., vol. II, p. 254, l. 17, to p. 256, l. 15)

76. Brunt cannot identify a person at Cliff UK who knowingly interfered with a prospective relationship between Cliff USA and a customer. (Brunt Depo., vol. II, p. 256, l. 20, to p. 258, l. 2)

77. Cliff UK's intent in sending counterfeit notices was to inform customers of the existence of

"CLIFF"-branded goods being sold under the "CLIFF" trademark, but from sources not sanctioned by Cliff UK. (Taylor Depo., vol. II, p. 214, l. 23, to p. 215, l. 18)

78. Cliff UK, through David and Caroline Jones, formed Cliff, Inc., in 2008. (Taylor Depo. vol. I, p. 16, l. 18-23) Cliff, Inc., distributes Cliff UK-approved "CLIFF" goods in the United States. (Taylor Depo. vol. 11, Ex. 58) Cliff, Inc. is located in Benicia, California. (Ex. 111, ¶ 1)

79. Cliff, Inc., distributes [Cliff UK] authorized [ ] goods in the United States. (Ex. 111, ¶ 2)

80. Cliff, Inc., obtained Cliff USA's former telephone and facsimile numbers from the telephone company as the telephone company informed a Cliff, Inc., employee, Bruce Yeremian, that the numbers were available to any customer that desired them. (Ex. 111, ¶¶ 8, 9)

81. Loretta Dee was authorized to make changes to Cliff USA's telephone service account. [Ms.] Dee cancelled Cliff USA's subscription to its California

telephone and facsimile numbers in February 2008. (Ex. 111, 1[ 4) [and thought she had] transfer[ed] the numbers to her personal account. (Ex. 122, Dee Depo. p. 10, l. 21, to p. 11, l. 2, Sep. 11, 2010)[, but no competent evidence establishes Cliff, Inc., later obtained these numbers wrongfully when it did so. (Plaintiff's Reply at II, re 80)]

82. After Cliff, Inc., was formed, Yeremian, contacted the telephone company to ascertain whether the numbers were available to a new telephone subscriber. At that time, the telephone company informed him the numbers were not available. (Ex. 111, ¶¶ 6, 7, 8, 9)

83. Yeremian called the telephone company on a periodic basis to inquire whether the numbers were available yet. (Ex. 111, ¶ 7)

84. In March of 2008, the telephone company informed Yeremian that Cliff USA's former local fax number, (707) 746-8092, was available to a new subscriber. Yeremian then obtained that number for Cliff, Inc. (Ex. 111, ¶ 8[; Fact 80]).

85. Soon thereafter, the telephone company informed Yeremian that Cliff USA's former local telephone number, (707) 746-8090, was available to a new subscriber. Yeremian then obtained that telephone number for Cliff, Inc. (Ex. 111, ¶ 9[, Fact 80])

86. Yeremian obtained the telephone numbers simply by asking the telephone company if they were available. (Ex. 111, ¶¶ 6, 7, 8, 9[, Fact 80])

87. Cliff USA cannot identify a single telephone transmission it missed because Cliff, Inc. obtained its former telephone and fax numbers. (Brunt Depo., vol. II, p. 202, l. 11-20) Nor can it identify any sales it lost as a result of Cliff, Inc., obtaining these numbers. (Brunt Depo. vol. II, p 202, l. 21, to p. 203, l. 6) [However, Mr. Brunt in fact testified that "we certainly lost business because of it and we'd have to put together a list of exactly what that business is, which we could then assume has been misdirected to Cliff Inc., or Bruce Yeremian." Pl.'s Ex. B, Brunt Depo., Vol. II, at 202:5 - 202:10. See also Defs.' Ex. Z (customer e-mail to Cliff USA noting that it had



placed order [ ] using what the customer thought was Cliff USA's number and only discovered that its order had in fact been placed with Plaintiff when Cliff USA questioned why it had received a payment from that customer).] [See Defendants' Response at 87]

88. Yeremian did not request Cliff USA's toll-free telephone number. Cliff USA still uses the same toll-free telephone number it used when it was located in Benicia, California. (Ex. 111, ¶ 10)

89. Yeremian never used any device to tap or splice into Cliff USA's telephone lines. (Ex. 111, ¶ 11)

90. Yeremian never eavesdropped on a communication being sent to Cliff USA over any telephone line. (Ex. 111, ¶ 12)

91. Yeremian never disclosed the contents of any communication intended for Cliff USA [ ]. (Ex. 111, ¶ 13)[, except as follows:] [Customers calling Cliff USA's local telephone number in or around March 2008 were unaware that they were not calling Cliff USA but rather were calling Cliff Inc. Defs.' Ex. Z. Mr. Yeremian did not inform callers of the distinction.

*Id.* Mr. Yeremian then filled those customer orders using the information gleaned from the customer during the call. *Id.* Mr. Yeremian keeps [only a] little [of] CLIFF [goods] in California. Pl.'s Ex. 43.] [ ] [See Defendants' Response at 91])

92. Cliff USA cannot identify any party to whom Cliff UK has disclosed or published the substance or contents of telephone calls intended to reach Cliff USA. (Brunt Depo. vol. II, p. 204, l. 8, to p. 205, l. 2)

#### **Cliff USA's Customer List**

93. Cliff USA's customer database contained the name, addresses, and phone numbers of its customers. Brunt stated that the database potentially contained historical information for some customers. (Brunt Depo. vol. II, p. 210, l. 21, to p. 211, l. 9-17)

94. The only customer list Cliff USA produced is one Yeremian allegedly provided to Cliff UK. It contains [ ] the names of Cliff USA's customers. Some entries contain contact information. (Taylor Depo. vol. I, Ex. 41) [Uncontroverted that Cliff USA's

customer list as produced is the same one Mr. Yeremian provided to Cliff UK. As explored at length in Mr. Taylor's deposition, Cliff USA's customer list bears [ ] resemblance to the one provided to Plaintiff by Mr. Yeremian down to identical formatting and typos on a number of occasions. Pl.'s Ex. D, Taylor Depo., Vol. II, at 261:6 - 263:17. See also Pl.'s Exs. 41 (customer list provided to Cliff UK by Bruce Yeremian), 42 (Cliff USA's customer list), & 43 (minutes of a meeting between Plaintiff and Bruce Yeremian at which one of the action points is "Cliff UK require the current customer USA list to add to system"). Controverted, however, that the list provided to Plaintiff by Yeremian "contains only the names of Cliff USA's customers." In fact, at least one of the contacts listed on both Plaintiff's and Cliff USA's lists, Robert DeWitt, was an attorney that Cliff USA had previously consulted rather than a customer. Pl.'s Ex. 41, at 16; Defs.' Ex. B, Stratton Aff, ¶ 14. That this attorney then received one of Plaintiff's counterfeit notices [makes it probable] that he

received it based on his contact details appearing on Cliff USA's list as taken by Yeremian, rather than Yeremian creating the list based on publicly available information.] [See Defendants' Response at 94]

95. Any person possessing a Cliff USA log-in and password could access the Cliff USA customer database from any computer with an internet connection. (Brunt Depo. vol. 11, p. 213, l. 19, to p. 214, l. 21) All Cliff USA employees had access to the database. (Ex. 111, ¶ 15)

96. The server on which the Cliff USA database is stored is located in Topeka, Kansas. Cliff USA shares the database with Michael Stratton, an independent contractor who manages the Topeka warehouse, and other non-employees of Cliff USA. (Brunt Depo. vol. II, p. 215, l. 6-14)

97. All of the information on the customer lists is readily ascertainable by attending trade shows, accessing trade show exhibitor lists online, referencing telephone directories, or visiting the individual customers' websites. (Ex. 111, ¶ 14); (Brunt

Depo. vol. II, p. 219, l. 1-16)

The following facts are from Defendants' *Response*, at *Statements of Further Uncontested Facts*, again, as added or omitted by bracketing with the source, if any, with their materiality, if any, to be discussed later.

98. Customers who ceased purchasing Cliff USA's products did so because of the poor quality of Cliff USA's counterfeit goods. (Ex. 109)

99. Plaintiff was not the first company to sell CLIFF products in the United States. Defs.' Ex. A, Murphy Aff., ¶ 6.

100. Defendants were actively involved in the research, design, and manufacture of many of the CLIFF range of products from 1992 through at least 2008. Pl.'s Ex. A, Brunt Depo., Vol. I, at 49:6 – 50:6; Pl.'s Ex. 28; Defs.' Ex. A, Murphy Aff., ¶ 13.

101. Within a year of formation, Cliff USA was attracting new customers and increasing the CLIFF brand's profile in the US. Defs.' Ex. F, ¶ 6.

102. In or around January 2000, Plaintiff asked Cliff USA to supply evidence of Cliff USA's use of the

trademark in order to renew the registration. Pl.'s Ex. C, Taylor Depo., Vol. I, at 150:20 -151:1; Defs.' Ex. A, Murphy Aff, ¶ 17. See also Pl.'s Ex. 76, ¶ 2.

103. Cliff USA further contributed half of the cost of renewing the CLIFF trademark registration in the US. Defs.' Ex. A, Murphy Aff, ¶ 17.

104. Among a number of other contributions Cliff USA made to the design of CLIFF products, it was Brunt who came up with the name "Stack Jack," which name Plaintiff has now trademarked in the US. Pl.'s Exs. 28; 30 & 31. See also Pl.'s Ex. C, Taylor Depo., Vol. I, at 166:6 - 166:19.

105. In September 1997, Plaintiff e-mailed Cliff USA to express its concern with the "lack of care and attention" exhibited by Cliff Group and by "the 3 stooges" who ran it. Defs.' Ex. H.

106. As early as September 1998, Plaintiff expressed concerns to Cliff USA regarding the quality of products manufactured by Cliff Group using "homeworkers" and used this as justification for establishing an alternative production facility in

China. Pl.'s Ex. 14.

107. In this September 1998 e-mail, Plaintiff further expressed concern that Cliff Group would not approve of its establishing an alternative production line in this manner. Pl.'s Ex. 14, at 1.

108. Also in this September 1998 e-mail, Plaintiff stated that it had "no objection" to Cliff USA buying certain "unspecified" items direct from Cliff Group. Pl.'s Ex. 14, at 2. Plaintiff's only caveat was that "payment terms" had to be the same as when Cliff USA had bought these products from Plaintiff, and that Cliff Group handle the shipping. *Id.* Notably, Plaintiff stated neither that this was a "temporary" arrangement, nor that such arrangement was subject to Plaintiff's overseeing the quality of the parts provided direct to Cliff USA. *Id.* [Controverted. Defendants mischaracterize statements regarding sales from Cliff Group to Cliff Electronic Components, Inc. (Cliff USA). The e-mail indicates an arrangement between Cliff Group and Cliff USA "might get discussed on [October 2, 1998]." The e-mail is clearly not a

memorial of any agreement, but Taylor's thoughts on a proposed arrangement to be discussed in greater detail at a future date. (Pls. Motion for S. J., Ex. 14, p. 1)] [See Plaintiff's Reply at 108]

109. Until 1998, all CLIFF goods were manufactured in the United Kingdom by third party Cliff Group; Pl.'s Ex. C, Taylor Depo., Vol. I, at 35:16 – 36:3; Defs.' Ex. A, Murphy Aff, ¶ 20. [Though Cliff Group manufactured "CLIFF" goods, it also manufactured Cliff UK's "CLIFF" goods as a Cliff UK subcontractor. (Taylor Depo. vol. II, p. 314, l. 15, to p. 315, l. 23) [See Plaintiff's Reply at 108]

110. In March 1999, Plaintiff e-mailed [a Cliff USA] customer regarding the need to create custom tooling in order to manufacture a product for that customer, in which Plaintiff further told customer that [Cliff UK] would "have to absorb [the] cost" of tooling. Defs.' Ex. I. [See Plaintiff's Reply at 110]

111. In July 1999, Brunt e-mailed Taylor to express his concern as to the low quality of a part manufactured by Cliff Group and supplied to Cliff USA



by Plaintiff. Defs.' Ex. J.

112. In or around December 2004, and in response to Brunt's inquiry about a CLIFF-branded product, Plaintiff told Cliff USA that Cliff USA needed to get the part made in China or sourced elsewhere. Defs.' Ex. N.

113. At a meeting attended by both Plaintiff and Cliff USA in February 2005, one of the "action points" listed as being discussed in the meeting was "[Cliff USA] is free to select the suppliers it prefers to work with for its range of components." Pl.'s Ex. 24, 1] 3.

114. The minutes of this February 2005 meeting further demonstrate that Plaintiffs only caveat as to Cliff Group supplying Cliff USA direct was that Cliff Group "be paid on the same terms as [Plaintiff]" which was the exact same sole restriction it had previously expressed in 1998. Defs.' Ex. O, at 1. See also Pl.'s Ex. 14, at 2. Again, Plaintiff stated neither that this was a "temporary" arrangement, as it has since claimed, nor that such arrangement was subject to Plaintiff's overseeing the quality of the parts provided direct to

Cliff USA. Defs.' Ex. O, at 1.

115. Immediately following the February 2005 meeting, Plaintiff e-mailed Cliff Group regarding Cliff Group supplying Cliff USA direct. Again, it stated neither that such arrangement was "temporary" nor that it was subject to Plaintiff's quality control. Defs.' Ex. P.

116. In April 2005, Plaintiff told Cliff USA that it had "no wish to influence [Cliff USA] one way or the other about buying from [Cliff Group] direct," and it "certainly [didn't] want [Cliff Group] to get the idea that [it] stopped [Cliff USA] or influenced [Cliff USA] from doing it." Defs.' Ex. Q.

117. In June 2006, Plaintiff requested that Cliff USA "pay at least half the cost" of renewing one of Cliff's US patents as Plaintiff obtained "no benefit" from the patent. Defs.' Ex. R.

118. In this same June 2006 e-mail, Plaintiff further stated that it planned "to drop" UL approval for terminals made by Cliff Group as Plaintiff "[didn't] need UL approval for [its] sales." Defs.' Ex.

R.

119. Cliff USA was the sole manufacturer of at least one [ ] product, the Soundcheck Test CD, which product Plaintiff purchased from Cliff USA on a number of occasions. Pl.'s Ex. A, Brunt Depo., Vol. I, at 33:25 – 36:7; Defs.' Ex. A, Murphy Aff, ¶ 11.

[Whether it was "Cliff" branded is a disputed fact.

See Plaintiff's Reply at 119]

120. In or around November 2005, [ ] Brunt established Cliff Hong Kong in order to manage Cliff USA's Asian customers and suppliers. Defs.' Ex. A, Murphy Aff, 1] 23. [Whether all directors of Cliff USA, specifically, Mr. Taylor, knew at its inception is a disputed fact. See Plaintiff's Reply at 120. However, it is not disputed Mr. Taylor resigned as a Cliff USA director when he learned of its manufacturing activities and their import and sale in the USA. (Fact 56).]

121. At a meeting attended by both Plaintiff and Cliff USA in July 2006, Brunt asked Taylor if he wanted to know about Cliff Hong Kong's operations and Taylor

stated that "he had not been going to ask about it."  
Pl.'s Ex. 21, ¶ 7.

122. In April 2007, Cliff USA sought its customer's approval before substituting a Cliff Hong Kong-made product for the Plaintiff "approved" part that it had previously supplied. Defs.' Ex. S.

123. In July 2007, Cliff USA again expressed its concern to Plaintiff that Cliff Taiwan was undercutting Cliff USA's sales by purchasing parts from CPM made using tooling paid for by Cliff USA. As such, Cliff USA expressed its concern as to the stability of its relationship with Plaintiff. Pl.'s Ex. 36, at 1.

124. In September 2007, Plaintiff emailed Cliff USA stating that it had "been discussing the difference between the plugs supplied by Cliff [Hong Kong] and Cliff UK with a customer" and suggesting that "[p]erhaps if you are going to supply a different part you need to supply it under a different part number." Defs.' Ex. U.

125. In early December, 2007, Plaintiff met with Bruce Yeremian, a former employee of Cliff USA,

regarding establishing a competing business in the US. Pl.'s Ex. 43.

126. One of the "action points" taken from this December 2007 meeting was that "Cliff UK require [sic] the current customer USA list to add to system," with the action to be taken by "BY," i.e., Yeremian. Pl.'s Ex. 43.

127. Another action point taken from this December 2007 meeting was to "Re-direct [Cliff USA's] old number to a new telephone system using a free toll telephone system," with the action again to be taken by Yeremian. Pl.'s Ex. 43.

128. In June 2008, Cliff USA ordered Plaintiff to cease and desist using its confidential customer list, as provided to Plaintiff by Yeremian, and to return it to Cliff USA. Pl.'s Ex. 84, at 2-3.

129. Between 2004 and 2007, Plaintiff sold \$175,858.67 worth of products in the United States independently of Cliff USA, servicing only two US customers. Defs.' Ex. CC. See also Pl.'s Ex. B, Brunt Depo., Vol. II, at 239:13 – 240:6 (noting Cliff USA's

understanding that Cliff UK "dealt with a customer in the United States or maybe two customers in the United States direct at some point" during the period 1992-2008). During that same period, by contrast, Cliff USA's gross receipts or sales totaled \$8,294,869.00—nearly fifty (50) times the amount of Cliff UK's US sales. Defs.' Ex. DD.

130. In or around April 2009, Plaintiff sent an e-mail to many of Cliff USA's customers stating that "[Cliff Group] has gone BUST!" and asserting that Cliff Group's products were of poor quality and were made by "homeworkers without any supervision." Pl.'s Ex. 59. See also Pl.'s Ex. 14 (in which Cliff UK made similar statements regarding Cliff Group's use of "homeworkers" as early as 1998).

131. In or around July 2009, Plaintiff sent a further e-mail to Cliff USA customers again asserting that Cliff Group's products had been made by "outworkers with no quality control." Pl.'s Ex. 60, at 2. [This fact is disputed in that Plaintiff says it was Cliff, Inc. that sent the e-mail (see Plaintiff's Reply

at 131)]

132. In response to Plaintiff's counterfeit notices, a number of Cliff USA's customers cancelled existing orders, with some explicitly stating that it was done in response to Plaintiff's notices. Pl.'s Ex. B, Brunt Depo., Vol. II, at 247:12 – 247:15; Defs.' Ex. Y. [Plaintiff asserts no customer has been specifically identified or order produced that was canceled. See Plaintiff's Reply at 132]

133. Plaintiff acknowledges that some tooling that had been in the possession of Cliff Group at liquidation belonged exclusively to Cliff USA. Pl.'s Ex. D, Taylor Depo., Vol. II, at 371:5 – 371:18.

134. In July 2010, a customer of Cliff USA mistakenly sent payment for two Cliff USA invoices to Plaintiff. When Cliff USA instructed Plaintiff to forward it this payment, Plaintiff claimed that the payment belonged to it and refused to remit it until the customer instructed Plaintiff to do so. While Plaintiff thereafter claimed to have forwarded the payment, Cliff USA is yet to receive it. Defs.' Ex. B,

Stratton Aff, ¶ 16; Defs.' Ex. BB.

135. Plaintiff generally eschews the use of written contracts in its relationships with its customers, manufacturers and suppliers; and prefers verbal agreements which are "flexible and adjustable by discretion." Pl.'s Ex. C, Taylor Depo., Vol. I, at 16:7 - 16:17, 19:19 - 20:1, 20:18 - 21:5, 36:8 - 36:20, 42:17 - 44:1, 44:18 - 45:21, 48:3 - 50:16, 53:2 - 54:3.

**CONCLUSIONS OF LAW ON PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT:**

This case has produced both a plethora of facts and cited cases. It contains considerable chaff. Accordingly, not every theory or case is discussed and the reader here can conclude that anything not here discussed or cited by the Court means it has found such advancements fall into the latter category. Further, the Court finds the separate *Motion for Summary Judgment* of Andrew Brunt, with its admitted facts, cannot be isolated from consideration here, as well.

In the Court's view, all here raised by Plaintiff's claims and the Defendants' request for a declaratory



judgment is substantially concluded by determining which company holds the entitlement to use the "Cliff" trademark during the period at issue here, which is December, 2007 forward, being the time when Plaintiff discovered that the "Cliff" trademark was being applied to electronic parts imported into the United States by Cliff USA that were manufactured by Cliff Hong Kong, a company started by Andrew Brunt, who also served as its president. Though disputed to the effect, the facts are inescapably fixed that the right to use the "Cliff" trademark in the United States has been registered in this country to Cliff UK since 1994, notwithstanding that the trademark itself was the property of Cliff Plastic Products, Inc.'s assets a United Kingdom company, and remained so until Cliff UK obtained ownership of that company's assets in 2009. Though Defendants hint that Cliff UK's assumption of ownership of Cliff Plastic Products, Inc., was irregular, such fact has no materiality here and such dispute, if any there may actually be, can not be adjudicated here.

What controls here are the facts that demonstrate

the relationship of Cliff UK and Cliff USA. First, it is undisputed that Cliff USA was established *through the auspices of Cliff UK for the purpose of distributing "Cliff" electronic parts in the USA.*

Cliff UK and Cliff USA were separate companies and not truly subsidiary. Nevertheless, Cliff UK and Cliff USA had majority, interlocking ownerships. Two of Cliff USA's directors were Robert Taylor and Kevin Murphy, the owners of Cliff UK, and Andrew Brunt was the third corporate director. Mr. Brunt was made Cliff USA's president when it was formed in the USA as a California corporation in 1992. The ownership interests in Cliff UK, as here relevant, rested in Robert Taylor and his daughter who owned 63% and Kevin Murphy who owned 37%. It was Taylor and Murphy who formed Cliff USA with money from Cliff UK. It was they who hired Mr. Brunt as Cliff USA's president at that time. Though relevant here as to shared knowledge, otherwise, only motivationally, as will be later noted, the ownership of Cliff USA is 30% Taylor, 30% Murphy, and 40% Brunt.

Though Cliff USA and Mr. Brunt do not dispute the

fact that Cliff UK is the registered trademark holder in the United States, they seem to collectively deny notice of this fact in support of their claim of an entitlement to the trademark or at least the right to its shared use by the Cliff USA corporate entity. However, this claim must be considered factually and legally unsupported since Cliff USA's founders, Taylor and Murphy, were also owners of Cliff UK. Both sat on Cliff USA's board of directors during this relevant period. Hence, the knowledge of these two men must be imparted to the corporate entity of Cliff USA. *Darling & Co. v. Petri*, 138 Kan. 666, 670 (1933); *Prescott, Wright, Snider Co. v. City of Cherryvale*, 134 Kan. 53, 58 (1931).

Any claim by Andrew Brunt that he did not personally know the exact status and parameters for the "Cliff" trademark has no relevance to a claim of corporate infringement by Cliff USA and, further, because of Mr. Brunt's position as a director and president of Cliff USA at the time, he can not escape a conclusion that he knew or should have known that Cliff

UK held the registered trademark in the United States. *Id.*; *American Indemnity Co. v. Peak*, 123 Kan. 502, 506 (1927). Further, the fact, admitted, that he did not disclose Cliff Hong Kong's manufacturing activity, or, at least, its extent, to all of Cliff USA's directors paints a mindset in him of a reason to avoid such a disclosure, given that the Taylor interests in Cliff UK were 63% but only had a perceived 30% interest in Cliff USA, while Brunt had a perceived 40% interest in Cliff USA and none in Cliff UK, and Murphy had a perceived 30% interest in Cliff USA and 37% in Cliff UK. While Mr. Brunt's ownership in Cliff USA is somewhat in question, as will be noted later, his perception of his ownership is the relevant factor. If Mr. Brunt's stock interest was less or none, then it would be Cliff USA's directors, Taylor and Murphy, with a gain up to 50% each. Nevertheless, Mr. Brunt owned 60% of Cliff Hong Kong and certain locals there owned the rest, not any one of which, but Mr. Brunt, that was associated either with Cliff UK or Cliff USA.

Further, the defense's position is undermined by

the fact it is undisputed that Cliff USA was formed by Cliff UK for the purpose of distributing "Cliff" branded products in the USA. No monetary benefit would accrue to Cliff UK in the sale of a "Cliff" branded product *not ordered through* Cliff UK, rather only those benefitting from that sourcing of a product would be the individual owners of Cliff USA. Taylor would be trading his 63% interest in a Cliff UK sale for a 30%-50% interest in a Cliff USA sale, while Murphy would be either down 7% or up 13% on a sale sourced outside of Cliff UK. Brunt would profit to the extent of 40%, *plus* whatever accrued from the 60% interest he held in Cliff Hong Kong, which would be reflected in the price received on any part or product that was sourced there. Hence, absent a rational business benefit to Cliff UK, both Cliff USA as a corporation and Andrew Brunt, as its president and, particularly, him, as well, personally, can find no solace from a claim of ignorance of Cliff UK's registration in the USA of the "Cliff" trademark or ignorance of Cliff UK's corporate purpose without running counter to Cliff USA's own

corporate purpose and the reason for its establishment. Only if Cliff UK and Cliff USA had had perfectly aligned profit interests could the claim have a grasp on reality. Such is not the case. Rather, what appears from the activities here sought to be put to an end by Cliff UK is a classic case of an agent's self-dealing.

Equally flowing from these facts that blunt any attempt to distinguish mutual corporate knowledge of the trademark's registration from the, perhaps, personal knowledge of Andrew Brunt is the absence of any rational factual basis to support a claim that the trademark was intended to be a co-registered or a co-owned registration. The registration of the trademark in Cliff UK occurred in 1994, Cliff USA was incorporated by Cliff UK's owners in 1992. As late as January, 2000, Cliff USA gathered material to demonstrate the trademark's continued use, at the request of Cliff UK, *for the purpose of renewing Cliff UK's trademark's registration.* Certainly, a period from 1994 to the point of terminating Cliff USA's right

to use the "Cliff" trademark in *January, 2008*, given the shared corporate knowledge as to its actual trademark registrant, rebuts any basis to claim any shared ownership was intended. Some fourteen years passing from Cliff UK's original registration of the trademark, or over seven years after its renewal, to Cliff USA's now contest of it impedes any equitable remedy. An administrative remedy existed to challenge that registration if thought wrongful initially. (15 U.S.C. § 1064 (1)). Further, the trademark became administratively incontestible after five years (15 U.S.C. § 1065) and subject only to be defensively challenged thereafter in response to a charge of infringement (15 U.S.C. § 1115 (b)).

The Defendants' assertion of a defense of equitable estoppel invokes no cognizable basis to claim relief, particularly, given Cliff USA's inherent knowledge and its inherent corporate purpose to be an agent of Cliff UK in the use of the "Cliff" trademark in the USA. This is particularly so when the Defendants' own challenged conduct is adverse to the known registrant,

its principal, and the absence of substantive evidence of other than a historically submissive position by it to Cliff UK throughout the years, which is exactly what would be expected from a faithful agent. “Those who come into a court of equity seeking equity . . . cannot be listened to when they complain that . . . their own fraudulent profits are diminished. . . .” *Manhattan Medicine Co. v. Wood*, 108 U.S. 218, 227, 27 L.Ed. 706 (1883).

Still, Cliff USA claims its “ownership” of the trademark has evolved by its use by it over time, this being shown, it says, by sales, which has made it overwhelmingly the “face” of the “Cliff” trademark in the U.S. However, this argument, again, facially overlooks how it came upon this position, which was by the consent of Cliff UK, the United States trademark registrant. This status would exceed even that of an implied license to use the trademark. *Birthright v. Birthright, Inc.*, 827 F. Supp. 1114, 1134-35 (N.J. 1993). Thus, Cliff USA’s use of the trademark was always authorized by consent, first, because Cliff USA



was established for that very purpose by the owners of Cliff UK, and second, because it was for the purpose of profit for Cliff UK to authorize Cliff USA to use the "Cliff" trademark. Hence, consent disables use of the trademark as a fulcrum by Defendants for relief under not only the statutes noted, but also under the common law. *Macmahan Pharmacal Co. v. Denver Chemical Mfg. Co.*, 113 F. 468, 475 (8<sup>th</sup> Cir. 1901). Defendants' claim is the equivalent of saying that an agent or employee who has worked for years as a faithful agent or employee of another is by virtue of such faithfulness alone, now the principal itself or the owner of the business. Similarly, it could, as well, be likened to a mistress claiming to be a common law wife knowing the claimed mate was still married. While such an apparent business front or apparent agency may impart that view to a customer, nevertheless, such is not the back office truth. As between a principal and agent in a dispute, as here, it is this truth that prevails.

Here, as well, and as will be noted subsequent in a discussion of whether Cliff UK "abandoned" its

trademark, there is no material question that before the discovery of Cliff USA's, or at least its president, Andrew Brunt's, true purpose for Cliff Hong Kong that Cliff USA did little, if anything, that did not first go through Cliff UK for its explicit or its tacit approval. However, when a major deviation from all previous protocol, as represented by the activity between Cliff USA and Cliff Hong Kong directed by Andrew Brunt, which was never made the subject of consultation between Cliff USA with Cliff UK, was confirmed by Cliff UK, it resulted in Cliff UK terminating Cliff USA's authorization to use the "Cliff" trademark in January, 2008. Hence, Cliff USA's break from protocol in using Cliff Hong Kong as it did can claim no status as the normal or accepted business practice as against the background of past practice. Simply, the use of the "Cliff" trademark by Cliff USA was always derivative and consensual and was subject to termination, particularly, for its abuse. Simply, here, the abuser cannot claim the mantle of the abused. Accordingly, the fact Cliff USA fulfilled the purpose

intended by Cliff UK to use the "Cliff" trademark in the USA as its licensee gains it no status to claim either ownership or a right to continued use of the "Cliff" trademark, once revoked. Thus, absent permission or a license to do so, the continued use of the "Cliff" trademark by Cliff USA was not only wrongful and infringing (15 U.S.C. 1114 (1)(a); *S & R Corp. v. Jiffy Lube Intern., Inc.*, 968 F.2d 371 (3<sup>rd</sup> Cir. 1992), but intentionally so from any perspective (15 U.S.C. 1114 (1)(b)). Such use of the trademark after its use was revoked would here, as well, constitute a false United Kingdom designation of origin for these products bearing the mark. (15 U.S.C. 1125 (a); *Polo Fashions, Inc. v. Diebolt, Inc.*, 634 F.Supp. 786, 789-790 (D. Kan. 1986)).

Plaintiff's trademark was "arbitrary" and both companies marketed electronic parts, Defendant Cliff USA's continued use of the mark, or the sale of very similar, even if not counterfeit, electronic parts under its "Cliff" business name, would be inherently confusing as a matter of law. *Polo Fashions, Inc.* at

788-789; *S & R Corp. v. Jiffy Lube Intern, Inc.*, *supra*. Further, Cliff USA's continued business operation under that name, given the unquestionable confusion, would clearly stand, as well, as unfair competition. *Polo Fashions, Inc. v. Diebolt, Inc.* at 790; *American Fence Co. of the Midwest, Inc. v. Gestes*, 190 Kan. 393, 398 (1962).

Notwithstanding, the use, or, rather, loose use, of a trademark over time may provide a court with the ability to decline a trademark's enforcement. 15 U.S.C. 1064(3); 15 U.S.C. 1115(b)(2). A Court may, as a remedy, also re-assign or cancel a trademark. (15 U.S.C. § 1119). Here, Defendants' assertion, principally, is that Cliff UK can be said to have "abandoned" the trademark by failing to monitor its use such that the purported quality of the goods represented by the trademark has so eroded as to constitute an abandonment. *Barcamerica Intern. USA Trust v. Tyfield Importers, Inc.*, 289 F.3d 589, 596 *et seq.* (9<sup>th</sup> Cir. 2002). Here, Defendants assert that "abandonment" occurred by licensing Cliff USA and then

abstaining from the oversight of the quality of its trademarked goods marketed through Cliff USA. To begin, it first must be remembered that this case was, in fact, engendered by Cliff UK's attempt to enforce quality control. Hence, the defense starts from an anomalous and inapposite premise, that is, Cliff UK's enforcement of the quality of the "Cliff" trademark in the USA.

The difficulty with the Defendants' position is that no instance is cited by the Defendants whereby Cliff USA did not consult or seek tactic or express permission of Cliff UK for a deviation in manufacturer or a deviation in a manufactured part or product, except the very instance represented here and where Cliff UK then acted to thwart Cliff USA's use of Cliff Hong Kong as a parts supplier for a "Cliff" branded product and the sale of those or other cloned or facially similar parts under the Cliff USA business name. While it appears the facts proffered, *at best*, may indicate there is an open question whether on *occasion*, and in regard to *only* a particular identified

part, Cliff UK may have authorized procurement of a part from a manufacturing source over which it had no oversight, nevertheless, certainly, no blanket authorization is advanced nor has it been shown, whatsoever, that Cliff UK was indifferent to the quality of *the final product* to be branded with its name, notwithstanding some component part of it may not have emanated from a source over which it had the capacity to exercise manufacturing oversight. Thus, there exists a lack of proof that any product with a "Cliff" trademark was not intended to be consented to, reviewed, or first approved by Cliff UK. The burden of coming forward with such evidence would be on the Defendants. *Crooks v. Greene*, 12 Kan. App. 2d 62 (1987).

That Cliff UK may have relied on the expertise of its licensee, Cliff USA, on occasion to vet a product, or a particular part, even oversee the manufacture of one, seems reasonable, at least to the point Cliff UK knew, or should have known, that Cliff USA's judgment could no longer be relied upon. *Barcamerica, supra*.

Cliff UK investigated Cliff USA's use of an unauthorized source, *i.e.*, Cliff Hong Kong, which company, heretofore, it had either not known of, or, at least, not known of its use as a manufacturing source for Cliff USA products, marked or unmarked, that were being imported and sold in the USA. The fact Mr. Murphy knew, to the exclusion of his Cliff USA's co-director Mr. Taylor and to the exclusion of Cliff UK's other personnel, is, simply, inadequate to impart knowledge or vest an attitude of acquiescence in Cliff UK to Cliff USA's use of Cliff Hong Kong parts or that its products were suitable to be sold under the "Cliff" trademark or by a "Cliff" branded corporation. An announcement by Mr. Brunt that Cliff Hong Kong was being, or was, established to service Cliff USA's Asian customers could not possibly be seen to reveal it as a manufacturer of "Cliff" products or as an authorization for such products to be sold under the banner of a "Cliff" branded corporation in the USA. *Harvester Co. Hardware Co.*, 101 Kan. 488, 489-490 (1917).

Thus, the overall lack of transparency in the

establishment or use of Cliff Hong Kong materially undercuts any claim that Cliff UK was either failing to monitor its trademarked products or, otherwise, acquiescing in Cliff USA's sale of products unapproved as to source, particularly, when set against Cliff USA's heretofore demonstrated reasonably faithful regard for Cliff UK's oversight authority and product control.

Lastly, while not directly challenged, implicit in Cliff USA's claim of an entitlement to co-ownership of the "Cliff" trademark is that it was obtained in Cliff UK's exclusive name fraudulently (15 U.S.C. 1115(b)(1)). For reasons expressed earlier in discussing the mutual knowledge and relationship of Cliff UK and Cliff USA, a fraud claim can not stand either in substance or as a matter of the statute of limitation. Hence, if made, that claim has no merit.

#### **DEFENDANTS' COUNTERCLAIMS**

Given the above discussion, the Defendants' counterclaim for a declaratory judgment has been resolved adversely to them. The other counterclaims



find resolution as discussed following, being the Defendant Cliff USA's counterclaim for misuse of communications, fraudulently obtaining its California phone services, obtaining its customer list denominated as a trade secret, and a defamation claim, made both by Cliff USA and Andrew Brunt, arising from Plaintiff's notification to prior customers of Cliff USA that Cliff USA was distributing counterfeit products. Also, entwined here and claimed as a result of the above, is the claim by Cliff USA of tortuous interference in its business relationships as a result of the above.

A claim of tortuous interference with a business relationship requires the following:

"(1) the existence of a business relationship or expectancy with the probability of future economic benefit to the plaintiff; (2) knowledge of the relationship or expectancy by the defendant; (3) that, except for the conduct of the defendant, plaintiff was reasonably certain to have continued the relationship or realized the expectancy; (4) intentional misconduct by defendant; and (5) damages suffered by plaintiff as a direct or proximate cause of defendant's misconduct."

*Burchan v. Unison Bancorp, Inc.*, 276 Kan. 393, 424

(2003).

Defendants, here, claim notifications sent by Plaintiff to persons or businesses to whom it was believed Cliff USA had business relationships of Cliff USA's lack of authority to distribute "Cliff" branded products and the unapproved nature of products distributed by them under the Cliff banner and any subsequent contact with them constituted such interference. Direct notifications were sent on several occasions, beginning in March, 2008, with the last being in July, 2009. (Plaintiff's *Motion*, Ex. 53-60)

At this point, by virtue of the earlier discussions, the Court has effectively determined that all of these alleged defamatory notifications were materially and substantively true in the context of which they spoke. Cliff USA's right to use the Cliff trademark was terminated by Cliff UK in January, 2008 (Fact 57), thus, before these notices were sent. While such notifications in advance of the judicial determination here authored bore risk at the time since

the conclusion reached by Cliff UK was its alone, nevertheless, its position vis-a-vis Cliff USA and its products there expressed has now been shown to be correct.

The term "counterfeit" under federal trademark statute refers to the actual use or reproduction of the mark or a spurious one, that is, one identical or substantially indistinguishable that is placed on goods or services and manufactured, produced, or marketed when its use was no longer authorized (15 U.S.C. 1116(d)(1)(A) and (B)). The term in the context as used in the Cliff UK notices is therefore, and cannot be, defamatory nor, given the timing of the notices, can such be seen without the scope of legitimate business privilege. In fact, Cliff UK's failure to promptly act would have been counter to its duty to protect its trademark. Such notices were sent to be persons or entities believed to be customers of Cliff USA, which, at all times, as Defendants put it, was the "face" of the "Cliff" trademark in the USA. Otherwise, notice of this claim would come by way of customer

contact with Cliff UK's website or other *customer initiated* contact. In effect, Plaintiff sent a notice dispelling any belief that might be held by these customers or interested parties that either Cliff USA was, in fact, Cliff UK's agent or that the products sold by it as "Cliff" products could be trusted to the standard of the trademark.

Hence, Cliff UK's notices meet any reasonable test of privilege, that is, Cliff UK (1) uttered it in good faith; (2) had an interest to be upheld in the subject matter of the statement; (3) the statement was limited in scope to upholding the interest; and (4) the statement was published in a proper manner to proper parties. *Luttrel v. United Telephone System, Inc.*, 9 Kan. App. 2d 620, 622 (1984); *Dobbins v. Nelson*, 2 Kan. App. 2d 358, 360 (1978).

Here, while unsuccessful in pursuit of its tortious interference claim, Defendant claims Plaintiff's means to this legally justified end still provoke viable claims by it for relief and damages. The claim is that Cliff UK, through its wholly owned California

corporation Cliff, Inc., which was formed by it specifically in 2008, to assume - in lieu - what Cliff USA had previously been authorized to do, wrongfully obtained both Cliff USA's California phone number and Cliff USA's customer/contact lists.

Here, it is undisputed that Cliff USA, prior to the date of the incorporation of Cliff, Inc., had abandoned California. (Fact 13). It had also undisputedly cancelled its California phone services. (Fact 81). Nevertheless, Defendant Cliff USA's claim is that its phone number was transferred to a *former* employee of it by *her* for some reason unspecified, but, perhaps and most likely, to keep Cliff UK's potential interest in it, in other words - the Court's words - to enable Cliff USA to continue business as usual, without confusion, as a "Cliff" company to the exclusion of any other rightful claimant. Certainly, preventing a rightful successor from using its former phone services would further Cliff USA's then unlawful use of the "Cliff" trademark and hinder a proper designee of the "Cliff" brand in its business.

Notably, here, the Defendant Cliff USA is not seeking the number back or to restrain Cliff UK's use of it by its wholly owned Cliff, Inc. company. Such a step would fail any equitable test. Rather, what Defendant claims is that Cliff, Inc. obtained it by false pretense apparently from information likewise obtained without authorization by one of Cliff USA's former employees (Bruce Yeremian) who went to work for Cliff, Inc. However, Cliff USA's claim has several failings. First, nothing is before the Court to show factually that vicarious liability should extend as a matter of law from Cliff, Inc. to Cliff UK. At best, a civil conspiracy might exist, which if so, the underlying claim would need to be valid. (*Stoldt v. City of Toronto*, 234 Kan. 957, 966-968 (1984)). Here, the facts of the claim, at best, show it could only inure to Loretta Dee since undisputably Cliff USA had cancelled the phone service in its name and Ms. Dee allegedly *personally* possessed it. There is, therefore, an absence of evidence to show Cliff USA's standing in the dispute. Further, the proffered

statements of Ms. Dee about the procedures necessary to obtain a right to the phone services numbers is wholly hearsay, particularly, as she apparently, by Defendant's lack of a proffer of evidence, was never recognized by the service provider, such as by a billing or, otherwise, in any way, as the holder of the numbers at issue. Thus, absent a showing of entitlement to the phone numbers in other than its possessor Cliff, Inc., no interception or publication within the meaning of 47 U.S.C. 605(a) is shown.

Lastly, and what is inherent in all of Defendants' counterclaims, is that if Ms. Dee was taking the numbers out of circulation to enable Cliff USA to posit itself as a "Cliff" branded company, or to continue selling "Cliff" trademarked products, real or not, the doctrine of *ex turpi causa non oritur actio* (out of a base of illegal or immoral consideration, an action cannot arise) would come into play and the Court would not lend itself to enforce the civil damages authorized for such a claim (47 U.S.C. § 605 (e) (3) (C) (i) (I)), even were it established. *Compare, Coppedge v. M.K.*

*Goetz Brewing Co.*, 67 Kan. 851 (1903); *Gurlach v. Skinner*, 34 Kan. 86, 89 (1885) ("no polluted hand shall touch the pure fountains of justice.") See also *Manhattan Shirt Co. v. Sarnoff-Irving Hat Stores*, 164 A. 246, 251-252 (Del. 1933) (examplng cases that decline enforcement/damages for what would be attempts at consumer confusion or improper use of a trademark).

This latter legal principle also comes into play in regard to Cliff USA's claim of Cliff UK's wrongfully obtaining its customer list. As noted earlier, Cliff USA's customer/contact list was appropriately used to protect its trademark interests. Hence, the claim is reduced to the propriety of the act, or the means of obtaining the list, and the damages that ensued, if any, to Cliff USA. Put in the perspective of this case, the damage to Cliff USA was that it could not shield its former customers, obtained while it was an authorized "Cliff" company, from the truth that it was no longer an authorized "Cliff" trademark distributor or "Cliff" branded company and, accordingly, could not thereafter profit from a continuing wrongfully holding



out under the "Cliff" business mantle. Certainly, while not condoning the means to the end, however that occurred, the Court would, again, simply not lend its good offices to support a claim whose damages rest in profiteering from a wrongful act as against, perhaps, an overzealous act of self-help. Such tort relief need not be recognized or advanced under the doctrine last discussed. *Id.*

Further, even was such not the case, Plaintiff is correct in asserting that the Defendant Cliff USA has failed threshold requirements to establish that its customer list could, in fact, be classified as a trade secret or, that if so, Cliff UK shared liability with the alleged Cliff, Inc., employee (Mr. Yeremian) who Defendant says obtained the list. When he did so, his personal standing with any corporation at that time, his purpose, or the restrictions upon him in regard to any list he had are not reflected in the record. Cliff USA would have the burden of coming forward with this evidence and it did not do so. *Crooks v. Greene, supra.*

The Defendants' remaining counterclaims rest, principally, in the amount of the dollar recovery by Plaintiff, which, more properly viewed, if successful, are potential setoffs. One exception would be Cliff USA's claim that Plaintiff breached a duty by suing for moneys owed in full after agreeing to accept installments, for which Defendant requests injunctive relief. Nevertheless, this latter claim fails for lack of identification of any consideration to support such a forbearance. The demise of the relationship and the cause thereof seemingly would moot all but the most solemn of obligation. Hence, given no breach and the absence of evidence from the Defendant otherwise to dispute the amount claimed, that amount claimed should be adjudged in favor of Plaintiff. Cliff USA's claim for the return of tooling, for which it should be entitled on payment, may affect the latter amount noted due whether or not the tooling obligation is applicable to an independent product or is identified to a "Cliff" product for which the Defendant is no longer eligible to distribute, but was at the time. *Wichita Fed'l*

*Savings & Loan Ass'n v. Black*, 245 Kan. 523, 540-541 (1989). Thus, any setoff, if the tooling is not to be returned, is reserved for future ruling.

## **DAMAGES**

The Court finds the amount of damages for which Plaintiff is entitled lacks the substantive detail necessary for resolution on this motion, except that amount due on Cliff USA's outstanding balance on a credit line to Cliff UK. Damages for violation of federal trademark law will follow those authorized by 15 U.S.C. 1114(1)(a), 15 U.S.C. 1114(1)(b), 15 U.S.C. § 1117, 15 U.S.C. 1125(a). Damages arising from the finding on Plaintiff's common law and unfair competition claims remain unrefined, as well. Plaintiff's claim of unlawful importation appears to not represent an independent claim that would provide monetary damages inuring to a plaintiff (15 U.S.C. § 1119). Plaintiff would be entitled to an appropriate injunctive remedy (15 U.S.C. § 1116; K.S.A. 60-901 *et seq.*) and any other remedy authorized, *e.g.*, 15 U.S.C. § 1118, all, of course, only as appropriate to this

proceeding.

**ANDREW BRUNT'S SEPARATE MOTION FOR SUMMARY JUDGMENT**

The following facts are additional facts taken from Mr. Brunt's *Motion for Summary Judgment* and from Plaintiff's *Response*. While Mr. Brunt's *Motion* is filed separately, the facts advanced in Plaintiff's overall motion against both Cliff USA and Mr. Brunt, as discussed earlier, and Mr. Brunt's separate *Motion*, cannot be divorced from each other in considering Mr. Brunt's personal liability, which, specifically, is the subject of his separately filed *Motion*. The Court finds that only Mr. Brunt's facts numbered 11 and 13-26 are new, relevant, or informative on the issue raised by the *Motions* and that these noted facts are materially uncontested. These facts are as follows:

"11. Mr. Brunt continues to consult Mr. Murphy as CFO in all major decisions concerning Cliff USA. Ex. C, Aff. of Andrew Brunt, ¶ 6.

. . .

13. Pursuant to Cliff USA's by-laws, payment of dividends is optional and at the discretion of the

board. Cliff USA's directors have not previously determined to pay any dividends to its shareholders. Ex. C, Aff. of Andrew Brunt, ¶ 8.

14. While Mr. Brunt receives a salary as Cliff USA president, he has frequently not paid himself this salary in order to keep Cliff USA afloat. Ex. A, Depo. of Andrew Brunt, at 161:1 – 161 :19.

15. Mr. Brunt has not received any additional money from Cliff USA aside from this salary and annual bonuses received between 2001 and 2007. Ex. A, Depo. of Andrew Brunt, at 162:12 – 163:9; Ex. C, Aff. of Andrew Brunt, ¶ 9.

16. While Cliff USA made a net loss in 2009 (after making a net profit in 2008), it continues to be a viable and ongoing operation. Ex. A, Depo. of Andrew Brunt, at 162:7 – 162:11: Ex. C, Aff. of Andrew Brunt, ¶ 10.

17. Cliff Hong Kong is a separate Hong Kong corporation, which is not a party to this lawsuit. Ex. C, Aff. of Andrew Brunt, ¶ 16.

18. Cliff Hong Kong was established by Mr. Brunt in

2005 with the knowledge of Cliff USA's directors, including Mr. Taylor. Ex. B, Depo. of Robert Taylor, at 111:17 — 112:23.

19. No funds from Cliff USA were used in establishing Cliff Hong Kong. Ex. A, Depo. of Andrew Brunt, at 55:24 — 58:15 Ex. C, Aff. of Andrew Brunt, ¶ 14.

20. Cliff Hong Kong's ownership is divided four (4) ways between Mr. Brunt (60%), John Ho (13.33%), Rosanna Lamb (13.33%), and PC Suen (13.33%). Ex. A, Depo. of Andrew Brunt, at 55:24 — 58:15; Ex. C, Aff. of Andrew Brunt, ¶ 18.

21. Mr. Brunt is a shareholder and a director of Cliff Hong Kong. Ex. C, Aff. of Andrew Brunt, ¶ 16.

22. While Cliff USA has imported CLIFF-branded products in the United States since 1992, Mr. Brunt has never individually imported such goods outside of his role at Cliff USA. Ex. C, Aff. of Andrew Brunt, ¶ 11.

23. While Cliff USA has sold CLIFF-branded products in the United States since 1992, Mr. Brunt has never individually sold such goods outside of his role at

Cliff USA. Ex. C, Aff. of Andrew Brunt, ¶ 12.

24. While Cliff USA has used the CLIFF name on its website and in its business since 1992, Mr. Brunt has never individually used the CLIFF name outside of his role at Cliff USA. Ex. C, Aff. of Andrew Brunt, ¶ 13.

25. Mr. Brunt has not received any dividend payments as a result of his shareholding in either Cliff USA or Cliff Hong Kong. Ex. A, Depo. of Andrew Brunt, at 87:24 – 88:5, 162:12 – 162:16; Ex. C, Aff. of Andrew Brunt, ¶ 21.

26. Mr. Brunt does not receive a salary from Cliff Hong Kong. He has minimal contact with Cliff Hong Kong and has not visited its office since October 13, 2009. Ex. A, Depo. of Andrew Brunt, at 87:3 – 88:5; Ex. C, Aff. of Andrew Brunt, ¶ 20.”

Further, facts are reflected in Plaintiff's *Response*, as follows, are not materially disputed:

“2. [ ] Cliff Electronic Components, Inc., (hereinafter referred to as Cliff USA) Articles of Incorporation state that its purpose is "receiving, storage and distribution of electronic components and

products manufactured in the UK." (Ex. 1, Articles of Incorporation).

. . .

9. Uncontroverted as to the fact that Brunt ran the day-to-day operations of Cliff USA. Controverted to the extent that Brunt acted as instructed by the board as he has stated the only time board approval was necessary was to sell the building in Benicia, California. (Ex. 2, Depo. of Andrew Brunt 36:2 - 38:5).

10. [ ]. Brunt stated the only act as president that required approval from the board of directors was to relocate the building in Benicia, California. (Ex. 2, Depo. of Andrew Brunt 36:2 - 38:5).

. . .

12. [ ]. Cliff USA has not always kept minutes of its board of directors meetings. (Ex. 2, Depo. of Andrew Brunt, at 145:8-17). Cliff USA has not held its annual shareholder meeting for the election of its board of directors since August 2007. (Ex. 2, Depo. of Andrew Brunt, at 157:25 - 158:4). Cliff USA has failed to elect a replacement for the board of



directors seat vacated by Robert Taylor's resignation in 2007. (Ex. 2, Depo. of Andrew Brunt, at 122:12-17)."

Further, at the risk of repetition of facts previously known, the following *Additional Uncontroverted Facts* proffered by Plaintiff in its *Response* are relevant and materially uncontested.

"27. The last shareholder meeting of Cliff USA was held in August 2007. (Ex. 2, Depo. of Andrew Brunt, at 157:25 - 158:4).

28. Taylor resigned as a director of Cliff USA in December 2007 after learning that Brunt was selling counterfeit products through Cliff USA. (Ex. 3, Depo. of Robert Taylor, at 81:10 - 81:18).

29. Cliff USA has not filled the seat on its board of directors vacated by Taylor in 2007. (Ex. 2, Depo. of Andrew Brunt 122:12-17).

30. Cliff USA has not always kept minutes of its board of directors meetings. (Ex. 2, Depo. of Andrew Brunt, at 145:8-17).

31. Brunt is the only employee of Cliff USA. (Ex.

2, Depo. of Andrew Brunt 107:3-7).

32. [An] [i]ndependent contractor[ ] employed by Cliff USA take[s] direction from Brunt. (Ex. 2, Depo. of Andrew Brunt 107:8-19).

33. Cliff Hong Kong has produced products with the trademark "Cliff" on them. (Ex. 2, Depo. of Andrew Brunt, at 81:9 - 83:10).

34. Cliff Hong Kong had gross sales to Cliff USA of approximately \$1 million in 2008. (Ex. 2, Depo. of Andrew Brunt, at 88:10-15).

35. Cliff Hong Kong manufactures products for Cliff USA that are imported into Topeka, Kansas. (Ex. 2, Depo. of Andrew Brunt, at 104:24 - 105:17).

36. Brunt had personal knowledge that products produced by Cliff Hong Kong were being purchased by Cliff USA. (Ex. 2, Depo. of Andrew Brunt, at 81:9 - 83:10).

37. Cliff (UK) is the rightful holder of the "Cliff" trademark in the United States. (Ex. 5, United States Trademark and Patent Registration.)

38. Brunt was aware that the "Cliff" trademark for

the United States was registered to Cliff (UK). (Ex. 2, Depo. of Andrew Brunt, at 43:10 – 44:16).

39. Cliff USA was established with a \$75,000 investment from Cliff (UK). (Answer and Counterclaims of Andrew Brunt, p.6, ¶ 5).

40. Kevin Murphy and Taylor were directors of Cliff (UK) when Cliff USA was incorporated. (Answer and Counterclaims of Andrew Brunt, p.8, ¶ 6)."

Notwithstanding any proffered facts or arguments advanced in oral argument, or any declarations by the Court, the Court finds the issue of Mr. Brunt's personal liability as to any remedy *based on the alleged lack of internal operation of Cliff USA in accordance with law* such as to shield Mr. Brunt from personal liability should remain open. However, the extent of Mr. Brunt's direct activity in conducting the infringing conduct otherwise here clearly identified does not seem subject to doubt and, hence, his ultimate liability seems beyond dispute by such direct involvement. *Amoco Chemicals v. Bach*, 222 Kan. 589 (1977); *Kilpatrick Bros., Inc. v. Ponyter*, 205 Kan.

787, 796-797 (1970).

Here, as noted in discussions previous, Cliff USA's claim of an entitlement to ownership, or continued use of Cliff UK's trademark is, in reality, wholly and clearly without a basis in fact or law, such that to the extent it is here proffered as a belief in Mr. Brunt of the legitimacy of the claim such as to shield him, it is wholly inadequate and ineffective. *Water Technologies Corp. v. Calco, Ltd.*, 850 F.2d 660, 668-669 (7<sup>th</sup> Cir. 1988). Additionally, the intentional infringing activity shown here was done in the face of notice of the loss of its previous authorization to use the "Cliff" trademark. Further, here, during the period at issue, Mr. Brunt was the sole executive officer. He points to no corporate authorization from Cliff USA for any of his conduct. Further, it was Mr. Brunt's Cliff Hong Kong corporation that was the facilitator and also a beneficiary of the conduct. *Donsco, Inc. v. Casper Corporation*, 587 F.2d 602, 606 (3<sup>rd</sup> Cir. 1978). This fact coupled with Mr. Brunt's actual, or at least his perceived personal, financial

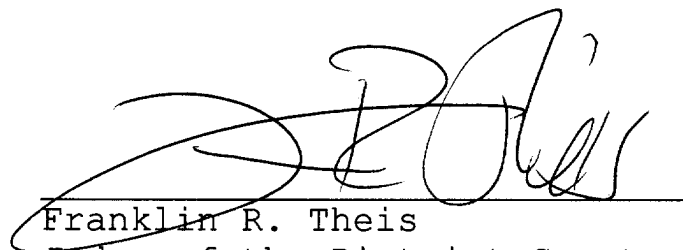
interest in Cliff USA bespeaks for whose benefit he was principally acting. Such facts satisfy, beyond dispute, any test for personal liability on this personal participation theory. *Water Technologies Corp. v. Calco, Ltd.*, 850 F.2d 660, 668-669 (7<sup>th</sup> Cir. 1988); *Hoover v. Custom Metalcraft, Inc.*, 84 F.3d 1408, 1411 (8<sup>th</sup> Cir. 1996); *Kilpatrick Bros.*, *supra*, 205 Kan. at 796-797. See also 15 U.S.C. 1127 ("person" defined); *Mead Johnson & Co. v. Baby's Formula Service, Inc.*, 402 F.2d 19, 23 (5<sup>th</sup> Cir. 1968) (an infringer can be personally liable).

Further, though Plaintiff claims Mr. Brunt was unjustly enriched, *per se*, the Court finds this not to be clear. That enrichment, if any, would be indirect, that is, to the corporations in which he has interests and, thereafter, only through salary or distributions to him from those corporations. Given Mr. Brunt's dollar liability arising under the federal statutes noted, as well as how that activity permeates the unfair competition claim, this claim seems somewhat superflous and academic. In any measure, without

further information, Mr. Brunt's enrichment, or any claim for disgorgement of such unjustly received sums, is clearly incapable of the exact resolution it requires. As such, the facts as to the issues of the dollar amount of his personal liability are not satisfactorily before the Court nor have all the basis claimed therefore been resolved, notwithstanding his liability therefore, in substantive measure, is clearly present by virtue of the Court's previous findings.

Counsel should now take steps to schedule a conference with the Court to determine how to further proceed with this case.

IT IS SO ORDERED this 14<sup>th</sup> day of November, 2011.

  
Franklin R. Theis  
Judge of the District Court  
Division Seven

cc: Charles Engel  
Wayne Stratton  
Richard Raimond