

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF KANSAS**

**UNIVERSITY OF KANSAS and KANSAS
ATHLETICS, INC.,**

Plaintiffs,

v.

**LARRY SINKS, VICTORY SPORTSWEAR,
LLC and LARRY SINKS ENTERPRISES,
INC., and CLARK ORTH (COLLECTIVELY
D/B/A JOE-COLLEGE.COM)**

Defendants.

Case No. 2006-CV-2341 JAR

**DEFENDANTS' MOTION TO RECONSIDER MEMORANDUM AND ORDER
DATED SEPTEMBER 28, 2009 GRANTING
PLAINTIFFS' MOTION FOR ATTORNEYS FEES AND EXPENSES**

The defendants, Larry Sinks, Victory Sportswear, LLC, Larry Sinks Enterprises, Inc. and Clark Orth (collectively "Sinks"), pursuant to FED. R. CIV. P. 59(e) and D. KAN. RULE 7.3, request that the Court reconsider its Memorandum and Order dated September 28, 2009 ("the Fee Award").

Introduction

Motions for reconsideration of dispositive orders are reviewed under FED. R. CIV. P. 59(e) or 60. *Rural Water Dist. No. 4 v. City of Eudora, Kan.*, 2009 WL 1360182 (D. Kan. 2009).

Where the moving party has filed the motion within ten days, the Court construes it as a motion for reconsideration under FED. R. CIV. P. 59(e). Under Rule 59(e), the Court may alter or amend its judgment based on an intervening change in the law, the availability of new evidence that could not be obtained previously through the exercise of due diligence, or the need to correct clear error or to prevent manifest injustice. A motion to reconsider is not a time for the party to

rehash old arguments or present legal issues and facts that could have been presented earlier. *Id.*

A motion to reconsider is appropriate where the court has misapprehended the facts, or made findings of facts that are not supported by the record. *U.S. v. Martin*, 2009 WL 905620 (D.

Kan. 2009). It is not proper, however, if the defendant merely seeks a second bite at the apple. *Id.*

Whether to grant a motion to reconsider is within the court's discretion. *Id.*

Sinks requests that the Court reconsider its recent ruling in which the Court found that this was an exceptional case under 15 U.S.C. 1117(a) (“Section 1117(a)”) and awarded plaintiffs University of Kansas and Kansas Athletics, Inc. (collectively “KU”) the sum of \$667,507.42 in attorneys’ fees and expenses. Sinks requests that the Court reconsider its conclusion that any award of fees is appropriate, either pursuant to Section 1117(a) or pursuant to K.S.A. § 81-215. For the reasons set forth below, Sinks respectfully submits that the Court misapprehended the facts, made findings of facts that are not supported by the record, and that reconsideration is warranted to correct clear error or to prevent manifest injustice.

Standard of Proof

The Fee Award discusses, but does not resolve, the issue of what the standard of proof should be applied to the Court’s determination of whether this is an “exceptional case” in which an award of fees is available. The Court states that it is “not persuaded” that plaintiffs must show that the case is exceptional by clear and convincing evidence, and notes that the cases cited by Sinks in his opposing memorandum are from outside the Tenth Circuit. Without resolving the issue, the Court concludes that defendants’ trademark infringement was willful and deliberate “under either a clear and convincing evidence or preponderance of the evidence standard”. *Fee Award*, at 5.

While the Tenth Circuit has not yet determined that a Lanham Act plaintiff is required to show that a case is “exceptional” by clear and convincing evidence, at least one district court in the Tenth Circuit has adopted the “clear and convincing” standard to determine whether a case is exceptional under Section 1117(a). In *Hammerton, Inc. v. Heisterman*, 2008 WL 4057010 (D. Utah 2008), the district court stated:

There is some question as to the burden of proof on a request for attorney fees under the Lanham Act. Plaintiff contends Defendants must prove that the case is exceptional by clear and convincing evidence. The Tenth Circuit cases elucidating the standards above do not address the proper level of proof required. However, in the recent case of *Icon Health & Fitness, Inc. v. Nautilus Group, Inc.*, this Court employed the clear and convincing standard to claims for attorney fees under both the Lanham Act and the Patent Act. This makes sense as it is well established that claims for attorney fees under the Patent Act, which likewise provides for attorney fee awards in “exceptional cases,” must be proven by clear and convincing evidence. Following this persuasive opinion, the Court will apply the clear and convincing standard to Defendants' request for attorney fees under § 1117(a).

Id., at *4. Defendants’ counsel has been unable to locate any decisions which hold that the exceptional nature of a case under Section 1117(a) need only be shown by a preponderance of the evidence.

Various definitions of “clear and convincing evidence” exist. See NINTH CIRCUIT MODEL CIVIL JURY INSTRUCTIONS, 1.4 (“When a party has the burden of proving any claim or defense by clear and convincing evidence, it means you must be persuaded by the evidence that the claim or defense is highly probable.”); *Colorado v. New Mexico*, 467 U.S. 310, 316 (1984) (describing “clear and convincing evidence” as that which “could place in the ultimate factfinder an abiding conviction that the truth of its factual contentions are ‘highly probable’ or that which “instantly tilted the evidentiary scales in the affirmative when weighed against evidence offered in opposition”). Defendants submit that the evidence in this case falls far short of the “clear and convincing” standard.

The distinction between a preponderance and clear and convincing is critical insofar as the weight to be given the jury verdict. The jury's finding of willfulness was based on a preponderance, and if the exceptional case issue is governed by the clear and convincing standard, the jury verdict becomes relatively unimportant. A finding of willfulness for purposes of liability does not equate to a finding of an "exceptional case" and a jury instruction that does not set forth the required degree of culpability cannot be used to render a case "exceptional." *Texas Pig Stands v. Hard Rock Café Intern.*, 951 F.2d 684, 696-97 (5th Cir. 1992).

While the Court cites *Post Office v. Portec, Inc.*, 913 F.2d 802 (10th Cir. 1990) as legal authority for Fee Award, that decision was vacated and remanded by the Supreme Court. 499 U.S. 915 (1991). Upon remand, the Tenth Circuit vacated its opinion and remanded the case to the district court with instructions to dismiss the case. 935 F.2d 1105 (10th Cir. 1991). A decision that has been vacated has no precedential value whatsoever. *See Franklin Sav. Ass'n. v. Office of Thrift Supervision*, 35 F.3d 1466, 1469 (10th Cir.1994) ("A judgment that has been vacated, reversed, or set aside on appeal is thereby deprived of all conclusive effect, both as res judicata and as collateral estoppel.")

Sinks Did Not Intentionally Infringe KU's Trademarks

The Fee Award states that "plaintiff's counsel elicited testimony from defendants Sinks and Orth that they used the KU marks on infringing T-shirt designs with the intent to appeal to KU fans. Sinks repeatedly testified that he chose to design the T-shirts with the various KU Marks in order to refer to KU and to appeal to KU fans." *Fee Award*, at 4. In support of this statement, the Court cites to testimony from Sinks that he selected the word "Hawks" and the colors crimson and blue "so that it would appeal to KU fans." Doc. 335, at pp. 123-24. The

Court appears to have conflated two related, but distinct, concepts: (1) plaintiff's trademarks, and (2) other non-trademark words and design elements which refer to plaintiff but do not necessarily constitute trademarks. The word "Hawks" and the colors crimson and blue do not constitute trademarks of the plaintiff, and Sinks admission that he used this "color scheme and verbiage so that it would appeal to KU fans" is not an admission that he used "KU Marks in order to refer to KU and appeal to KU fans."

Following the jury's verdict, KU filed a motion for judgment as a matter of law on the secondary meaning of the crimson-and-blue color scheme and the inherent distinctiveness of plaintiff's word marks, including the words "Hawk" and "Hawks" (Doc. 323). KU contended that the evidence established – as a matter of law – that the crimson and blue color scheme had acquired secondary meaning prior to January 2006. The Court denied KU's motion, finding that the evidence was not so one-sided that the jury could have reached no other conclusion. The Court further found that it was impossible to know whether the jury's verdict (finding that approximately $\frac{3}{4}$ of the allegedly infringing t-shirts were not infringing) was based on the jury's finding that the crimson and blue color scheme had not acquired secondary meaning, or whether the verdict was based on the jury's finding that defendant's t-shirts were not likely to cause confusion in the marketplace. (Doc. 362, at 11).

KU also contended that the Joe College t-shirts which used the word "Hawk" or "Hawks" infringed KU's Jayhawk mark because the terms "Hawk" and "Hawks" were a shorthand reference to KU's Jayhawk mark. (Doc. 347, at 13). However, the fact that Sinks may have used the words "Hawk" or "Hawks" as a means of referring to KU does not necessarily lead to the conclusion that the terms "Hawk" and "Hawks" are KU's trademarks. As the Court noted in its order denying KU's Rule 50 motion with regard to the t-shirts which used the term "Hawk"

and “Hawks”, Sinks testified that a Joe College t-shirt which included the word “Hawk” “does not include any of [the KU] trademarks”. (Doc. 362, at 16). The Court stated that

The Court finds that this testimony falls short of conclusive evidence of an intent to infringe on the “Jayhawk” mark such that judgment is appropriate with regard to those T-shirts. **While plaintiffs are correct that it is evidence of intent, the jury could have just as reasonably concluded that defendants used the term “Hawk(s)” to specifically avoid infringing on the “Jayhawk” mark.**

Id. (emphasis added).

While Sinks readily admitted that he used the words “Hawk” and the crimson and blue color scheme to appeal to KU fans, he also testified that he did so because he did not believe that these terms were protected as trademarks. And this belief is reasonable, because KU admitted that it had never filed an application to register its crimson and blue color scheme as a trademark, *Testimony of Paul Vander Tuig*, Vol. 2, at 275. Mr. Vander Tuig further testified that he could only recall one time that KU had used the word “Hawk” as a reference to the university or its activities, and that one occasion was the term “Hawk Week”, an orientation for KU freshmen that took place in the fall of 2006. *Id.* at 243-44.

While Sinks admitted that he wanted to produce products that appealed to KU fans, the Court should not infer that Sinks also intended to “pass off” his goods as KU merchandise. To the contrary, Sinks went to great lengths to inform his customers that the Joe College products were not official KU merchandise. Sinks testified that he posted disclaimers in the display windows that could be seen by pedestrians, posted disclaimers all over his store, posted disclaimers on his website, and even printed a disclaimer on the credit card agreement that customers were required to sign which acknowledged that they understood that none of the t-shirts in the store were licensed or approved by Kansas, and that none of the profits from the sale of the t-shirts went to Kansas. *Testimony of Larry Sinks*, July 9, 2008, at 141-155. While

plaintiffs contended that these disclaimers were not effective to dispel consumer confusion, the disclaimers are powerful evidence that Sinks did not intend to pass off his t-shirts as KU merchandise.

Sinks Relied on Legal Advice That His Shirts Did Not Infringe.

Sinks also testified that his belief that the words “Hawk” and the crimson and blue color scheme were not protected as trademarks was premised on advice he received from his attorney, Bill Skepnek. Sinks testified that the first notification he had that KU contended that any of the Joe College T-shirts were infringing was a cease and desist letter which Sinks received from Lew Perkins, KU’s Athletic Director. Sinks testified that he showed the letter to Skepnek, and that Skepnek reviewed all of the t-shirts that Sinks was selling at that time. Skepnek advised Sinks that four or five of the t-shirts which Sinks was producing displayed Kansas trademarks, and advised Sinks that he should cease production of those shirts. Skepnek advised Sinks that the remaining t-shirts which Sinks was manufacturing did not display any Kansas trademarks, and that he was lawfully entitled to continue manufacturing and selling those t-shirts. Sinks immediately ceased manufacturing the t-shirts which Skepnek told him were infringing, and continued to manufacture and sell the t-shirts which Skepnek told him were non-infringing.

Testimony of Larry Sinks, July 9, 2008, at 120-22.

The Tenth Circuit has held that “under certain circumstances, a party's reasonable reliance on the advice of counsel may defuse otherwise wilful conduct”. *Takecare Corp. v. Takecare of Oklahoma, Inc.*, 889 F.2d 955, 957 (10th Cir. 1989). “[I]f a client seeks counsel's advice in a timely manner, makes adequate disclosure to counsel, receives counsel's opinion and then acts upon it, surely the Chancellor must pause before branding the client as a wilful, deliberate, fraudulent commercial thief....” (*quoting Cuisinarts, Inc. v. Robot-Coupe Int'l Corp.*,

580 F. Supp. 634, 638 (S.D.N.Y.1984)). Sinks should not be penalized for following the advice of legal counsel, particularly where that legal advice turned out to be correct with regard to approximately 75% of the t-shirts which KU claimed were infringing.

Sinks Was Also a Prevailing Party

While the Fee Award mentions that the jury found that only 53 of 206 t-shirts either infringing or diluted KU's trademarks, the Court appears to have given little weight to that aspect of the jury verdict, focusing instead on the fact that the jury found "all three defendants liable on each of the six claims." *Fee Award*, at 2. Sinks respectfully submits that the fact that the jury found only 53 of 206 t-shirts to be either infringing or diluting is a very significant aspect of the jury verdict. KU asserted broad claims of trademark protection in the crimson and blue color scheme when used on apparel which referred to KU. Sinks successfully defended KU's attempts to prevent him from manufacturing and selling the vast majority of the t-shirts at issue. Sinks' success in defending the overly broad claims asserted by KU is a significant victory, and should demonstrate that Sinks' defense of KU's claims was not only asserted in good faith, but that the jury agreed that his defense was legitimate with regard to 153 out of 206 allegedly infringing t-shirts.

As the Court has noted, it is possible that the jury rejected KU's claims on the 153 non-infringing shirts because KU failed to prove that it was entitled to assert the common law trademark rights which it claimed. It is also possible that the jury rejected KU's claims on the 153 non-infringing t-shirts because KU failed to show that Sinks infringed those rights. Regardless of the logic which supports the jury verdict, the result is the same. The jury found that Sinks was entitled to manufacture and sell approximately 75% of the t-shirts which KU claimed to be infringing. The jury also rejected KU's request to impose punitive damages

against Sinks. KU asserted 6 claims for relief against three defendants as to each of the 153 non-infringing t-shirts, resulting in 2,754 discreet claims for relief as to which Sinks was the prevailing party.

Conclusion

This case was not a one-sided victory for KU. One need only review KU's post-trial motions for judgment as a matter of law or the Docketing Statement filed by KU in the Tenth Circuit to be reminded of the limited success which KU achieved in this case, notwithstanding the fact that "defendants' counsel was by all accounts out-manned and out-papered by plaintiffs' counsel" resulting in an "obvious and intense imbalance of representation". *Fee Award*, at 17.

The jury verdict, however, was balanced. While the jury found that KU was entitled to recover on approximately one fourth of the shirts at issue, the jury rejected KU's claims regarding the remaining shirts, and in doing so, sent a message that it Joe College should remain in business. Ironically, by awarding KU \$667,507.42 in attorneys' fees and expenses, the Court may have delivered a crushing blow to defendants from which there is no possibility of recovery. The Fee Award is the legal and economic equivalent of the death penalty for Joe College.

The evidence in this case supports a finding that Sinks' acts of infringement were the result of his belief that KU did not own the broad common law trademark rights which KU claimed to own. Sinks sought legal advice to help him understand whether KU's claims were legitimate, and Sinks followed his attorney's advice. KU filed this lawsuit claiming that over 200 t-shirts were infringing, and Sinks was the prevailing party on approximately 3 out of 4 t-shirts. Sinks respectfully requests that the Court reconsider all of the facts and circumstances of this case, and that the Court vacate the Fee Award to KU.

Respectfully submitted,

By: /s/ Cody G. Robertson
Cody G. Robertson - #22945
Goodell Stratton Edmonds & Palmer LLP
515 South Kansas Avenue
Topeka, Kansas 66603
785-233-0593
Fax: 785-233-8870
crobertson@goodellstrattonlaw.com

-and-

James W. Tilly - OBA # 9019
The Tilly Law Firm
1639 South Carson Avenue
Tulsa, Oklahoma 74119-4215
918-583-8868
Fax: 918-584-3162
jwtilly@tilly.com

Attorneys for Defendants Larry Sinks,
Victory Sportswear, LLC, Larry Sinks
Enterprises, Inc.

CERTIFICATE OF SERVICE

I hereby certify that on October 8, 2009, I electronically filed the foregoing with the clerk of the court by using the CM/ECF system which will send a notice of electronic filing to the following:

Alicia Grahn Jones
Jerre B. Swann
R. Charles Henn, Jr.
William H.I Brewster
Kilpatrick Stockton LLP-Atlanta
1100 Peachtree St #2800
Atlanta, GA 30309

Douglas M. Greenwald
McAnany Van Cleave & Phillips, PA-KCK
707 Minnesota Avenue #400
PO Box 171300
Kansas City, KS 66117
Attorneys for University of Kansas, Kansas Athletics, Inc.

Douglas M. Greenwald
McAnany Van Cleave & Phillips, PA-KCK
707 Minnesota Avenue #400
PO Box 171300
Kansas City, KS 66117
Attorneys for Collegiate Licensing Company

I further certify that I mailed the foregoing document and the notice of electronic filing by first-class mail to the following non-CM/ECF participants:

None.

/s/ Cody G. Robertson

Cody G. Robertson - #22945