

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF FLORIDA

Case No.: 18-CV-81606-MIDDLEBROOKS

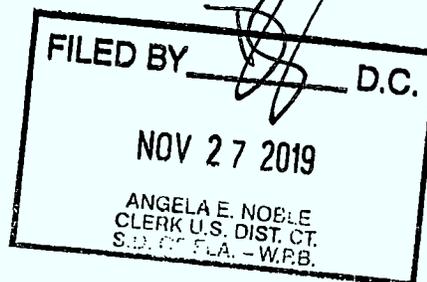
PINNACLE ADVERTISING AND  
MARKETING GROUP, INC.,

Plaintiff,

v.

PINNACLE ADVERTISING AND  
MARKETING GROUP, LLC,

Defendant.



**ORDER**

THIS CAUSE comes before the Court upon Defendant Pinnacle Advertising and Marketing Group, LLC's ("Pinnacle Florida") Motion for Judgment as a Matter of Law, and/or in the Alternative, for New Trial, or Partial New Trial, or Remittitur, filed on October 11, 2019. (DE 271). Plaintiff Pinnacle Advertising and Marketing Group, Inc. ("Pinnacle Illinois") responded on October 23, 2019. (DE 277). Pinnacle Florida did not file a reply. The Parties also submitted competing proposed findings of fact on November 15, 2019. (DE 293; DE 294). For the following reasons, Pinnacle Florida's motion is granted in part.

**INTRODUCTION**

The jury trial for this trademark infringement lawsuit began on September 30, 2019 and concluded on October 2, 2019. The jury returned a verdict in favor of Plaintiff for both Counts One and Two. (DE 260). For Count One, the jury awarded Plaintiff \$500,000 in actual damages and for Count Two, the jury awarded Plaintiff \$50,000 in nominal damages. (*Id.*)

In the present Motion, Defendant seeks relief from that verdict under Federal Rule of Civil Procedure 50 and 59. (DE 271). Specifically, Defendant renews its Rule 50 Motion for Judgment as a Matter of Law, which was made in open court during the trial. In the alternative, Defendant requests a new trial under Rule 59. Proceeding in either of these ways requires an analysis as to whether the jury's verdict should be upheld.

However, before considering whether the verdict will be upheld, I first determine remaining issues that the Parties jointly stipulated would be decided by the Court as a matter of law. These issues relate to Defendant Pinnacle Florida's laches defense and Pinnacle Florida's cancellation or restriction of registration Counterclaim. Both issues have been briefed in the present Motion. (DE 271 at 14-18, 19-23; DE 277 at 15-20, 21-23).

In this Order, I first provide an overview of the relevant facts. I then determine whether Plaintiff's claims are barred by the doctrine of laches. Finally, I address whether Plaintiff's Marks are subject to cancellation.

## **BACKGROUND**

Plaintiff Pinnacle Illinois brings this trademark infringement lawsuit against Pinnacle Florida, alleging that Pinnacle Florida infringed upon Pinnacle Illinois's servicemarks (the "Marks"). Both companies operate under the name "Pinnacle Advertising and Marketing Group;" however, the two Marks are only for the word "Pinnacle." (DE 1-2). The definition of "Pinnacle" is 1) a lofty peak, or 2) the highest or culminating point, as of success, power, fame, etc. Both Michael Magnusson (Pinnacle Illinois's CEO) and Peter Gary (Pinnacle Florida's CEO) claimed to have chosen this name because they strive to be at the top—or peak—of their industry.

Pinnacle Illinois, a corporation incorporated in 1998 under the laws of Illinois, has operated its advertising group since 1998. Plaintiff utilizes the word "Pinnacle" in connection with offering

advertising agency services. Defendant, an LLC formed under Florida law, has continuously operated its advertising company in Boca Raton, Florida, since its formation in 2010. (DE 293; DE 294). Defendant's company is named Pinnacle and it uses that word in connection with its brand and services. When Defendant formed its LLC, it lacked knowledge that Plaintiff's corporation existed. It is undisputed that Plaintiff knew of Defendant's alleged infringement at some point before filing this lawsuit; however, when Plaintiff obtained this knowledge is disputed.

Pinnacle Florida contends that this knowledge was obtained by Pinnacle Illinois in late 2013. Pinnacle Florida supports this contention with Pinnacle Illinois's discovery responses, which were introduced as exhibits at trial. (DE 294 at 3 ¶ 8). These discovery responses unequivocally demonstrate that Pinnacle Illinois was aware of Pinnacle Florida's existence and infringement at that time. These discovery responses also establish that Pinnacle Illinois learned of Pinnacle Florida in January of 2014 at a "pitch meeting" with Central Florida Honda when someone confused Pinnacle Florida and Pinnacle Illinois. (*Id.*).

However, at some point during discovery, Pinnacle Illinois's recollection of this Honda meeting changed. Magnusson now testified (through his deposition and then again at trial) that he did not specifically learn of Pinnacle Florida at the Honda meeting. Instead, he merely overheard a conversation referring to an audience member confusing Pinnacle Florida with Pinnacle Illinois.

Magnusson further contends that he did not learn about Pinnacle Florida until January of 2015. (DE 293 at 3 ¶ 10). He obtained this knowledge when Advertising Age ("Ad Age") wrote an online article about Pinnacle Illinois but accidentally included a hyperlink to Pinnacle Florida's website. Magnusson was horrified about this situation and contacted an Ad Age employee to get the situation rectified. However, Magnusson never contacted Gary or any representative of Pinnacle Florida.

In 2016, this exact thing happened again. Ad Age published an article about Pinnacle Illinois but incorrectly linked Pinnacle Florida's website to the article. Again, Magnusson contacted Ad Age to get the situation resolved, but failed to contact Gary or anyone from Pinnacle Florida regarding Pinnacle Florida's potential infringement.

In November of 2016, which was around eighteen years after Pinnacle Illinois incorporated, it first sought to register its Marks. (Defendant's Trial Exhibit 53). That application was initially refused by the Trademark Board because it found that other Pinnacle companies would likely be confused with Pinnacle Illinois. (*Id.* at PIL 000058-62). Pinnacle Illinois responded to this action by ensuring that its customers were sophisticated business members and would not be confused with the other Pinnacle companies mentioned in the initial denial. (*Id.* at PIL 000078). Ultimately, in September of 2017, the Trademark Board approved the registration of the Marks. (*Id.* at PIL 000045).

While all this was occurring, Pinnacle Illinois still took no action to inform Pinnacle Florida of a potential infringement action. Additionally, Pinnacle Illinois did not inform the Trademark Board about the existence of Pinnacle Florida.

Pinnacle Illinois first took action against Pinnacle Florida in April 2018, when it filed suit in federal court in Illinois (the "Illinois Litigation"). (DE 293 at 4 ¶ 19). That lawsuit was subsequently dismissed for lack of personal jurisdiction. Pinnacle Florida refiled this lawsuit on November 21, 2018. (DE 1).

This case ultimately proceeded to a jury trial beginning on September 30, 2019. At the time of trial, three claims remained for Plaintiff: (1) Trademark Infringement; (2) Unfair Competition; and (3) Cybersquatting. At the close of Pinnacle Illinois's evidence, I entered judgment as a matter of law, under Federal Rule of Civil Procedure 50, as to Pinnacle Illinois's

Cybersquatting claim (count III). (DE 251). The remaining two counts proceeded to the jury and the jury returned a verdict in Pinnacle Florida's favor on both counts. (DE 260).

In the present Motion, Pinnacle Florida requests multiple forms of relief. This Order addresses two such issues—Pinnacle Florida's defense of laches, and its cancellation Counterclaim. The Parties jointly stipulated that these issues would be decided by the Court, as a matter of law, and not by the jury. (DE 277-1 at 54:16-25, September 30 Trial Transcript) (clarifying that laches was not an issue that would be presented to the jury and therefore no instruction on laches would be given). Thus, although this decision may have the practical effect of overturning the result reached by the jury, it does not evaluate whether the Jury's verdict was sufficiently supported by the evidence.

## ANALYSIS

### I. Laches

Laches is an equitable defense that may bar a party's trademark infringement claim brought under the Lanham Act. "Though the doctrine [of laches] is an equitable doctrine that should be applied flexibly, a defendant must demonstrate the presence of three elements in order to successfully assert laches as a defense: (1) a delay in asserting a right or a claim; (2) that the delay was not excusable; and (3) that there was undue prejudice to the party against whom the claim is asserted." *Kason Indus., Inc. v. Comp. Hardware Grp., Inc.*, 120 F.3d 1199, 1203 (11th Cir. 1997) (citing *AmBrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1545 (11th Cir.1986)).

Although the Lanham Act does not contain a statute of limitations, the applicable statute of limitations for an analogous state law claim is typically used as the "touchstone for laches." *Ambrit, Inc. v. Kraft, Inc.*, 812 F.2d 1531, 1546 (11th Cir. 1986). The pertinent limitations period for this type of action in Florida is four years. *Id.* (citing Fla. Stat. § 95.11(3)). Although this

four-year period serves as the “touchstone for laches,” there is no requirement for the defendant to prove that plaintiff has delayed enforcing its trademark rights for four years (or greater).<sup>1</sup> Of course, however, the longer a plaintiff delays enforcing its trademark rights, the stronger the defendant’s laches defense becomes.

#### **A. Delay in Asserting a Right or Claim**

The initial inquiry in this laches analysis is whether Pinnacle Illinois delayed “asserting a right or claim” against Pinnacle Florida. In making this determination, I must first conclude when Pinnacle Illinois knew of Pinnacle Florida’s infringement. In other words, “delay is to be measured from the time at which the plaintiff knows or should know [it] has a provable claim for infringement.” *Kason Indus.*, 120 F.3d at 1206.

Both Parties agree that Pinnacle Illinois knew of Pinnacle Florida’s infringement before Pinnacle Illinois first filed suit in April 2018. (*See* DE 293 at 2 ¶ 9; DE 294 at 3 ¶8). To recap, the Illinois lawsuit was dismissed for lack of personal jurisdiction and Pinnacle Florida refiled the lawsuit in this Court. While the Parties agree that Pinnacle Illinois knew of Pinnacle Florida’s infringement before April 2018, they dispute exactly when Pinnacle Illinois obtained this knowledge.

Pinnacle Florida asserts that this knowledge was likely obtained in late 2013 but was certainly obtained by January 2014. (DE 294 at 3 ¶ 9). According to Pinnacle Florida, several pieces of record evidence support this contention. First, in an interrogatory propounded upon Pinnacle

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<sup>1</sup>While the Supreme Court has recognized such a requirement regarding the laches defense in copyright and patent cases, it has not imposed that rule in trademark cases. *See Petrella v. Metro-Goldwyn-Mayer, Inc.*, 572 U.S. 663, 676-79 (2014). This is partially because both the Copyright and Patent Acts contain statutes of limitations, while the Lanham Act does not. *See id.* at 678 n.15 (“In contrast to the Copyright Act, the Lanham Act, which governs trademarks, contains no statute of limitations, and expressly provides for defensive use of ‘equitable principles, including laches.’” (quoting 15 U.S.C. § 1115(b)(9))).

Illinois in the Illinois Litigation, Pinnacle Florida asked when and how Pinnacle Illinois became aware of Pinnacle Florida. (Defense Trial Exhibit 60 at 6). Pinnacle Illinois responded that:

Michael Magnusson of Pinnacle (IL) first became aware of Pinnacle (FL) in or around late 2013. He became aware of Pinnacle (IL) when pitching to the Central Florida Honda Dealers Association, when personnel related to that group asked whether the two were affiliated because they did not wish to do business with Pinnacle (FL). At that time, Mr. Magnusson assured the Central Florida Honda Dealers Association that the two were not affiliated.

(*Id.*).

Next, in an interrogatory from this litigation, Pinnacle Florida asked Pinnacle Illinois to “describe in detail every occurrence where [Pinnacle Illinois] and [Pinnacle Florida] have pitched or marketed to the same potential client and the outcome of the same.” (Defendant Trial Exhibit 1 at 13). Pinnacle Illinois responded by again acknowledging that the Parties “both pitched their services to the Central Florida Honda Dealers Association in or around late 2013.” (*Id.*). This implies that Pinnacle Illinois was aware of Pinnacle Florida in late 2013 and that Pinnacle Florida offered similar services as Pinnacle Illinois.

Pinnacle Florida’s next piece of evidence supporting its argument that Pinnacle Illinois knew of Pinnacle Florida’s infringement in late 2013 comes from a Request for Admission from this litigation. The Request for Admission asked Pinnacle Illinois to admit that it was aware of Pinnacle Florida’s “use of the name ‘Pinnacle Advertising and Marketing Group, LLC’ at least as early as 2013.” (Defense Trial Exhibit 2 at 3). In response, Pinnacle Illinois admitted that it became aware of Pinnacle Florida in or around late 2013. (*Id.*). Pinnacle Illinois subsequently moved to withdraw this admission and Magistrate Judge Reinhart granted that motion. (DE 58; DE 59; DE 95). This means that Pinnacle Illinois’s admission no longer serves as conclusive evidence of the admitted fact. *See* Fed. R. Civ. P. 36(b) (“A matter admitted under this rule is conclusively established unless the court, on motion, permits the admission to be withdrawn or

amended.”). Although the admission cannot be deemed conclusive evidence that Pinnacle Illinois knew of Pinnacle Florida’s infringement in late 2013, because it was later withdrawn, I still find that the fact that the admission was initially made has some probative value for the purposes of the “delay in asserting a right or claim” analysis.

Pinnacle Illinois believes that none of this evidence establishes, by a preponderance of the evidence, that Pinnacle Illinois was aware of Pinnacle Florida’s infringement in late 2013. (DE 277 at 16). However, in making this argument, Pinnacle Illinois does not directly address the above referenced discovery responses, which were introduced into evidence at trial, evidencing Pinnacle Illinois’s knowledge of Pinnacle Florida in late 2013. Instead, in the present briefing, Pinnacle Illinois simply references the pitch meeting it had with Central Florida Honda in early 2014 and states that it did not specifically learn of Pinnacle Florida’s existence or infringement at that meeting. (DE 277 at 16). Pinnacle Illinois, however, does not dispute that this Honda meeting occurred sometime in early 2014. And this fact is confirmed by an exhibit entered into evidence showing that Pinnacle Illinois retained Central Florida Honda as a client in January 2014. (Plaintiff’s Trial Exhibit 18) (marketing booklet indicating Pinnacle Illinois was hired by Central Florida Honda in January 2014).

In support of Pinnacle Illinois’s vague argument about what occurred at the Honda meeting, Pinnacle Illinois relies on the following testimony from Michael Magnusson:

A. [E]ssentially what happened was we were presenting to the Central Florida Honda Dealers Association. And we were pitching that business, and when we were pitching that business, there was a conversation in the room among the dealers, and somebody said, just something that we overheard, or I overheard, you know, is that – is that Pinnacle? And the guy says, no, no, no, it’s a different Pinnacle and I don’t know what he was relating to, I didn’t understand really what they were talking about, but after discovering more, then I associated the two.

So legitimately I heard about them in 2014.

Q. But in 2014, you didn't know who that Pinnacle was referred to by the Central Florida Honda, right?

A. No, I didn't know who it was.

(DE 277-1 at 107:4-17, September 30, 2019 Trial Transcript); (*see also id.* at 108:18-20) (“Q. Did you know where the defendant was located back in 2014? A. No.”).

Instead of obtaining knowledge of Pinnacle Florida's existence and/or infringement at the Honda meeting, Pinnacle Illinois contends that it first learned of Pinnacle Florida and its use of the “Pinnacle” mark on January 26, 2015. (DE 277 at 16). Specifically, Pinnacle Illinois contends that it obtained this knowledge because a media outlet, who wrote an article about Pinnacle Illinois's advertising business, incorrectly linked Pinnacle Florida's website to the article. (*Id.*; DE 293 at 2 ¶ 9).

Magnusson testified that this article was published online by a company called Advertising Age (“Ad Age”). Ad Age was described by Magnusson as the “industry Bible” and the “main publication in [the advertising] industry.” (DE 277-1 at 96:12-13, September 30, 2019 Trial Transcript). According to Magnusson, the target reader of Ad Age is “anybody who's anybody in the advertising community. Anybody who's interested in advertising.” (*Id.* at 96:18-19).

According to Magnusson's testimony, the relevant article was “written at the most important time of the year. [It was] when all the eyes are seeing what the – what advertisers are doing on the Super Bowl, who's creating them. I mean, it – this is the time to be written about, and we were written about.” (*Id.* at 103:24-104:3). Magnusson also *specifically* testified that when he clicked on the link advertised to be Pinnacle Illinois's website, he was directed to “Pinnacle Advertising and Marketing Group, but it” was not Pinnacle Illinois, it was instead another Pinnacle advertising and marketing group, located in Boca Raton, Florida. (*Id.* at 104:4-7); (*see also* Plaintiff's Trial Exhibit 3) (emails between Magnusson and Ad Age informing Ad Age of the hyperlink mistake).

From all this evidence, I make a few observations. First, it is undisputed that the *absolute latest* date that Pinnacle Illinois learned of Pinnacle Florida was on January 26, 2015, when the first Ad Age article was published. Second, it is undisputed that the Honda meeting occurred in January 2014, at the latest. Third, it is undisputed that at this meeting Magnusson, *at the very least*, heard about “some other pinnacle” advertising business.

From this undisputed evidence, I initially conclude that Plaintiff delayed in “asserting a right or claim,” as of January 26, 2015, by failing to enforce its “Pinnacle” Mark after learning of and visiting the website of an advertising company with the identical name.

My final conclusion as to laches’ first element goes one step further. I conclude, by a preponderance of the evidence, that Pinnacle Illinois knew of Pinnacle Florida’s infringement as of January 2014, which was over four years before Pinnacle Illinois filed its initial lawsuit against Pinnacle Florida in Illinois. This conclusion is based several upon pieces of evidence, described above, where Magnusson affirmatively indicated that he knew of Pinnacle Florida in late 2013 and/or January 2014. Further, his original recollection of the Honda meeting, which I credit over his later testimony, supports a finding that he knew that Pinnacle Florida was a competing advertising business, utilizing the same name, in the same geographic area that Pinnacle Illinois had customers. As a result, even if Pinnacle Illinois did not directly know of Pinnacle Florida’s infringement at that time, it certainly should have known of it.

In sum, Pinnacle Illinois knew or should have known of Pinnacle Florida’s infringement by January 2014, meaning that Pinnacle Illinois delayed in enforcing its trademark rights for a period

exceeding four years.<sup>2</sup> The Parties agree that in such a situation there is a presumption that laches applies. (DE 271 at 14; DE 277 at 16).

Before proceeding to laches' second element, I add one final note. Even if I would have concluded that Pinnacle Illinois did not learn of Pinnacle Florida's infringement until January 2015, that would not automatically mean that Pinnacle Florida would be unable to establish the defense of laches. It simply means that the presumption would be inapplicable.

### **B. Excusable Delay**

The next issue is whether Pinnacle Illinois's delay in enforcing its trademark right was excusable. As to this second element of laches, "whether delay is excusable requires an examination into the reasons for the delay." *Pandora Jewelers 1995, Inc. v. Pandora Jewelry, LLC*, 703 F. Supp. 2d 1307, 1315 (S.D. Fla. 2010). Courts have found a plaintiff's delay to be excusable when that plaintiff informs the infringing party of the infringement, within the four-year period, but does not file a lawsuit within that period. *See, e.g., Citibank, N.A. v. Citibanc Grp., Inc.*, 724 F.2d 1540, 1546-47 (11th Cir. 1984) (affirming district court's decision that laches did not apply where the plaintiff informed the defendant of its objection to defendant using the "Citibanc" name shortly after beginning to do so); *Buccellati Holding Italia SPA v. Laura Buccellatic, LLC*, 5 F. Supp. 3d 1368, 1375 (S.D. Fla. 2014) (no laches where the "parties were in constant communication, in an attempt to ascertain whether a peaceful co-existence was possible

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<sup>2</sup>Because I conclude that Pinnacle Illinois knew of Pinnacle Florida's infringement by January 2014 and knew Pinnacle Florida operated under the same name, offered similar services, and sought similar customers, I reject Plaintiff's progressive encroachment argument. *See Groucho's Franchise Sys, LLC v. Grouchy's Deli, Inc.*, 683 F. App'x 826, 830 (11th Cir. 2017) ("Rather than 'discuss encroachment as an excuse for delay,' we use it to determine 'when delay begins.'" (quoting *Kason Indus.*, 120 F.3d at 1206)).

between the parties and during the entire course of their discussions Plaintiffs continued to lodge formal and informal objections to Defendants' use of the mark”).

Unlike the situation in *Buccellati* and related cases, there was simply no evidence produced at trial showing that Pinnacle Illinois communicated with Pinnacle Florida, regarding Pinnacle Florida's potential infringement, before filing the Illinois suit. In fact, the undisputed evidence establishes that Pinnacle Illinois failed to take any enforcement action against Pinnacle Florida until it filed the Illinois lawsuit. At trial, when cross-examined, Magnusson testified:

Q. So from 2014, when you learned of until 2000' [sic] – April of 2018, you never sent a demand letter to Pinnacle Florida saying, stop using my name, correct?

A. I didn't because I didn't feel that they were competing with me.

Q. Okay.

A. Because they serviced [sic] – in my opinion, they serviced a different category of business that we did not.

Q. Right. But your brand is so important to you. That was your testimony earlier today, correct?

A. It's very important to me. That's why I'm here today.

Q. You never e-mailed Pinnacle Florida saying, stop using my name. There was [sic] no telephone calls, correct?

A. No.

Q. You never reached out to Pinnacle Florida to say, hey, why are you guys using the same name as we are?

A. No.

(DE 277-1 at 196:9-25).

This means that Magnusson did not make any effort to even communicate with Pinnacle Florida after learning of Pinnacle Florida's infringement in January 2014. After the January 2014 meeting, when Magnusson assured Central Florida Honda that his company was not Pinnacle

Florida, one would expect (at a minimum) that Magnusson would have further investigated this other Pinnacle Advertising company. And, upon learning more of Pinnacle Florida, contacting that company and beginning communications to amicably resolve a potential trademark infringement dispute.

Pinnacle Illinois's delay becomes even more inexcusable after considering the Ad Age website issue, which occurred on or around January 26, 2015. To recap, that is the day Ad Age published an article about Pinnacle Illinois and accidentally included a link to Pinnacle Florida's website in the article. Magnusson testified that he emailed an employee from Ad Age to correct this mistake because he was "horrified . . . [because] anybody who[] [was] going to click on [the link was] going to go to a different Pinnacle website and associate that Pinnacle with the Super Bowl [ad], which would be inaccurate." (DE 277-1 at 105:3-7, September 30 Trial Transcript).

Magnusson was "horrified," yet he did not take even the minimal step of contacting Pinnacle Florida to begin discussing the potential infringement. This fact is significant in the "excusable delay" analysis, which requires that I consider whether Pinnacle Illinois took *any* action relating to the enforcement of its trademark rights before filing the Illinois Litigation. The failure to take such action here supports my ultimate conclusion that Pinnacle Illinois's delay in enforcing its trademark rights was not excusable.

According to Magnusson's testimony, this exact Ad Age related issue occurred again in 2016. (*Id.* at 110:7-15) (testifying that in 2016 "the exact same issue [with] Ad Age [occurred], that we were written up again in an article. When I clicked on the hyperlink, it went to the defendant's website and not ours."). Thus, at some point in 2016, Magnusson relived the "horrific" experience of having Pinnacle Florida's website attached to an article about Pinnacle Illinois's business. Yet once again Magnusson did nothing.

Accordingly, I conclude that Pinnacle Illinois's delay of enforcing its trademark rights was inexcusable and the second element of laches has been established by a preponderance of the evidence.

### **C. Undue Prejudice**

With the first and second element of laches established, by a preponderance of the evidence, I must now consider laches' third and final element—whether Pinnacle Florida was unduly prejudiced because of Pinnacle Illinois's inexcusable delay in asserting its trademark rights. Pinnacle Florida argues that it suffered this prejudice because “[i]n the nearly ten years since conception, Defendant has invested extensive time and incredible resources into its brand name and reputation and has suffered economic prejudice and expectation prejudice as a result of Plaintiff's delay.” (DE 271 at 17). At trial, Pete Gary testified that he has spent “[a]proximately a million-five to a million – close to \$2 million” developing Pinnacle Florida and its brand. (DE 265 at 96:19-22, October 1 Trial Transcript); (*see also id.* at 96:23-97:11) (describing some of these expenditures).

In response, Pinnacle Illinois argues that Pinnacle Florida has not been unduly prejudiced because, based upon Pinnacle Florida's expert's testimony, Pinnacle Florida obtains no benefit from using the “Pinnacle” name. (DE 277 at 20). This argument completely misses the mark. Whether Pinnacle Florida obtains some benefit from using the “Pinnacle” name is not relevant to the “undue prejudice” analysis. This analysis only requires that I determine whether Pinnacle Florida suffered undue prejudice as a result of Pinnacle Illinois's inexcusable delay.

I agree with Pinnacle Florida that this undue prejudice could be, and has been, established by showing that Pinnacle Florida expended significant time and money developing its business (under the Pinnacle name). And had Pinnacle Florida been made aware of a potential trademark

infringement claim, it could have simply changed its name shortly after learning of the potential claim. See *Bridgestone/Firestone Research, Inc. v. Auto. Club De'L'Quest De La France*, 245 F.3d 1359, 1363 (Fed. Cir. 2001) (“Economic prejudice arises from investment in and development of the trademark, and the *continued commercial use and economic promotion of a mark over a prolonged period adds weight to the evidence of prejudice.*”) (emphasis added); *Hot Wax, Inc. v. Turtle Wax, Inc.*, 191 F.3d 813, 824 (7th Cir. 1999) (“A defendant has been prejudiced by a delay when the assertion of a claim available some time ago would be ‘inequitable’ in light of the delay in bringing that claim . . . [and] ensues when a defendant has changed his position in a way that would not have occurred if the plaintiff had not delayed.” (quoting *Conopco, Inc. v. Campbell Soup Co.*, 95 F.3d 187, 192 (2d Cir. 1996))). See also *Groucho’s Franchise Sys, LLC v. Grouchy’s Deli, Inc.*, 683 F. App’x 826, 829-30 (11th Cir. 2017) (describing the relationship between investing in one’s business and the undue prejudice element of the laches defense); *Pandora Jewelers*, 703 F. Supp. 2d at 1315 (finding that the defendant suffered undue prejudice as a result of the plaintiff’s delay because defendant expended a significant amount of time and money on advertising and otherwise building its brand); see also 6 J. Thomas McCarthy, McCarthy on Trademarks and Unfair Competition § 31:12 (4th ed. Supp. 2017) (“Laches is a good defense if plaintiff’s long failure to exercise its legal rights has caused defendant to rely to its detriment by building up a valuable business around its trademark.”).

In conclusion, I find that Pinnacle Florida has established each element of laches by a preponderance of the evidence. As a result, Pinnacle Illinois’s Trademark Infringement (Count I) and Unfair Competition (Count II) claims are barred.

Although this decision has the practical effect of overturning the jury’s verdict, I stress that this order has not actually evaluated that verdict under Rule 50, 59, or any other rule. Rather, the

Parties jointly agreed that the issue of laches would be considered by the Court as a matter of law. I include this note to again re-iterate the unusual procedural decisions of the Parties that have brought us to this point.

## II. Cancellation or Restriction of Registration

“In any action involving a registered mark the court may determine the right to registration, *order the cancellation of registrations, in whole or in part*, restore cancelled registrations, and otherwise rectify the register with respect to the registrations of any party to the action.” 15 U.S.C. § 1119 (emphasis added); *see also Park ‘N Fly, Inc. v. Dollar Park and Fly, Inc.*, 469 U.S. 189, 203 (1985); *PlayNation Play Sys., Inc. v. Vexlex Corp.*, 924 F.3d 1159, 1171 (11th Cir. 2019) (“District courts have discretion to order the cancellation of a federal trademark registration in whole or in part.”).

Where, as here, the marks at issue have “been on the federal Principal Register in registrant’s name for less than five years, the mark[s] may be cancelled if [Defendant] can prove that the registration should have been barred in the first instance under Lanham Act § 2.” *PlayNation*, 924 F.3d at 1171 (quoting *Coach House Rest., Inc. v. Coach & Six Rests., Inc.*, 934 F.2d 1551, 1558 (11th Cir. 1991)); *see also Int’l Mobile Machines Corp. v. Int’l Tel. & Tel. Corp.*, 800 F.2d 1118, 1119–20 (Fed. Cir. 1986) (“Cancellation of a mark’s registration within the initial five years of registration may be based upon any ground which could have prevented registration initially.” ). In an action to cancel a trademark, the registrant “enjoys the benefit of *prima facie* evidence of the validity of the registration for the goods or services specified in the certificate.” *Int’l Mobile Machines Corp.*, 800 F.2d at 1120. To rebut the *prima facie* evidence of validity of registration, the petitioner must prove improper registration by a preponderance of the evidence. *Id.*

Additionally, “[a]t any time, a party may petition to cancel a registered mark on the ground that the registration was procured by fraud, even if that mark has become incontestable.” *Sovereign Military Hospitaller Order of Saint John of Jerusalem of Rhodes & of Malta v. Fla. Priory of the Knights Hospitallers of the Sovereign Order of Saint John of Jerusalem, Knights of Malta, The Ecumenical Order*, 702 F.2d 1279, 1289 (11th Cir. 2015) (hereinafter “*Sovereign Military Hospitaller I*”).

Defendant argues that Plaintiff’s marks should be cancelled because they (1) were fraudulently obtained; and/or (2) are merely descriptive and lack secondary meaning. (DE 271 at 19-23).

#### **A. Fraud**

“An applicant commits fraud when he ‘knowingly makes false, material representations of fact in connection with an application for a registered mark.’” *Sovereign Military Hospitaller I*, 702 F.2d at 1289 (quoting *Angel Flight of Ga., Inc. v. Angel Flight Am., Inc.*, 522 F.3d 1200, 1209 (11th Cir.2008)). A party that raises fraud as the ground for cancellation must prove—by clear and convincing evidence—that the trademark holder fraudulently obtained its mark. *Id.* “Indeed, the very nature of the charge of fraud requires that it be proven to the hilt with clear and convincing evidence. There is no room for speculation, inference or surmise and, obviously, any doubt must be resolved against the charging party.” *In re Bose Corp*, 580 F.3d 1240, 1243 (Fed. Cir. 2009) (internal citation and quotations omitted).

“The type of fraud allegation that has given rise to the largest number of cases is the charge that registrant signed the application oath knowing of use of the mark by others.” 6 McCarthy on Trademarks and Unfair Competition § 31:75. “While such charges of fraud and nondisclosure have often been rejected, litigants continue to pursue them.” *Id. But see Angel Flight of Ga.*, 522 F.3d at 1211 (affirming district court’s cancellation of fraudulently obtained trademark where the

trademark holder testified that he was aware of other companies using the same name and the court inferred that the holder must also have been aware that those companies were able to use the mark).

Defendant's first cancellation argument is premised upon this often-rejected theory of fraud. Specifically, Defendant argues that Plaintiff's Marks should be cancelled because Plaintiff fraudulently concealed, from the trademark board, the fact that other companies named Pinnacle existed. (DE 271 at 22). To prevail using this theory of fraud, Defendant "would need to establish by clear and convincing evidence that [Plaintiff] knew or believed that another organization had a right to use the mark." *Progressive Emu Inc. v. Nutrition & Fitness, Inc.*, 655 F. App'x 785, 798 (11th Cir. 2016). Defendant argues that clear and convincing evidence that Plaintiff knew of other companies' ability to use the Pinnacle trademark existed because Plaintiff was aware of Defendant when it applied for the Marks. (DE 271 at 23). This argument fails because this lawsuit is based upon Plaintiff's allegations that Defendant is the junior user and, therefore, it is reasonable to infer that Plaintiff did not believe Defendant had the right to use the Pinnacle Mark.

Defendant's next fraud related argument is likewise unpersuasive. Defendant argues that, based upon Magnusson's testimony, Plaintiff was aware of several other companies using a Pinnacle name and "did not disclose any of them to the Patent and Trademark office at the time of filing its application." (*Id.*). Although this failure to disclose is certainly questionable (especially because Plaintiff's initial application was rejected), I do not find it to be clear and convincing evidence of Plaintiff's specific knowledge that other companies had the legal right to use the "Pinnacle" Mark. Accordingly, Defendant has not satisfied the substantial burden of establishing that Plaintiff fraudulently obtained the Marks.

## B. Distinctiveness of Plaintiff's Marks

Defendant also argues that the Marks are subject to cancellation because they are merely descriptive marks that have not acquired secondary meaning, meaning they cannot be distinctive marks. (DE 271 at 19-21).

### 1. *Applicable Legal Standard*

“Trademark or service mark protection is only available to ‘distinctive’ marks, that is, marks that serve the purpose of identifying the source of the goods or services.” *Welding Servs., Inc. v. Forman*, 509 F.3d 1351, 1357 (11th Cir. 2007) (citing *Two Pesos, Inc. v. Taco Cabana, Inc.*, 505 U.S. 763, 768–69 (1992)). “Some marks are inherently distinctive; some marks, though not inherently distinctive, acquire distinctiveness by becoming associated in the minds of the public with the products or services offered by the proprietor of the mark; and some marks can never become distinctive.” *Id.* (citing *Two Pesos*, 505 U.S. at 768–69). “Distinctiveness is a question of fact, whether the question is inherent distinctiveness or acquired distinctiveness.” *Id.* (citing *Investacorp, Inc. v. Arabian Inv. Banking Corp.*, 931 F.2d 1519, 1523 (11th Cir. 1991)).

“Traditionally, courts classify marks as belonging to one of four categories along a spectrum of strength according to their ‘distinctiveness.’” *Welding Serv., Inc. v. Forman*, 509 F.3d 1351, 1357 (11th Cir. 2007). From strongest to weakest, the categories of marks are: (1) arbitrary or fanciful; (2) suggestive; (3) descriptive; and (4) generic. *Id.* The Eleventh Circuit has explained:

An arbitrary or fanciful mark bears no logical relationship to the product or service it is used to represent. A suggestive mark refers to some characteristic of the goods, but requires a leap of the imagination to get from the mark to the product. A descriptive mark identifies a characteristic or quality of the service or product.

There are several different approaches to defining “generic.” By one test, a generic name refers to a particular genus or class of which an individual article or service is but a member. By another measure, a generic name is the term by which the product or service itself is *commonly* known. Still other courts say a generic name depicts the product or service as a whole, rather than any particular feature, quality,

or characteristic of the whole. Genericness lies not in the term itself, but in the use of the term: A word may be generic of some things and not of others: “ivory” is generic of elephant tusks but arbitrary as applied to soap.

*Id.* A generic mark is “incapable” of being distinctive, a descriptive mark may be distinctive, but “only if it acquires a secondary meaning”; and a suggestive or arbitrary mark achieves distinctiveness without any proof of secondary meaning. *Am. Television & Comm’n Corp. v. Am. Comm’n & Television, Inc.*, 810 F.2d 1546, 1548-49 (11th Cir. 1987).

A mark acquires secondary meaning when the “the primary significance of the [mark] in the minds of the consumer public is not the product but the producer.” *Id.* at 1549. To decide whether a mark has reached this benchmark, courts examine “(1) the length and manner of its use; (2) the nature and extent of advertising, promotion and sales; (3) the plaintiff’s efforts to promote a conscious connection in the public’s mind between the name and the plaintiff’s product or business; and (4) the extent to which the public actually identifies the name with the plaintiff’s product or venture.” *Id.* The spectrum-based approach is often referred to as the “Abercrombie test” because it derives from Judge Friendly’s opinion in *Abercrombie & Fitch Co. v. Hunting World, Inc.*, 537 F.2d 4 (2d Cir. 1976). In addition to the Abercrombie distinctiveness spectrum, the Eleventh Circuit advises courts to consider the extent of third-party use of the mark. *Frehling Ents., Inc. Int’l Select Grp., Inc.*, 192 F.3d 1330, 1336 (11th Cir. 1999). The fewer the additional users, the “more distinctive [is the mark], and therefore more easily recognized by consumers.” *Id.* The more users, the more difficult the mark is to recognize. *Fla. Int’l Univ. Bd. of Trustees v. Fla. Nat’l Univ., Inc.*, 830 F.3d 1242, 1257-58 (11th Cir. 2016).

## 2. *Application*

The two marks at issue both utilize the word “Pinnacle”; one of the Marks is just the word “Pinnacle,” (*see* Plaintiff’s Trial Exhibit 1), and the other Mark is also the “Pinnacle” word, but with this design:

**PINNACLE**

(DE 1-2). The definition of “Pinnacle” is 1) a lofty peak, or 2) the highest or culminating point, as of success, power, fame, etc. DICTIONARY.COM, <https://www.dictionary.com/browse/pinnacle> (last visited November 22, 2019).

Both Magnusson and Gary testified that they chose the names of their businesses because “Pinnacle” describes that they are striving to be at the top of their industry. In this regard, Magnusson asserted:

I chose Pinnacle Advertising and Marketing Group because I wanted to – I wanted my beliefs in my – what to strive for to be as an individual to reflect the name of my company. So Pinnacle Advertising was something that Pinnacle, meaning the top, you know, I want to be the best at what we do in our field. So that’s how I chose the name.

(DE 277-1 at 182:20-25, September 30 Trial Testimony). Pinnacle Florida’s counsel then asked if Magnusson was “using that name [Pinnacle] to describe where you wanted your company to be,” to which Magnusson responded “correct.” (*Id.* at 183:2-4). Gary similarly testified that he named his business Pinnacle because that word “symbolizes who you are, and being the top of the best of the best, and I use it all of the – I use it all of the time.” (DE 277-2 at 48:14-16, October 1 Trial Transcript).

Therefore, both Pinnacle Illinois and Pinnacle Florida chose their names to signify that they are each “at the top” or “peak” of their field. And that they both offer the best advertising

services. In other words, the “Pinnacle” mark merely “identifies a characteristic or *quality of the service* or product offered by each company.” *See Custom Mfg. and Engineering, Inc. v. Midway Servs., Inc.*, 508 F.3d 641, 648 n.8 (11th Cir. 2007) (“Custom is a purveyor of research and development, engineering, software, and manufacturing services tailored to the needs of its clients. It seems to us that the mark ‘Custom Manufacturing and Engineering,’ at worst, is a generic mark in the sense that its terms denote the ‘genus or class’ to which Custom’s goods and services belong; and, at best, *is descriptive of a characteristic or quality of the goods and services provided by Custom*, which would place it in the descriptive category.) (emphasis added); *see also* 2 McCarthy on Trademarks and Unfair Competition § 11.16 (“A term is ‘descriptive’ if it directly describes any of the goods or services with which it is used. . . . To be found ‘descriptive,’ a term need only describe a *single, significant quality* or feature of the goods or services.”) (emphasis added).

This brings us to the final issue—whether either or both of Pinnacle Illinois’s registered Marks acquired secondary meaning. As an initial, and quite important point, I note that there is substantial third-party use of the term and trademark “Pinnacle.” Both Magnusson and Pinnacle Florida’s expert (Malkiewicz) testified that over forty marketing and advertising companies with the Pinnacle name existed. (DE 277-1 at 205:21-25, September 30 Trial Transcript) (beginning of Magnusson’s relevant testimony); (DE 277-2 at 200:13-19) (“You know, one of the aspects of, you know, using Pinnacle Advertising even as a name as part of my expert report investigation, I’ve looked at, for example, the LexisNexus database of all active businesses in the United States, and I’ve identified 40 businesses that their names start with Pinnacle Advertising in virtually every single state in the United States.”).

Pinnacle Illinois also became aware of other “Pinnacle” businesses when it applied for its Marks. The Trademark Board initially refused Pinnacle Illinois’s application because of a

likelihood of confusion with the following marks: (1) “Pinnacle Performance Consulting Group in U.S. Registration No. 4352277”; (2) “Pinnacle Servicing Excellence in U.S. Registration No. 4650085”; and (3) “Pinnacle Sports Affiliates in U.S. Registration No. 3981274.” (Defendant’s Trial Exhibit 53 at PIL-000059). Each of these three companies offered, among other things, advertising services. (*Id.* at PIL-000061). Although these referenced trademarks included words in addition to “Pinnacle,” the Trademark Board found that the term “Pinnacle” was the dominant element in both Pinnacle Illinois’s submitted mark and the referenced companies’ already registered marks. (*Id.* at PIL-000060).

In addition to just advertising companies, the term “Pinnacle” has been trademarked (either alone or with additional words) 1,254 times. *See* TRADEMARK ELECTRONIC SEARCH SYSTEM, <http://tmsearch.uspto.gov> (last visited November 27, 2019).<sup>3</sup> These 1,254 results were returned after conducting a basic word search for the word “Pinnacle” on the Trademark Electronic Search System, as depicted below.

The screenshot shows the USPTO TESS search results page. At the top, it says "United States Patent and Trademark Office" and "Trademarks > Trademark Electronic Search System (TESS)". Below that, it indicates "TESS was last updated on Tue Nov 26 04:46:02 EST 2019". There are navigation links for "Home", "Site Index", "Search", "FAQ", "Glossary", "Guides", "Contacts", "eBusiness", "e03alerts", "News", and "Help". A "Logout" button is also present with the text "Please logout when you are done to release system resources allocated for you." Below the navigation links, it shows "Start" and "List At:" followed by "OR Jump" and "to record:" and "1254 Records(s) found (This page: 1 ~ 50)". There is a "Refine Search" section with a dropdown menu set to "(pinnacle)[COMB]" and a "Submit" button. Below that, it shows "Current Search: S1: [pinnacle][COMB] docs: 1254 occ: 2793". The main part of the screenshot is a table with 5 columns: "Serial Number", "Reg. Number", "Word Mark", "Check Status", and "Live/Dead". The table contains 10 rows of search results.

Serial Number	Reg. Number	Word Mark	Check Status	Live/Dead
1	88336725	PINNACLE NUTRA	TSDR	LIVE
2	88975556	5915022 JLG	TSDR	LIVE
3	88523891	SUPREME PINNACLE EMPIRE	TSDR	LIVE
4	88203255	PINNACLE HILL	TSDR	LIVE
5	88252432	5910255 PINNACLE	TSDR	LIVE
6	88575709	PPS PINNACLE PERPETUAL SERVICES	TSDR	LIVE
7	88675932	PINNACLE HOSPITALITY SYSTEMS	TSDR	LIVE
8	88369980	PINNACLE PERFORMANCE	TSDR	LIVE
9	88639686	PINNACLE BANK	TSDR	DEAD
10	88639591	PINNACLE BANK	TSDR	DEAD

<sup>3</sup>I may take judicial notice of records from the United States Patent and Trademark Office’s trademark database “TESS.” *See K.T. v. Royal Caribbean Cruises, Ltd.*, 931 F.3d 1041, 1048 (11th Cir. 2019) (Carnes, J., concurring); Fed. R. Evid. 201(b); *see also Terrebonne v. Blackburn*, 646 F.2d 997, 1000 n.4 (5th Cir. 1981) (en banc) (“Absent some reason for mistrust, courts have not hesitated to take judicial notice of agency records and reports.”); *In re PEC Sols., Inc. Sec. Litig.*, 418 F.3d 379, 388 & n.7, 390 & n.10 (4th Cir. 2005).

The significant amount of other Pinnacle companies, many of those who have likewise trademarked the word “Pinnacle,” diminishes the possibility that consumers seeking advertising services would associate the term “Pinnacle” with Pinnacle Illinois’s advertising company. Pinnacle Illinois’s argument that people within the industry, i.e. third-party consumers, associate the term “Pinnacle Advertising” with Pinnacle Illinois, *see* DE 277 at 21, is likewise unavailing. Pinnacle Illinois’s Marks are for the word “Pinnacle”—not for words “Pinnacle Advertising” or “Pinnacle Advertising and Marketing Group.” The few news articles highlighted by Pinnacle Illinois simply show that a few news outlets referred to them as Pinnacle Advertising. (*See generally* Plaintiff’s Trial Exhibit 22). Aside from the fact that these articles refer to Pinnacle Illinois as “Pinnacle Advertising” and not “Pinnacle,” the articles do not demonstrate that a significant amount (let alone a minor amount) of relevant third parties associate the registered Marks with Pinnacle Illinois.

I likewise find that application of other of the remaining *Abercrombie* factors, as articulated by Judge Friendly’s opinion in *Abercrombie & Fitch Co. v. Hunting World, Inc.*, weigh in favor of cancellation. The third factor, “the plaintiff’s efforts to promote a conscious connection in the public’s mind between the name and the plaintiff’s product or business,” for example, weighs in favor of cancellation because of the lack of evidence that Pinnacle Illinois actively promoted this conscious connection between its registered Marks and its business. Moreover, Pinnacle Illinois has not pointed to, and I have not found any record evidence supporting a finding that the term “Pinnacle” has acquired secondary meaning as it relates to Pinnacle Illinois. This task would surely be extremely difficult to accomplish, if not impossible, considering the number of businesses that have used Pinnacle in their names and/or trademarked the term “Pinnacle” (by itself or with other words identifying their respective businesses).

Finally, the “extent to which the public actually identified the name [“Pinnacle”] with the plaintiff’s product or venture,” weighs against Pinnacle Illinois. As Pinnacle Illinois told the Trademark Board in connection with that office’s initial rejection of the Pinnacle Mark, Pinnacle Illinois’s “clients are sophisticated and educated and would know exactly who and why they are hiring when hiring” Pinnacle Illinois. (Plaintiff’s Trial Exhibit 53 at PIL-000082). I agree that relevant consumers would not associate the term “Pinnacle” by itself with Pinnacle Illinois, meaning Pinnacle’s Marks have not acquired secondary meaning.

In sum, I conclude that Pinnacle Illinois’s Marks are descriptive and lack secondary meaning.<sup>4</sup> Because the Marks have been registered for less than five-years, they are subject to cancellation. Accordingly, I find in favor of Pinnacle Florida as to its cancellation Counterclaim and will cancel Pinnacle Illinois’s Marks.

### CONCLUSION

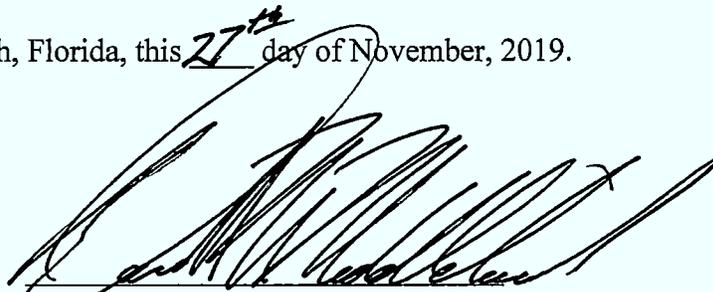
Accordingly, it is **ORDERED AND ADJUDGED** that:

- (1) Defendant’s Motion for Judgment as a Matter of Law, and/or in the Alternative, for new Trial, or Partial new Trial, or Remittitur (DE 271) is **GRANTED IN PART**.
- (2) Specifically, the Motion is **GRANTED** as to Defendant’s laches defense and cancellation Counterclaim. The Motion is otherwise **DENIED AS MOOT**.
- (3) Final Judgment will be entered by separate Order.

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<sup>4</sup>To the extent this finding may be inconsistent with the Jury’s verdict, I first note that it cannot be discerned one way or the other whether the jury made any specific finding that the trademark was distinctive. Regardless, however, the Parties jointly agreed that I would decide the cancellation Counterclaim. As a result, I have conducted this independent analysis and conclude that the Marks are descriptive and lack secondary meaning, which means they are subject to cancellation.

**SIGNED** in Chambers in West Palm Beach, Florida, this 27<sup>th</sup> day of November, 2019.

A handwritten signature in black ink, appearing to read 'Donald M. Middlebrooks', written over a horizontal line.

DONALD M. MIDDLEBROOKS  
UNITED STATES DISTRICT JUDGE