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APPROVAL OF THE APPELLATE DIVISION

SUPERIOR COURT OF NEW JERSEY  
APPELLATE DIVISION  
DOCKET NO. A-1978-13T3

HACKENSACK UNIVERSITY MEDICAL  
CENTER,

Plaintiff-Respondent,

v.

BEYOND ORGANIC SPA, INC.,

Defendant-Appellant.

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Argued January 5, 2015 – Decided September 4, 2015

Before Judges Simonelli, Guadagno and Leone.

On appeal from the Superior Court of New Jersey, Law Division, Bergen County, Docket No. L-4381-11.

Anastasia P. Winslow argued the cause for appellant.

Ira J. Hammer and John D. McCarthy argued the cause for respondent (Schenck, Price, Smith & King, LLP, attorneys; Mr. Hammer, of counsel and on the brief; Mr. McCarthy, on the brief).

PER CURIAM

This matter involves a trademark infringement dispute between two competing spas in Bergen County. Defendant Beyond Organic Spa, Inc. (BOSI) appeals from several Law Division orders, which denied its motions for: leave to file a

counterclaim and assert defenses; discovery sanctions; summary judgment; and recusal of the trial judge. BOSI also appeals from the November 14, 2013 order, which restrained BOSI from using the word "Beyond" in conjunction with its spa. For the reasons that follow, we affirm all orders.

I.

We derive the following facts from the record developed during the four-day bench trial. Since 2000, plaintiff Hackensack University Medical Center (HUMC) has owned and operated a spa in Hackensack named "BEYOND." On August 7, 2000, HUMC registered and became the owner of a New Jersey trademark registration for the mark "BEYOND." The mark consists of the word "BEYOND" with leaves in the background between the "Y" and "O." HUMC has continuously maintained its trademark registration since that time.

BEYOND provided spa services, such as facials, massages, body treatments, manicures, and pedicures, and related goods. BEYOND also offered medical spa services by cross-marketing with other departments in HUMC, such as the Center for Cosmetic Surgery (CCS). The CCS is located across the hall from BEYOND, and BEYOND directed its clients to CCS for treatments such as Botox and Restylane.

According to BEYOND's operation manager, Diane Canaff, HUMC expended an enormous amount of time and money to develop the "BEYOND" mark. HUMC retained Behrman Communications, a public relations firm known in the spa and beauty industry, to establish and brand the "BEYOND" mark and develop the distinct brand and mark in the tri-state area. Between 2001 and 2010, HUMC paid Behrman approximately \$1.4 million for its services.

HUMC aggressively marketed BEYOND in the entire tri-state area. HUMC had numerous events and press releases, retained celebrity and professional athlete endorsements, and advertised in nationwide magazines, such as InStyle, Vogue, Lucky, Allure, New Jersey Bride, and The New York Times. HUMC also frequently advertised BEYOND in local newspapers, through social media, and with "e-mail blasts." Since BEYOND's inception, HUMC spent approximately \$2 million in advertising and marketing.

In mid-2008, Kamel Terki and his wife formed BOSI, which owned and operated a day spa named BEYOND ORGANIC, which operated locally in Edgewater. BEYOND ORGANIC provided services substantially similar to those BEYOND provided, such as manicures, pedicures, massages, facials, waxing, eyelash services, and eyebrow tinting, using products and services that were natural, organic, and devoid of any harmful chemicals. Terki claimed that he consulted an accountant and attorney to

assist in searching for the availability of the name BEYOND ORGANIC, and alleged that no conflicts were found. Terki also claimed he had personally searched the United States Patent and Trademark Office and New Jersey Trademark database between 2008 and 2009, found no conflicts with the name BEYOND ORGANIC, and was unaware that HUMC was operating BEYOND in nearby Hackensack.

On March 30, 2010, BOSI registered and became the owner of a federal trademark registration for the mark "BEYOND ORGANIC." The mark consists of the words "BEYOND ORGANIC" a floral design forming the "O." On December 16, 2011, BOSI became owner of a State trademark registration for the same mark.

Between June 2008 and April 2011, BEYOND ORGANIC advertised on the internet through websites such as Google and Facebook. In April 2011, BEYOND ORGANIC started a Groupon advertising campaign, which was posted on the internet and emailed directly to Groupon members, offering them the opportunity to purchase a Groupon for discounted spa services at the spa.

On April 6, 2011, Fiona Stephan, a nurse manager in HUMC's plastic surgery department, received an email from Groupon to purchase a Groupon for discounted services at BEYOND ORGANIC. She became confused because she did not know that HUMC had opened a new spa in Edgewater, and spoke to BEYOND's director,

Jane Hubble, about the Groupon. Hubble reported the Groupon offer to HUMC's legal department.

From April 2011 and throughout this litigation, some of BEYOND's customers came to the spa for spa treatments mistakenly believing they had a Groupon for that spa. BEYOND's coordinator, Lynn Distel, testified that on a weekly basis, customers became angry and displeased to learn that the Groupon was for BEYOND ORGANIC, not BEYOND. She sometimes honored the Groupon to remediate the situation and avoid further conflict. Distel and Canaff testified that they each interacted with at least twenty BEYOND customers who were confused by BEYOND ORGANIC and the Groupon. Hubble, who witnessed several incidents, testified that sometimes confused customers became "irate."

Distel specifically recalled one incident, involving a BEYOND customer who created a scene at the spa because her husband purchased a gift certificate, but it was for BEYOND ORGANIC. This incident disrupted BEYOND's atmosphere, which was intended to be "nice, quiet, serenity . . . relaxation."

Canaff also witnessed this incident and recalled a similar incident in 2011 where another customer became "irate" because she believed she had an appointment at BEYOND when she actually

had scheduled an appointment with BEYOND ORGANIC under the mistaken belief that it was with BEYOND.

Distel and Canaff noticed a "falling off" of customers "coming in the door" of BEYOND ever since BEYOND ORGANIC initiated the Groupon campaign in 2011. Distel elaborated that BEYOND's business "slowed down," with fewer appointments and "walk throughs." Canaff indicated that business "severely dropped." Canaff testified that in 2010, BEYOND had \$1,304,454 in sales, but sales dropped to \$1,213,543 in 2011, and then to \$1,170,186 in 2012.

Distel and Hubble testified that throughout this litigation, the confusion between BEYOND and BEYOND ORGANIC "snowballed" and was "continuous." Hubble testified that she was concerned about the confusion BEYOND ORGANIC generated because it could potentially sabotage HUMC's plan to open another BEYOND spa in Maywood.

HUMC sent BOSI two cease and desist letters, to which BOSI did not respond. On May 19, 2011, HUMC filed a verified complaint against BOSI, alleging statutory and common law trademark infringement claims; statutory and common law unfair competition claims; and unjust enrichment. Two years later, and shortly before the trial, BOSI filed the first of three motions seeking leave to file a counterclaim, which the court denied in

orders dated May 24, 2013, June 21, 2013 and July 26, 2013, respectively.

On August 14, 2013, BOSI filed a complaint against HUMC in the United States District Court for the District of New Jersey, alleging trademark infringement, false advertising, and unfair competition. BOSI asserted that HUMC's actions created confusion. BOSI voluntarily withdrew this complaint on September 4, 2013.

Following a bench trial, in a written opinion, the trial judge first found Terki's testimony not credible. The judge then found that: BOSI's "BEYOND ORGANIC" mark was "remarkably similar" to HUMC's much older "BEYOND" mark; following the Groupon campaign, "[c]onfusion became rampant with customers demanding extremely discounted services" from BEYOND; and BOSI's actions were intentional to trade off on the goodwill and reputation that HUMC had previously built on the BEYOND trademark.

The judge held that: HUMC's "BEYOND" mark was valid and legally protectable; HUMC's use of the word "Beyond" fell within the arbitrary or fanciful trademark class; even without federal registration HUMC was entitled to protection as a "senior user" of the mark because HUMC penetrated the marketplace; HUMC demonstrated the volume of sales of spa services as well as the

growth trends in the spa industry for northern New Jersey; HUMC established the number of customers purchasing BEYOND'S services in relation to its potential market; and HUMC clearly showed the tremendous amount of advertising effort it had made in the tri-state and northern New Jersey area.

The judge held there was a high likelihood of confusion, as evidenced by the numerous incidents of confusion among BEYOND'S customers and that BOSI's use of the word "Beyond" was problematic because HUMC's "strong mark" would be improperly associated with an inferior and altogether different experience over which HUMC had no control. The judge also held that overall, BOSI's much later filing of the "BEYOND" mark as a deferral registration, even though just a local day spa, was a belated attempt to hijack HUMC's earlier protected mark. Thus, the judge permanently enjoined BOSI from using the word "Beyond" in conjunction with its spa services.

## II.

BOSI first contends that the judge erred in restraining it from using the word "Beyond" because the judge could not bar BOSI from using the word in its common, dictionary sense. BOSI asserts that the word "Beyond" is generic, and means simply "more than" or "surpassing." Thus, BOSI argues that the judge erroneously found the word "Beyond" was arbitrary and used



without secondary meaning, and improperly focused on HUMC's use of the word. BOSI asserts that instead, the judge should have focused on BOSI's use of the word, which was descriptive, and should have considered extensive third-party use.

BOSI also argues that the judge made no factual findings on the secondary meaning of the word "Beyond," and HUMC proffered insufficient evidence to meet the high burden necessary to warrant an injunction. BOSI posits there was no evidence that the word had independent recognition and significance in the eyes of the consuming public.

Our review of a trial court's fact-finding in a non-jury case is limited. Seidman v. Clifton Sav. Bank, S.L.A., 205 N.J. 150, 169 (2011). "'The general rule is that findings by the trial court are binding on appeal when supported by adequate, substantial, credible evidence. Deference is especially appropriate when the evidence is largely testimonial and involves questions of credibility.'" Ibid. (quoting Cesare v. Cesare, 154 N.J. 394, 411-12 (1998)). We "should not disturb the factual findings and legal conclusions of the trial judge unless [we are] convinced that they are so manifestly unsupported by or inconsistent with the competent, relevant and reasonably credible evidence as to offend the interests of justice." Ibid. (internal quotation marks omitted). However,

we owe no deference to a trial court's interpretation of the law, and review issues of law de novo. Sipko v. Koger, Inc., 214 N.J. 364, 379 (2013). We also review mixed questions of law and fact de novo. In re Malone, 381 N.J. Super. 344, 349 (App. Div. 2005). Applying these standards, we discern no reason to disturb the judge's decision.

To prove trademark infringement, whether under the common law or under the Lanham Act, 15 U.S.C.A. § 1051 to § 1141n, the plaintiff must show that: (1) its mark is valid and legally protectable; (2) it owns the mark; and (3) defendant's use of a similar mark is likely to create confusion concerning the origin of their goods and services. Fisons Horticulture, Inc. v. Vigoro Indus., Inc., 30 F.3d 466, 472 (3d Cir. 1994).

(1) HUMC's "Beyond" Mark is Valid and Legally Protectable

For the first element of the trademark infringement test, if a mark is not federally registered, "[t]he general rule regarding distinctiveness is clear: An identifying mark is distinctive and capable of being protected if it either (1) is inherently distinctive or (2) has acquired distinctiveness through secondary meaning." Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763, 769, 112 S. Ct. 2753, 2758, 120 L. Ed. 2d 615, 624 (1992).

Inherently distinctive marks are legally distinguishable from marks that acquire "secondary meaning." Wal-Mart Stores, Inc. v. Samara Bros., Inc., 529 U.S. 205, 210-11, 120 S. Ct. 1339, 1343, 146 L. Ed. 2d 182, 188-89 (2000). To determine whether a mark is inherently distinctive, the mark must be categorized into one of the five classes: (1) generic; (2) descriptive; (3) suggestive; (4) arbitrary; or (5) fanciful. Two Pesos, supra, 505 U.S. at 768, 112 S. Ct. at 2757, 120 L. Ed. 2d at 623. "Placement of a term on the fanciful-suggestive-descriptive-generic continuum is a question of fact." In re Dial-A-Mattress Operating Corp., 240 F.3d 1341, 1344 (Fed. Cir. 2001).

The latter three categories (suggestive, arbitrary, and fanciful) "are deemed inherently distinctive and are entitled to protection," because "their intrinsic nature serves to identify a particular source of a product." Two Pesos, supra, 505 U.S. at 768, 112 S. Ct. at 2757, 120 L. Ed. 2d at 624. The classes of "arbitrary" and "fanciful" refer to marks that by their ordinary meaning do not indicate the product or service. Wal-Mart Stores, supra, 529 U.S. at 210-11, 120 S. Ct. at 1343, 146 L. Ed. 2d at 188-89. For example, "Camel" cigarettes and "Kodak" film are considered arbitrary and fanciful marks, respectively. Ibid.

Similarly, a mark is suggestive if it "'suggests the product, though it may take imagination to grasp the nature of the product.'" Estee Lauder, Inc. v. Gap, Inc., 108 F.3d 1503, 1509 (2d Cir. 1997) (quoting Gruner + Jahr U.S. Publ. v. Meredith Corp., 991 F.2d 1072, 1075 (2d Cir. 1993)). "A term that is merely self-laudatory, such as 'plus' or 'super,' seeking to convey the impression that a product is excellent or of especially high quality, is generally deemed suggestive." Ibid. Suggestive marks, such as "Tide" laundry detergent, receive the same "inherently distinctive treatment." Wal-Mart Stores, supra, 529 U.S. at 210-11, 120 S. Ct. at 1343, 146 L. Ed. 2d at 188-89.

By contrast, descriptive marks<sup>1</sup> are not inherently distinctive because they are used to communicate details of the product and not to inherently identify a particular source. Two Pesos, supra, 505 U.S. at 768, 112 S. Ct. at 2757, 120 L. Ed. 2d at 624. "A mark is merely descriptive if it consists merely of words descriptive of the qualities, ingredients or characteristics of the goods or services related to the mark." DuoProSS Meditech Corp. v. Inviro Med. Devices, Ltd., 695 F.3d

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<sup>1</sup> The best examples of descriptive marks are colors: "no mark [based strictly on color] can ever be inherently distinctive." Wal-Mart Stores, supra, 529 U.S. at 211, 120 S. Ct. at 1344, 146 L. Ed. 2d at 89.

1247, 1251 (Fed. Cir. 2012) (internal quotation marks omitted). To be descriptive, the mark must "'convey[] information regarding a function, or purpose, or use of the goods.'" Ibid. (quoting In re Abcor Dev. Corp., 588 F.2d 811, 813 (C.C.P.A. 1978)). Accordingly, a descriptive mark "'conveys an immediate idea of the ingredients, qualities or characteristics of the goods.'" Id. at 1252 (quoting Abcor, supra, 588 F.2d at 814).

However, a descriptive mark "may acquire the distinctiveness which will allow [it] to be protected under the [Lanham] Act," if it "'become[s] distinctive of the applicant's goods in commerce.'" Two Pesos, supra, 505 U.S. at 769, 112 S. Ct. at 2757, 120 L. Ed. 2d at 624 (quoting 15 U.S.C.A. § 1052(e)-(f)). This acquired distinctiveness is referred to as "secondary meaning." Ibid. "Secondary meaning" means the descriptive mark, over time, began to indicate the product's origin, and customers thereafter treated the particular descriptive mark, such as a color, as signifying the specific brand or product's source. Wal-Mart Stores, supra, 529 U.S. at 211-12, 120 S. Ct. at 1344, 146 L. Ed. 2d at 190. The "secondary meaning" requirement only applies to descriptive marks; if the mark is inherently distinctive, "proof of secondary meaning is not required to prevail on a claim under §

43(a) of the Lanham Act." Two Pesos, supra, 505 U.S. at 776, 112 S. Ct. at 2761, 120 L. Ed. 2d at 628.

Here, there is substantial evidence in the record to support the judge's finding that HUMC's use of the "BEYOND" mark fell within the "arbitrary" category. Dial-A-Mattress, supra, 240 F.3d at 1344; Sipko, supra, 214 N.J. at 376. The ordinary use and meaning of the word "beyond" does not suggest or relate to, in any sense whatsoever, the products or services associated with a day spa.<sup>2</sup> Accordingly, the use of the word "Beyond" is inherently distinctive, and therefore no proof of secondary meaning is required. Two Pesos, supra, 505 U.S. at 776, 112 S. Ct. at 2761, 120 L. Ed. 2d at 628. Therefore, HUMC's "BEYOND" mark is valid and legally protectable, and not subject to a "secondary meaning" analysis.

BOSI attempts to avoid this result by arguing that the judge barred its use of the word "Beyond" in the descriptive, laudatory sense. BOSI asserts the Fair Use defense, and argues that because it used the word descriptively, rather than arbitrarily, HUMC had to prove secondary meaning. This position lacks merit because BOSI equates its mark with a use, and, at

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<sup>2</sup> See Merriam-Webster's Collegiate Dictionary, 109 (10th ed. 1997) defining the word "beyond" as "on or to the farther side," "to or until a later time," and "in addition."

best, its use of the word "Beyond" is suggestive, which is inherently distinctive.

Under the Fair Use defense, regardless of what category into which the protected mark falls, "the public's right to use descriptive words or images in good faith in their ordinary descriptive sense must prevail over the exclusivity claims of the trademark owner." Car-Freshner Corp. v. S.C. Johnson & Son, 70 F.3d 267, 269 (2d Cir. 1995) (holding the pine-tree shape of a car freshener was sufficiently descriptive of the car freshener to fall within the Fair Use defense). "[F]air use is established where 'the use of the name, term, or device charged to be an infringement is a use, otherwise than as a mark, . . . which is descriptive of and used fairly and in good faith only to describe the goods or services of . . . [a] party, or their geographic origin.'" Ibid. (alterations in original). However, this principle only applies to marks "consisting of terms or images with descriptive qualities . . . because only such terms or images are capable of being used by others in their primary descriptive sense." Ibid. The defendant must be "using the protected word or image descriptively, and not as a mark." Ibid.

Because BOSI used the word "Beyond" as a mark, not a description, the Fair Use defense does not apply. In both

HUMC's and BOSI's marks, the word "Beyond" falls within the class of arbitrary. In "BEYOND ORGANIC," the word "Beyond" does not convey information regarding ingredients, functions, purpose, use, quality, or characteristics of BOSI's spa products or services. DuoProSS Meditch, supra, 695 F.3d at 1251. While the word "organic" pertains to BEYOND ORGANIC's use of natural and organic materials, the word "Beyond" does not. Rather, BOSI used "Beyond" as a mark to identify BEYOND ORGANIC's products and services, which prevents BOSI from asserting the Fair Use defense. Cosmetically Sealed Indus., Inc. v. Chesebrough-Pond's U.S.A. Co., 125 F.3d 28, 30 (2d Cir. 1997).

Even defining the word "beyond" as "surpassing" or "more than," as BOSI suggests, does not render the word descriptive, since those definitions are not innately descriptive of spa products or services. Further, the name BEYOND ORGANIC clearly does not communicate to customers that the spa's products and services are "more than" or "surpassing" organic. Purely as a description, "more than" or "surpassing" organic indicates that BEYOND ORGANIC's products and services contain ingredients other than organic materials, which would be the opposite of what BOSI intended to convey. At best, BOSI's use of the word "Beyond" in its mark is suggestive, just like the words "plus" and "super," and is meant to convey that BEYOND ORGANIC is superior to any



other "organic" spa. Estee Lauder, Inc., supra, 108 F.3d at 1509. Even if considered suggestive instead of arbitrary, the "Beyond" mark is not descriptive, and therefore the Fair Use defense does not apply. Accordingly, the judge correctly concluded that HUMC's mark was valid and legally protectable.

(2) HUMC Owns the Mark "BEYOND"

BOSI disputes that HUMC continuously used its "BEYOND" mark in commerce because HUMC operated BEYOND as HUMC, often displaying the HUMC trade name and logo along with the "BEYOND" mark. Further, BOSI cites Thrifty Rent-A-Car System v. Thrift Cars, Inc., 831 F.2d 1177 (1st Cir. 1987), Weiner King, Inc. v. The Wiener King Corp., 615 F.2d 512 (C.C.P.A. 1980), and Natural Footwear Limited v. Hart, Schaffner & Marx, 760 F.2d 1383 (3d Cir.), cert. denied, 474 U.S. 920, 106 S. Ct. 249, 88 L. Ed. 2d 257 (1985), and maintains the record lacks adequate evidence to conclude that HUMC achieved sufficient market penetration to warrant protection against BOSI's federally registered mark. These arguments lack merit.

For the ownership element, when the mark is unregistered, "the first party to adopt a mark can assert ownership so long as it continuously uses the mark in commerce." Commerce Nat'l Ins. Servs., Inc. v. Commerce Ins. Agency, Inc., 214 F.3d 432, 438 (3d Cir. 2000) (quoting Ford Motor Co. v. Summit Motor Prods.,

Inc., 930 F.2d 277, 292 (3d Cir. 1991)). The only exception to this rule is where the senior user expands into another industry and finds an intervening junior user. Ibid. In Commerce Nat'l Ins. Servs., the priority in the mark in the second industry depends on whether the senior user would reasonably have been expected to expand into that industry. Ibid.

Under common law, trademark ownership is acquired by actual use of the mark in a given market. Emergency One, Inc. v. Am. Fire Eagle Engine Co., 332 F.3d 264, 267 (4th Cir. 2003). "'To acquire ownership of a trademark it is not enough to have invented the mark first or even to have registered it first; the party claiming ownership must have been the first to actually use the mark in the sale of goods or services.'" Ibid. (quoting Sengoku Works Ltd. v. RMC Int'l, Ltd., 96 F.3d 1217, 1219 (9th Cir. 1996)). If more than one user claims the exclusive right to use an unregistered mark, priority is determined by "'the first actual use of [the] mark in a genuine commercial transaction.'" Id. at 267-68 (alteration in original) (quoting Allard Enters., Inc. v. Advanced Programming Res., Inc., 146 F.3d 350, 358 (6th Cir. 1998)).

Federal registration of a mark does not automatically confer ownership rights, but such registration constitutes "'prima facie evidence of[:] the validity of the registered

mark[;] . . . the registrant's ownership of the mark[;] and . . . the registrant's exclusive right to use the registered mark.'" Id. at 268 (quoting 15 U.S.C.A. § 1057(b)). Federal registration creates a presumption that the registrant is entitled to use the mark throughout the country. Id. at 269 (quoting Draegar Oil Co. v. Uno-Ven Co., 314 F.3d 299, 302 (7th Cir. 2002)).

If a user-entity claims ownership of a mark under common law, it must establish its right to exclusive use against the federal registrant. Ibid. Thus, where a federal registrant and common law user claim ownership of the same mark, the common law user bears the burden of proof, and "'must introduce sufficient evidence to rebut the presumption of [the federal registrant's] right to such [exclusive] use.'" Ibid. (second alteration in original) (quoting Pizzeria Uno Corp. v. Temple, 747 F.2d 1522, 1529 (4th Cir. 1984)). To overcome this burden, the common law user must demonstrate actual use in a given territory. Ibid.

While a junior, but federally registered user of a mark is generally afforded exclusive use of a mark, that junior, registered owner "cannot by normal expansion of its business extend the use of its trademark to goods not covered by its previous registration, where the result would be a likelihood of confusion caused by similarity of that mark to a mark already

registered by a prior user for the same or similar goods." Natural Footwear, supra, 760 F.2d at 1396 (emphasis omitted) (quoting Key Chems., Inc. v. Kelite Chems. Corp., 464 F.2d 1040, 1043 (C.C.P.A. 1972)). "The right granted to the owner of a registered trademark is a monopoly and should not be extended unless the owner is clearly entitled thereto." Scott Paper Co. v. Scott's Liquid Gold, Inc., 589 F.2d 1225, 1231 (3d Cir. 1978) (citations and internal quotations omitted).

"[T]he Lanham Act provides that a senior user of a trademark has a defense against a later good-faith federal registrant which 'shall apply only for the area in which . . . continuous prior use is proved.'" Natural Footwear, supra, 760 F.2d at 1397 (quoting 15 U.S.C.A. § 1115(b)(5)); Thrifty Rent-A-Car, supra, 831 F.2d at 1181. Under this "limited area" defense, described in Thrifty Rent-A-Car, supra, a senior user must demonstrate: (1) that it adopted its mark before the junior, federally registered user and without knowledge of prior use; (2) the extent of the trade area in which the senior user used the mark prior to the junior user's registration; and (3) that the senior user continuously used the mark in the pre-registration trade area. 831 F.2d at 1181. Accordingly, the senior user may be awarded ownership of a mark in a specific geographic area "only when the party's mark has achieved market

penetration that is 'significant enough to pose the real likelihood of confusion among the consumers in that area.'" Natural Footwear, supra, 760 F.2d at 1397 (quoting Sweetarts v. Sunline, Inc., 380 F.2d 923, 929 (8th Cir. 1967)).

Courts have established a four-factor test for whether a mark achieved the necessary quantum of market penetration in a given area. Id. at 1398; Sweetarts, supra, 380 F.2d at 929; Weiner King, supra, 615 F.2d at 522.

[T]he following four factors should be considered to determine whether the market penetration of a trademark in an area is sufficient to warrant protection: (1) the volume of sales of the trademarked product; (2) the growth trends (both positive and negative) in the area; (3) the number of persons actually purchasing the product in relation to the potential number of customers; and (4) the amount of product advertising in the area.

[Natural Footwear, supra, 760 F.2d at 1398-99, 1399 n.33-36).]

In determining the geographic scope of the senior user, ideally the court should "scrutinize the product's market penetration on the basis of natural trading areas that may or may not be coextensive with a state's borders. . . . [F]or most products [and services], . . . the relevant geographic market will comprise only a relatively small portion of a state . . . or of several states." Id. at 1398 n.34. However, a court can only engage in such region-specific analysis if the record

contains enough detail to allow it to do so. Ibid. (discussing geographic scope on a state-to-state basis because that is how the sales evidence was presented).

In this case, HUMC is the senior user and BOSI is the subsequent junior user of the mark. HUMC created the mark, registered it with the State, and heavily utilized it since 2000; whereas BOSI did not federally register its mark until March 30, 2010, approximately two years after Terki and his wife established BEYOND ORGANIC. Addressing each Natural Footwear factor in turn, there is more than ample evidence in the record to conclude that HUMC owned the mark despite not having it federally registered.

For the first factor, the record confirms that BEYOND had a substantial volume of sales in the tri-state area. Both Distel and Canaff personally witnessed the growth of BEYOND from its inception in 2000 until 2005, followed by a slight decline from 2007 through 2010, followed by a greater decline beginning in 2011, when BOSI began the Groupon campaign. With the exception of BEYOND's first two years in existence, the spa never had less than \$1.1 million in yearly net sales. Accordingly, those sales demonstrated a substantial volume of transactions.

For the second factor, the record confirms that BEYOND's growth trends leaned toward HUMC's ownership of its mark in the

tri-state area. While BEYOND's sales peaked in 2005, Hubble testified that HUMC planned to expand BEYOND's spa services to other locations outside of Hackensack. Thus, while sales in the Hackensack location stagnated, there was evidence of expansion and significant market presence.

Under the third factor, the record confirms that BEYOND had a sufficient market presence in the tri-state area, with approximately 6000 documented customers, representing thousands of customer visits annually. Hubble testified that in a good year, such as 2005 or 2006, BEYOND enjoyed approximately 16,000 customer visits. While the tri-state area comprises a large market of millions of potential customers, HUMC's thousands of customers and their visits to the spa allowed the judge to conclude that this factor weighed in favor of HUMC's ownership of the "BEYOND" mark.

The fourth factor weighs most heavily in favor of HUMC's ownership of the "BEYOND" mark. The record contains more than ample evidence HUMC's extensive advertising in the tri-state area. Since BEYOND'S inception, HUMC has had numerous events and press releases, retained celebrity and professional athlete endorsements, advertised in nationwide magazines, and spent millions of dollars in advertising and marketing. HUMC also frequently advertised in local newspapers, such as the Bergen

Record, through social media, and with "e-mail blasts." Clearly, through its advertising efforts, HUMC demonstrated that it owns the "BEYOND" mark.

Considering the evidence in the record of HUMC's establishment of the "BEYOND" brand and advertising since the spa's inception, there was substantial evidence in the record to support the judge's finding that HUMC penetrated the market, and therefore owned the "BEYOND" mark. Sipko, supra, 214 N.J. at 376.

(3) BOSI's Use of the "BEYOND" Mark was Likely to Create Confusion

BOSI argues that in applying the factors set forth in Interpace Corporation v. Lapp, Inc., 721 F.2d 460 (3d Cir. 1983), which are used to identify the likelihood of confusion among the parties' marks, the judge erred by focusing on alleged similarities in the marks and incidents of confusion rather than giving weight to the evidence that more often than not, when HUMC promoted BEYOND, it did so in conjunction with its house mark, HUMC, and HUMC logo. BOSI posits that under A&H Sportswear v. Victoria's Secret Stores, Inc., 237 F.3d 198 (3d Cir. 2000), the use of HUMC's mark should have weighed against the likelihood of confusion and the judge weighed the alleged incidents of actual confusion too heavily. BOSI concludes that



that the record did not support the judge's conclusion of "actual confusion."

Likelihood of confusion is a factual question. We will not disturb the judge's factual findings on this issue where the findings are supported by substantial evidence in the record. A&H Sportswear, supra, 237 F.3d at 210; Sipko, supra, 214 N.J. at 376. A likelihood of confusion exists "'when the consumers viewing the mark would probably assume that the product or service it represents is associated with the source of a different product or service identified by a similar mark.'" Fisons, supra, 30 F.3d at 472 (quoting Dranoff-Perlstein Assoc. v. Sklar, 967 F.2d 852, 862 (3d Cir. 1992)). "'Proof of actual confusion is not necessary; likelihood of confusion is all that need be shown.'" Ibid. (quoting Ford Motor Co., supra, 930 F.2d at 292).

"Where the trademark owner and the alleged infringer deal in competing goods or services, the court need rarely look beyond the mark itself." Lapp, supra, 721 F.2d at 462. Where there is a close relationship between the parties' products, and similarity in the sales contexts, there is a greater likelihood of confusion. Ibid. From Lapp, there is a ten-factor test for determining the likelihood of confusion:

- (1) degree of similarity between the owner's mark and the alleged infringing mark;

- (2) the strength of the owner's mark;
- (3) the price of the goods and other factors indicative of the care and attention expected of consumers when making a purchase;
- (4) the length of time the defendant has used the mark without evidence of actual confusion arising;
- (5) the intent of the defendant in adopting the mark;
- (6) the evidence of actual confusion;
- (7) whether the goods, though not competing, are marketed through the same channels of trade and advertised through the same media;
- (8) the extent to which the targets of the parties' sales efforts are the same;
- (9) the relationship of the goods in the minds of consumers because of the similarity of function; and
- (10) other facts suggesting that the consuming public might expect the prior owner to manufacture a product in the defendant's market, or that he is likely to expand into that market.

[Fisons, supra, 30 F.3d at 473.]

These ten factors apply to both competing and non-competing goods. Freedom Card, Inc. v. JPMorgan Chase & Co., 432 F.3d 463, 471 (3d Cir. 2005). The Lapp test is a qualitative inquiry where "[n]ot all factors will be relevant in all cases . . .

[and] the different factors may properly be accorded different weights depending on the particular factual setting." Ibid.

New Jersey courts have adopted a separate list of factors for determining a likelihood of confusion. Edison Elec. Co. v. Edison Contracting Co., 203 N.J. Super. 50, 52 (Ch. Div. 1985), adopted by Am. Home Mortg. Corp. v. Am. Home Mortg. Corp., 357 N.J. Super. 273, 279-80 (App. Div. 2003). These factors include

[1] the nature of the parties' trade names, [2] the character of their businesses, [3] the manner in which their products or services are marketed, [4] the competitive relationship between the parties[, ] and [5] the objective of the alleged infringer in adopting its trade name.

[Ibid.]

Here, application of the Lapp and New Jersey factors to the record supports the judge's finding that there was a likelihood of confusion between the two marks. The judge correctly found that the marks are very similar; they both use the word "Beyond" with similar fonts and use of plants. Additionally, both the spas are similar businesses that offer similar products and services. HUMC used the "BEYOND" mark for years without confusion until 2011, when BOSI began the Groupon campaign. Overall, the record contains expansive evidence of actual confusion, considering the accounts of Canaff, Distel, and

Hubble, as well as the various similarities between the parties' marks, businesses, products, and services.

Additionally, the judge found Terki lacked credibility and made a much later filing of the "BEYOND ORGANIC" mark as a federal registration, even though the spa was just a local day spa, as a belated attempt to hijack HUMC's earlier protected mark. This finding, suggesting Terki acted improperly, is telling and supported by the evidence that BOSI filed the federal complaint against HUMC in September 2013, a month before the trial in this case, alleging there was confusion and infringement by HUMC, but then Terki denied any instances of confusion at trial.

We are satisfied that the record amply supports the judge's finding that there was actual, as well as a high likelihood, of confusion between the parties' marks.

(4) A Permanent Injunction Was Warranted

We review the trial court's grant of a permanent injunction under an abuse-of-discretion standard. NAACP v. N. Hudson Reg'l Fire & Rescue, 665 F.3d 464, 475-76 (3d Cir. 2011), cert. denied, \_\_\_ U.S. \_\_\_, 132 S. Ct. 2749, 183 L. Ed. 2d 616 (2012). "An abuse of discretion occurs when the [trial court's] decision 'rests upon a clearly erroneous finding of fact, an errant conclusion of law, or an improper application of law to fact.'"

Ibid. (quoting ACLU of N.J. v. Black Horse Pike Reg'l Bd. of Educ., 84 F.3d 1471, 1476 (3d Cir. 1996)).

"Once a trademark owner demonstrates likelihood of confusion, it is entitled to injunctive relief." Lapp, supra, 721 F.2d at 462 (citing 15 U.S.C.A. § 1114(1)). Courts have outlined the considerations for determining whether it should apply injunctive relief:

[Courts] must protect that which is protectable, but, in so doing, [courts] must limit the use of injunctive relief to situations where it is necessary to prevent immediate and irreparable injury. The dramatic and drastic power of injunctive force may be unleashed only against conditions generating a presently existing actual threat; it may not be used simply to eliminate a possibility of a remote future injury, or a future invasion of rights, be those rights protected by statute or by the common law.

[Natural Footwear, supra, 760 F.2d at 1404 (quoting Holiday Inns of Am., Inc. v. B & B Corp., 409 F.2d 614, 618 (3d Cir. 1969)).]

There was a present, on-going threat to BEYOND's operation because of BOSI's trademark infringement. Based on the testimony of Hubble, Distel, and Canaff, the confusion between the two spas "snowballed" and was "continuous" and caused a decline in customers coming to the spa and a severe drop in the spa's business.

Considering the present and on-going harm, and HUMC's intent to expand the spa to other locations, the judge's grant of a permanent injunction was an appropriate remedy to BOSI's infringement. There was no abuse of discretion in granting a permanent injunction under the facts of this case. HUMC amply established that: (1) its mark is valid and legally protectable; (2) it owns the mark; and (3) BOSI's use of a similar mark is likely to create confusion concerning the origin of their goods and services.

### III.

BOSI raises several additional contentions: (1) summary judgment was improperly denied; (2) the judge failed to make sufficient factual findings; (3) the judge improperly admitted four documents summarizing BEYOND's sales and expenses when underlying documents were withheld; (4) the judge erred in denying its motions for leave to file a counterclaim and assert defenses; (5) it was prejudiced by the admission of Distel's testimony and HUMC's unsanctioned withholding of discovery; and (6) it was prejudiced by trial judge's lack of impartiality. We have considered these contentions in light of the record and applicable legal principles and conclude they are without sufficient merit to warrant discussion in a written opinion. R. 2:11-3(e)(1)(E). However, we make the following brief comments.

There were genuine issues as to which party owned the mark, whether there was likelihood of confusion, and whether HUMC sufficiently established market penetration. The competent evidential materials presented on the summary judgment motion, when viewed in the light most favorable to HUMC, were sufficient to permit a rational factfinder to resolve the alleged disputed issues in favor of HUMC. Davis v. Brickman Landscaping, Ltd., 219 N.J. 395, 406 (2014).

The judge made sufficient factual findings about HUMC's advertising and marketing expenses, and correctly found that HUMC demonstrated the volume of its sale, the number of customers purchasing its products and services relative to the potential market, and the growth trends in the spa industry from northern New Jersey. The judge also correctly used the market penetration test to conclude that HUMC met its burden, and therefore its mark was entitled to protection. Accordingly, the judge fulfilled his obligation under Rule 1:7-4 to articulate his factual findings and legal conclusions.

The summary documents, specifically, two summaries by Behrman about advertising expenses, the summary of BEYOND's gross sales from 2000 to 2012, and a summary based on the latter summary, were properly admitted. The summaries were produced during discovery, BOSI did not request the underlying documents

until just prior to the discovery end date, and BOSI did not move to compel production until after the discovery end date. See R. 4:18-1(b)(4). More importantly, because HUMC generated the summary documents from computer records kept in the ordinary course of business, the summaries were business records admissible under N.J.R.E. 803(c)(6), rather than summary charts created for the purpose of litigation under N.J.R.E. 1006, for which the underlying documents must be available for examination. Further, BOSI extensively cross-examined Canaff about BEYOND's gross sales figures, Canaff testified that she personally prepared the summaries to which she testified, and BOSI has not shown that the summaries were inaccurate. There was no abuse of discretion in the admission of the summary documents. Estate of Hanges v. Metro. Prop. & Cas. Ins. Co., 202 N.J. 369, 383-84 (2010).

BOSI cited no reason for its two-year delay in seeking to file a counterclaim and defenses, and failed to show it would have prevailed on any counterclaim or defense. Bldg. Materials Corp. of Am. v. Allstate Ins. Co., 424 N.J. Super. 448, 485 (App. Div.), certif. denied, 212 N.J. 198 (2012). BOSI conceded that the trademark misuse claim it intended to assert in a counterclaim was based on the same facts as HUMC's case. BOSI



did not cite any new facts or late discovery of facts that would otherwise justify a belated counterclaim or defense.

Distel was excused from her deposition for medical reasons. There was no court order compelling Distel to appear for her deposition, BOSI never moved to compel her appearance, and discovery ended before BOSI raised this issue. See R. 4:24-2; Cunningham v. Rummel, 223 N.J. Super. 15, 19 (App. Div. 1988). There was no abuse of discretion in permitting Distel to testify or in declining to impose sanctions against HUMC.

The trial judge acted properly in all respects in what clearly was a contentious trial. His questioning of certain witness was designed to clarify issues and aid his understanding of their testimony, not to prejudice BOSI in any way. See Hitchman v. Nagy, 382 N.J. Super. 433, 452 (App. Div.), certif. denied, 186 N.J. 600 (2006).

Affirmed.

I hereby certify that the foregoing  
is a true copy of the original on  
file in my office.

  
CLERK OF THE APPELLATE DIVISION