

IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF OHIO
WESTERN DIVISION

Gutter Topper Ltd.,	:	
	:	Case No. 1:05-cv-149
Plaintiff,	:	
	:	Chief Judge Susan J. Dlott
v.	:	
	:	Order Regarding Nature of Defendant
Sigman and Sigman Gutters, Inc., <i>et al.</i> ,	:	William H. Sigman III's Conduct
	:	
Defendants.	:	

This matter is before the Court on Plaintiff's Trial Brief Requesting Findings of Fact and Conclusions of Law Regarding the Nature of Defendant William H. Sigman III's Conduct (Doc. 131).

I. BACKGROUND

A. Summary of Facts

A summary of the facts underlying the parties' dispute was set forth in the Order Granting Plaintiff's Motion For Partial Summary Judgment and Denying Defendants' Motion for Partial Summary Judgment ("Summary Judgment Order") (Doc. 66). Those facts are re-stated here along with additional facts derived from the evidence recently submitted. Plaintiff Gutter Topper Ltd. ("GTL") is an Ohio company engaged in the business of manufacturing gutter covers for private residences throughout the United States. GTL registered the trademark "Gutter Topper®" in 1995 for use in connection with its products and continuously has used the trademark in interstate commerce since that time. GTL has invested time and money to develop a good reputation and goodwill in connection with the Gutter Topper® trademark. GTL has conducted its business nationwide by contracting with individual dealers through Dealer

Agreements and permitting the dealers to sell Gutter Topper® within their designated geographic areas.

Defendant Sigman & Sigman Gutters, Inc. (“SSGI”) was a corporation based near Atlanta, Georgia. Defendant William H. Sigman III was the president and owner of the company. SSGI signed its first Dealer Agreement with GTL in June 2001. (Doc. 131-2 at PageID 3392–98.) William Sigman sent a letter to Anthony Iannelli, the President of GTL, on March 18, 2002 promising to “never use the Gutter Topper Ltd trademark to promote any product other than Gutter Topper.” (*Id.* at PageID 3400.)

SSGI entered into three Dealer Agreements with GTL on October 1, 2003 for one-year automatically renewable terms beginning August 1, 2003. (*Id.* at PageID 3402–3413, 3415–25, 3527–36.) William Sigman personally guaranteed the 2003 Dealer Agreements. (*Id.* at PageID 3408, 3421, 3432.) The Dealer Agreements automatically were renewed for another year on August 1, 2004. The Dealer Agreements required SSGI and Sigman to promote sales of the defined GTL products, including the Gutter Topper® product. Section 4.10 of the Dealer Agreements prohibited SSGI and Sigman from selling, distributing, promoting or designing, directly or indirectly, any product the same or similar to the Gutter Topper® product or competitive with the Gutter Topper® product. Section 8 of the Dealer Agreements limited SSGI’s and Sigman’s use of the Gutter Topper® mark. Section 9 gave GTL the right to terminate the Dealer Agreements if SSGI and Sigman fell into arrears on their payments for more than 30 days.

SSGI and Sigman fell into arrearage totaling approximately \$66,000 on their account with GTL by the end of October 2004. GTL terminated its contracts with SSGI and Sigman for breach of Section 9 of the Dealer Agreements by a cease-and-desist letter dated November 5,

2004. (Doc. 131-6 at PageID 3657–58.) GTL demanded in the letter that SSGI cease using its trademark and stated that it would view any further use by SSGI of its trademark after thirty days from the date of the letter, that is, after December 5, 2004, as a willful infringement. (*Id.*)

Prior to the termination of the Dealer Agreement, the Gutter Topper® product was the only gutter cover product SSGI advertised. SSGI used GTL’s trademark in its advertising on buildings, billboards, trucks, invoices, brochures, paperwork, and in the yellow pages. However, SSGI had begun to offer a competing gutter cover product called Siguard or Sig-Guard for sale alongside the Gutter Topper® product before November 5, 2004. Sigman testified that he developed and manufactured the Sig-Guard product. (Sigman Dep. Vol. I, Doc. 54-1 at PageID 845–46; *Id.*, Doc. 54-2 at PageID 705–07.)

After December 5, 2004, SSGI continued to advertise GTL’s product and trademark at least through January 21, 2005 on the company website. SSGI also continued to use the Gutter Topper® mark, or variants thereof, in sales to customers after December 5, 2004. Sales of the competing gutter cover product will be discussed further in the Analysis section below.

B. Procedural History

On March 11, 2005, Plaintiff GTL filed a Verified Complaint for Injunctive Relief and Damages (“Complaint”) (Doc. 1) against Defendants SSGI and William Sigman stating multiple causes of action as follows:

1. Injunction for Violation of Lanham Act, 15 U.S.C. § 1116 (trademark infringement)
2. Damages for Violation of Lanham Act, 15 U.S.C. § 1114 (trademark infringement)
3. Injunction for Violation of Lanham Act, 15 U.S.C. § 1125 (unfair competition)
4. Damages for Violation of Lanham Act, 15 U.S.C. § 1125 (unfair competition)
5. Injunction for Violation of the Official Code of Georgia Annotated § 10-1-451 (trademark infringement)
7. Injunction for Violation of Georgia Uniform Deceptive Trade Practices Act,

Official Code of Georgia Annotated § 10-1-370, *et seq.*

9. Injunction for Violation of Georgia Uniform Deceptive Trade Practices Act, False Advertising Statute, Official Code of Georgia Annotated § 10-1-420, *et seq.*

10. Damages for Georgia Common Law Unfair Competition; and

11. Demand for Accounting and Damages for Breach of Contract.

(Doc. 1 at PageID 6–19.) GTL voluntarily withdrew Counts 6 and 8, both state law claims, stating that they were duplicative of the federal claims. (Doc. 63 at PageID 1255 n.1.)

Following discovery, GTL moved for summary judgment on the issue of liability only as to Counts 2, 4, 10, and 11. (Doc. 50; Doc. 60 at PageID 1347.) Defendants, likewise, sought summary judgment on the issues of damages for Counts 2, 4, 10, and 11. (Doc. 52.) On October 27, 2006, the Court issued the Summary Judgment Order holding that Plaintiff GTL was entitled to summary judgment against Defendants for breach of contract, trademark infringement and unfair competition in violation of the Lanham Act, 15 U.S.C. §§ 1114 and 1125, respectively, and for unfair competition in violation of Georgia law. (Doc. 66.)

The Court set the case for trial on damages issues on January 22, 2007, but later vacated the trial date and closed the case upon notice that SSGI and William Sigman had filed for bankruptcy. (Docs. 68, 89–91.) In 2008, the Court temporarily re-opened the case upon notice that the bankruptcy proceedings had terminated. (Docs. 93–94.) The Court again closed the case in October 2008 after Defendants re-filed for bankruptcy. (Docs. 98–99.) The Court re-opened the case as to William Sigman only on August 17, 2012 pursuant to a stay in the adversary proceeding between GTL and Sigman as part of the bankruptcy proceedings. (Docs. 100–01.)

The Court again set the damages case against William Sigman for trial, but vacated that trial date upon agreement of the parties to resolve the remaining damages issues upon written briefs. Plaintiff GTL first seeks the Court to resolve the issue of the nature of Defendant William Sigman’s conduct. The issue is fully briefed and is ripe for adjudication.

II. ANALYSIS

Plaintiff GTL moves the Court to make several related findings about the nature of William Sigman's conduct. GTL argues, to begin, that William Sigman willfully engaged in infringement and unfair competition such that this case qualifies for an award of enhanced damages and attorney fees under the Lanham Act. The Lanham Act provides for enhanced damages in certain circumstances:

(a) Profits; damages and costs; attorney fees

When a violation of any right of the registrant of a mark registered in the Patent and Trademark Office, a violation under section 1125(a) or (d) of this title, or a willful violation under section 1125(c) of this title, shall have been established in any civil action arising under this chapter, the plaintiff shall be entitled, subject to the provisions of sections 1111 and 1114 of this title, and 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. The court shall assess such profits and damages or cause the same to be assessed under its direction. In assessing profits the plaintiff shall be required to prove defendant's sales only; defendant must prove all elements of cost or deduction claimed. In assessing damages the court may enter judgment, according to the circumstances of the case, for any sum above the amount found as actual damages, not exceeding three times such amount. 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. Such sum in either of the above circumstances shall constitute compensation and not a penalty. The court in exceptional cases may award reasonable attorney fees to the prevailing party.

15 U.S.C. § 1117(a).¹ Courts have interpreted this statute to allow for enhanced damages where the defendant's conduct was willful. *La Quinta Corp. v. Heartland Props. LLC*, 603 F.3d 327,

¹ Section 1117(a) gives the district court discretion to set the damages amount, so long as the damages do not amount to a penalty nor exceed an amount equal to four times actual damages. *La Quinta Corp. v. Heartland Props. LLC*, 603 F.3d 327, 341–42 (6th Cir. 2010) (regarding penalty prohibition); *U.S. Structures, Inc. v. J.P. Structures, Inc.*, 130 F.3d 1185, 1191–92 (6th Cir. 1997) (explaining that § 1117(a) authorizes damages in an amount four times actual damages). Courts can examine many factors to set a damages award including the following:

the defendant's intent to deceive, whether sales were diverted, the adequacy of other remedies, any unreasonable delay by the plaintiff in asserting its rights, the public interest in making the misconduct unprofitable, and "palming off," i.e., whether the defendant used its infringement of the plaintiff's mark to sell its own products to the public through misrepresentation.

341, 345 (6th Cir. 2010); *Curcio Webb LLC, v. Nat’l Benefit Programs Agency, Inc.*, 367 F.

Supp. 2d 1191, 1203 (S.D. Ohio 2005). Willful means voluntary, intentional, or deliberate. *In re Markowitz*, 190 F.3d 455, 464 (6th Cir. 1999) (citing *Kawaauhau v. Geiger*, 523 U.S. 57 (1998)).

GTL also seeks an express finding that this is an exceptional case under § 1117(a) which qualifies for the issuance of an attorney fees award. 15 U.S.C. § 1117(a). The term “exceptional case” is not defined. However, the Sixth Circuit has instructed that a case is not exceptional unless “the infringement was malicious, fraudulent, willful, or deliberate.” *Eagles, Ltd. v. Am. Eagle Found.*, 356 F.3d 724, 728 (6th Cir. 2004) (quoting *Hindu Incense v. Meadows*, 692 F.2d 1048, 1051 (6th Cir. 1982)). The factors for determining whether to award attorney fees for an exceptional case include the following:

whether the infringing party attempted to ascertain if his use of the name or mark would infringe on the rights of another; whether the infringing party was given notice of his wrongdoing; whether the infringing party acted in reasonable reliance on the advice of legal counsel; whether the infringing party acted with bad faith, oppression, or coercion; and whether the prevailing party suffered any damages or lost sales.

Boost Worldwide, Inc. v. Cell Station Wireless, Inc., No. 2:13-CV-490, 2014 WL 47977, at *4 (S.D. Ohio Jan. 7, 2014); *see also Ohio State Univ. v. Skreened Ltd.*, No. 2:12-CV-662, — F. Supp. 2d —, 2014 WL 1576882, at *14 (S.D. Ohio Apr. 18, 2014) (“A defendant can be said to be willful when the defendant has ignored actual notice of ongoing infringing activity.”).

Finally, GTL seeks a finding that Sigman’s conduct was not only willful, but also was committed willfully and maliciously to cause injury. Willful was defined above. Malicious has been defined as “in conscious disregard of one’s duties or without cause or excuse.” *In re Trantham*, 304 B.R. 298, 308 (B.A.P. 6th Cir. 2004). “[O]nly acts done with the intent to cause

La Quinta Corp., 603 F.3d at 343.

injury—and not merely acts done intentionally—can cause willful and malicious injury.” *In re Markowitz*, 190 F.3d at 464. An injury is not willful and malicious unless the actor “desires to cause consequences of his act, or . . . believes that the consequences are substantially certain to result from it.” *Id.* (citation omitted). A debt “for willful and malicious injury by the debtor to another entity or to the property of another entity” is not dischargeable under the Bankruptcy Code. 11 U.S.C. § 523(a)(6). This Court does not purport to address the ultimate legal issue of whether any of William Sigman’s debt is dischargeable, but the Court can opine as to whether Sigman acted to cause “willful and malicious injury.”

Plaintiff GTL has put forth substantial evidence, both in quality and quantity, that William Sigman’s infringing conduct was willful, deliberate, and fraudulent. Sigman knew Gutter Topper® was a registered trademark. He signed on behalf of SSGI, and personally guaranteed, three Dealer Agreements in 2001 and 2003 which defined and contractually protected the Gutter Topper® mark. He demonstrated his understanding that the trademark had to be protected when he stated in a 2002 letter that he would “never use the Gutter Topper Ltd trademark to promote any product other than Gutter Topper.” (Doc. 131-2 at PageID 3400.) Nonetheless, he developed, manufactured, and sold the competing Sig-Guard gutter cover product off of the marketing strength of the Gutter Topper® trademark.

Sigman did not notify GTL that SSGI was selling the competing product. (Sigman Dep. Vol. I, Doc. 54-2 at PageID 709–10.) Sigman admitted that SSGI sold at least 8,248 feet of a competing gutter cover product before the Dealer Agreement was terminated. On multiple occasions, an SSGI sales representative offered the Sig-Guard product to consumers as an alternative, usually shown as a lower-priced alternative, to Gutter Topper®. (*See e.g.*, Doc. 131-4 at PageID 3529–33; Doc. 131-5 at PageID 3559, 3576–77, 3582, 3587.)

After the Dealer Agreement was terminated on November 5, 2004, Sigman took no steps to remove the use of the Gutter Topper® mark from SSGI’s website at least until after January 21, 2005. (Doc. 131-7 at PageID 3663–78.) Sigman had been active in the development of the SSGI website in 2003 and 2004. (Olson Dep., Doc. 53-1 at PageID 581–82.) SSGI also continued to use the Gutter Topper® mark to sell gutter cover products. (Doc. 131-7 at PageID 3684, 3696, 3700–03.) SSGI issued a Gutter Topper® warranty or completion certificate to customers who had purchased the Sig-Guard product. (Doc. 131-7 at PageID 3681–84, 3700–02.)

In fact, SSGI continued to trade off of the Gutter Topper® mark even after this lawsuit had been filed. For example, a sales agreement for Sharon Adams dated June 13, 2005 stated that SSGI would install “gutter topper in evergreen.” (Doc. 131-7 at PageID 3708.) A July 30, 2005 invoice similarly stated that SSGI would install the “Gutter Topper system” for John Seidl. (Doc. 131-7 at PageID 3715.) GTL identifies numerous other examples, (Doc. 131 at PageID 3367), but one more will suffice for this analysis. William Braun contracted with SSGI in November 2005 to purchase “Gutter Top.” (Doc. 131-9 at PageID 3827.)²

William Sigman does not refute this evidence. He challenges GTL’s interpretation of the evidence—that the evidence is sufficient to establish Sigman’s willful, deliberate, and fraudulent conduct—only to the limited extent that he suggests that debts cannot be “excepted from discharge [in bankruptcy] solely on the debtor’s vicarious liability for acts that were committed other than by the debtor.” (Doc. 132 at PageID 4091.) The vicarious liability argument will be addressed in more detail below. The Court notes here that the Court does not have an obligation to *sua sponte* comb the approximately 700 pages of documentary evidence and numerous

² A photocopying error is present on the invoice. The invoice might state “Gutter Topper” but some of the invoice appears as a solid white strip.

deposition transcripts to find contrary evidence. *See Emerson v. Novartis Pharms. Corp.*, 446 F. App'x 733, 735–36 (colorfully recognizing that district judges are not required to track down facts and arguments not presented by the parties because judges are not “like pigs, hunting for truffles”). Sigman’s failure to offer a robust defense can itself be taken as evidence that his conduct was willful. *See Coach, Inc. v. Cellular Planet*, No. 2:09-CV-00241, 2010 WL 2572113, at *2 (S.D. Ohio June 22, 2010) (“A court may infer that a defendant’s infringement is willful from the defendant’s failure to defend.”). Given Sigman’s lack of defense or explanation, the Court has set forth only representative examples of evidence establishing that Sigman acted willfully, deliberately, and with fraudulent intent.

The Court holds that the evidence submitted by GTL is sufficient to establish that Sigman’s conduct was willful, deliberate, and fraudulent. Sigman knew that he was prohibited from selling a gutter cover product to compete with Gutter Topper®, but he chose to develop a competing gutter cover product and to use the Gutter Topper® mark to attract customers for his competing product. His conduct was voluntary and intentional. It was also committed maliciously to cause injury in that Sigman demonstrated a conscious disregard for his obligations under the Dealer Agreements. He intended injury to GTL, or at least had to know that injury was substantially certain to occur to GTL, by using the Gutter Topper® mark to attract customers, but developing and then selling a competing product in order to divert the profits to his company. For the foregoing reasons, the Court holds that William Sigman acted willfully, deliberately, fraudulently, and with intent to cause willful and malicious injury.

As stated above, William Sigman argues that his debts cannot be excepted from discharge in bankruptcy solely on the basis of vicarious liability. The issue of Sigman’s vicarious liability for Lanham Act violations is worth exploring, but the Court expresses no opinion as to the

dischargeability of his debts in bankruptcy. GTL is not asserting, and the Court has not found, that Sigman personally participated in each consumer sale described above in which the SSGI representative wrongfully used the Gutter Topper® mark during the sales transaction. However, “[a]n individual corporate officer, director, owner, or employee can be liable for trademark infringement by the corporation where the individual is either personally involved in the infringement or is willfully blind to infringing activity.” *Skreened Ltd.*, 2014 WL 1576882, at *14 (quoting *Coach, Inc. v. D & N Clothing, Inc.*, No. 10-12813, 2011 WL 2682969, at *3 (E.D. Mich. July 11, 2001)).

The evidence here establishes that William Sigman should be held liable for his personal involvement in the Lanham Act violations committed by SSGI. To begin, Sigman testified that he developed and manufactured the Sig-Guard gutter product. He did so despite knowing his contractual obligations not to sell a gutter product in competition with the Gutter Topper® product. He did not inform GTL about SSGI’s sales of a competing gutter product, nor did he publicly advertise the Sig-Guard gutter cover product. (Sigman Dep. Vol. 1, Doc. 54-2 at PageID 709–10.) Rather, Sigman approved a letter dated August 23, 2004 to GTL informing GTL that SSGI was developing a gutter cover product for the commercial/industrial marketplace, but that the gutter cover product would not compete with Gutter Topper®. (Olson Dep., Doc. 53-2 at PageID 608–12.) That secrecy and misdirection indicates knowledge of wrongdoing. Also, Paul Perry, a SSGI salesman, testified that Sigman was present for and participated in sales team meetings where the Sig-Guard gutter product was discussed. Perry testified that Sigman knew that SSGI was prohibited by its Dealer Agreements from selling products in competition with Gutter Topper®, but also that he told the sales team to sell the Sig-Guard gutter product as a

less expensive alternative to the Gutter Topper® product. (Perry Dep., Doc. 58 at PageID 1040–41, 1046–51.)

Carl Sigman, a nominal general manager for SSGI, told Iannelli that he did whatever William Sigman told him to do in regards to selling the Sig-Guard product. (Iannelli Dep., Doc. 59 at PageID 1108–09.) Similarly, Dallas Olson, the SSGI general manager from approximately July 2003 until October 2004, testified that he was the general manager “by title, not operation” and that “William [Sigman] was the general manager for the business.” (Olson Dep., Doc. 53 at PageID 670.) William Sigman offers no evidence to the contrary. The Court finds that Sigman can be held personally liable for all of the infringing conduct described above.

Finally, William Sigman offers two other brief arguments in opposition to GTL’s motion which bear equally brief response. First, Sigman states that punitive damages are not available under the Lanham Act. Second, he contends that it is unlikely that his bankruptcy estate will have sufficient funds to make distributions to unsecured creditors. These arguments are irrelevant to the issue before the Court. The issue here is whether Sigman acted willfully, deliberately, or with fraudulent intent such that GTL has grounds to move for enhanced damages and attorney fees pursuant to 15 U.S.C. § 1117(a). GTL has not requested punitive damages. GTL has not requested, nor would the Court have authority to opine, on the matter of the distribution of funds from Sigman’s bankruptcy estate.

III. CONCLUSION

Based on the foregoing facts and analysis, the Court makes the following findings: (1) William Sigman’s infringing conduct and unfair competition was willful, deliberate, and fraudulent, (2) this is an “exceptional case” under the Lanham Act, (3) the infringement and

unfair competition was committed willfully and maliciously to cause injury to GTL, and
(4) Sigman is personally and individually liable for the infringement and unfair competition.

IT IS SO ORDERED.

S/Susan J. Dlott
Chief Judge Susan J. Dlott
United States District Court