IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF NORTH CAROLINA
WESTERN DIVISION
Civil Action No. 5:21-CV-251-BO

BERINGER COMMERCE, INC. d/b/a BLUE ACORN iCi, Plaintiff, v. FIN CAP, INC. d/b/a "BLUEACORN.CO," BLUE ACORN PPP, LLC, BLUE OAK FOREST, LLC, MICHAEL S. COTA, JIMMY FLORES, STEPHANIE HOCKRIDGE REIS, and NATHAN REIS, Defendants.	**REPLY BRIEF IN SUPPORT OF PLAINTIFF'S MOTION PRELIMINARY INJUNCTIVE RELIEF (Rule 65)**

NOW COMES Plaintiff BERINGER COMMERCE, INC. d/b/a BLUE ACORN iCi ("Blue Acorn iCi") and submits this Reply Brief in Support of Plaintiff's Motion for Preliminary Injunctive Relief against Defendants FIN CAP, INC. d/b/a "BLUEACORN.CO," BLUE ACORN PPP, LLC, BLUE OAK FOREST, LLC, MICHAEL S. COTA, JIMMY FLORES, STEPHANIE HOCKRIDGE REIS and NATHAN REIS (collectively "Defendants").

INTRODUCTION

After multiple verbal and written requests, two cease & desist letters, multiple attorney communications and extensive motions practice involving Defendants' continued, obvious and intentional infringement of Plaintiff's marks, Defendants continue to demonstrate to this Court that they have no desire to comply with the law or even take the minimum steps necessary to begin curing the great degree of consumer confusion at issue. Defendants have profited greatly from their infringement and have ample resources in which to rebrand with minimal interruption or expense. However, instead of simply doing so, Defendants offer up multiple irrelevant, illogical, and provably unsupportable "defenses" in their Memorandum in Opposition to the Motion for Preliminary Injunction ("Opposition") [DE-31]. For example:

- Defendants claim their use of the "blue acorn" name/logo was inadvertent, yet fail to explain the incredible, unmistakable similarity in color, font, style, emphasis, and other definable artistic characteristics of their logo and Blue Acorn iCi's longstanding marks.

- Defendants claim that no reasonable, ordinary consumer would be confused by the marks despite clear evidence of both actual forward *and* reverse consumer confusion in the thousands.

- Defendants claim the evidence of consumer confusion amounts to nothing more than "careless mistakes," despite indisputable evidence that customers of *both* Blue Acorn iCi and Defendants are confused about the source of services offered by the parties.

- Defendants deny the existence of reputational harm to Blue Acorn iCi, completely ignoring the immense amount of evidence showing that customers of *both* Blue Acorn iCi and Defendants blame Blue Acorn iCi for the multitude of shortcomings, frustrations, and even alleged fraud associated with Defendants' business practices.

- Defendants claim they will be burdened by simply rebranding and communicating basic information to their customer base, despite the fact that Defendants are purportedly no longer marketing their services, intend to contact each customer personally, and do not continue to provide services after the end of the PPP program.

None of Defendants' attempts to explain their intentional infringement are credible, and no argument contained in the Opposition presents a viable defense to infringement under The Lanham Act and under the common law of North Carolina. For that matter, Defendants have provided no defense to Blue Acorn iCi's claim for copyright infringement. Based on the evidence before this Court, including the Verified Complaint [DE-1], the Declaration of Judy Geaslen [DE-28], the Second Declaration of Judy Geaslen ("Geaslen Decl."), filed contemporaneously with this Reply, and all exhibits submitted by Plaintiff, Blue Acorn iCi requests that this Court grant its Motion for Preliminary Injunctive Relief.

I. Defendants Have Not Presented a Viable Defense to Infringement Under the Lanham Act or North Carolina Law

Defendants' attempt to narrowly characterize Plaintiff's intellectual property rights fails under basic trademark law. Blue Acorn iCi has demonstrated that Defendants have infringed **three distinguishable marks** – 1) the BLUE ACORN ICI mark; 2) the BLUE ACORN mark; and 3) the Acorn Logo mark ("Plaintiff's Marks"). Compl., ¶¶ 25-26, 49, 138.

In the Opposition, Defendants ignore their infringement of the Acorn Logo mark, dismiss the BLUE ACORN mark as abandoned, and claim that the BLUE ACORN ICI mark is neither superior nor strong enough to be protected under The Lanham Act. None of these claims are accurate or legally supported, and the weight of authority demonstrates that Blue Acorn iCi has asserted strong and clearly actionable claims for each of Plaintiff's Marks.

A. Plaintiff's BLUE ACORN ICI Mark

Both common law and federal trademark rights share the same basic elements for a party to have standing to enforce its rights under a trademark: (1) prior use of the mark in United States commerce; and (2) that the mark is distinctive. 15 U.S.C. § 1114(1); *Emergency One, Inc. v. Am. Fire Eagle Engine Co.*, 332 F.3d 264, 267 (4th Cir. 2003); *Investacorp, Inc. v. Arabian Inv. Banking Corp. (Investcorp) E.C.*, 931 F.2d 1519, 1522 (11th Cir. 1991); *Lopez v. Gap, Inc.*, 883 F. Supp. 2d 400, 414-15 (S.D.N.Y. 2012).

Here, Blue Acorn iCi has shown an absolute right to relief based on its ownership and widespread geographic use of the BLUE ACORN ICI mark, which unquestionably predates Defendants' creation of their "Blue Acorn" mark ("Infringing Mark"):

blueacorn™.

Specifically, Plaintiff's use of the BLUE ACORN ICI mark dates back to **March 31, 2019** and was in widespread use throughout the United States, including the states of North Carolina and Arizona. Compl., ¶ 26, **Exhibits B and C**; Geaslen Decl., ¶ 21.

Defendants claim they chose the "blue acorn" *name* in April 2020. Accordingly, Defendants have **no claim** of prior use, superiority, or even intermediate use under state or federal law. Moreover, because Defendants' Infringing Mark is confusingly similar to the BLUE ACORN ICI Mark and has generated mass consumer confusion, Defendants' infringement of the BLUE ACORN ICI Mark **alone** is grounds for liability and the award of injunctive relief. These basic facts illuminate the irrelevance of Defendants' arguments based on alleged "abandonment" or "tacking" of Plaintiff's trademark rights prior to March 31, 2019.

B. Plaintiff's BLUE ACORN Mark

The evidence before the Court also shows that Blue Acorn iCi has established superior trademark rights in its BLUE ACORN mark. Specifically, Plaintiff's BLUE ACORN marks depicted in the Verified Complaint have been in consistent, continued nationwide use by Plaintiff for over fourteen (14) years. Compl., ¶ 26; **Exhibit B**; Geaslen Decl., ¶ 22.

In an attempt to undermine the well-established use and strength of Plaintiff's Marks in commerce, Defendants argue that Plaintiff's BLUE ACORN mark has been abandoned. To demonstrate abandonment of a mark, Defendants have the burden of proof and must provide evidence that Blue Acorn iCi discontinued use of the mark with an intent not to resume its use. 15 U.S.C. § 1127; *Emergency One*, 228 F.3d at 536; *On-Line Careline, Inc. v. Am. Online, Inc.*, 229 F.3d 1080, 1087 (Fed. Cir. 2000); *Roulo v. Russ Berrie & Co.*, 886 F.2d 931, 938 (7th Cir. 1989).

Defendants have produced **no evidence** of abandonment. The April 4, 2019 Blue Acorn iCi Press Release contains no evidence of abandonment, and the Verified Complaint and

Declaration of Judy Geaslen verify Plaintiff's continued use of the BLUE ACORN mark to the present time. Compl., ¶ 26; Geaslen Decl., ¶ 27. Notably, the creation of a new mark ("BLUE ACORN ICI") in no way implies the abandonment of a mark with such long-standing use and value as the BLUE ACORN mark.

Defendants further argument that Plaintiff's Marks are limited in "territory" or geographical scope is also unsubstantiated and easily refuted. In support of this argument, Defendants cite *Emergency One*, 332 F.3d at 268 for the well-known concept that common law trademark rights follow the holder's commercial activities. However, nothing in the record supports Defendants' claim that any alleged territorial limitation (even if they existed) would allow them to continue their widespread, nationwide infringing activity. Indeed, Defendants have marketed and sold their services to ***all*** potential PPP consumers in ***all*** states, including North Carolina. In other words, even a single act of infringement in this state where Blue Acorn iCi maintains an office, conducts business, and is attempting to handle massive consumer confusion, would be sufficient to require Defendants to rebrand.

Regardless, Defendants' territory argument simply ignores the evidence of Plaintiff's significant, continuous, and prior use of its marks throughout the United States from 2007 to the present time. Compl., **Exhibit D**, ¶¶ 17-19, 25-26; Geaslen Decl., ¶¶21–27. Blue Acorn iCi's trademark rights encompass the United States as it markets its products and services on a national and international basis and has customers located throughout the United States, including in the State of Arizona. As such, all arguments proffered by Defendants to undermine Plaintiff's common law trademarks rights are void of merit.

Finally, Plaintiff's "tacking" argument is entirely misplaced. Plaintiff is not attempting to "tack" any of its trademark rights as it has clear, distinct, and protectable trademark rights in both the BLUE ACORN ICI Mark (under The Lanham Act and common law) and the BLUE ACORN word mark (under common law). "Tacking" is unnecessary and wholly irrelevant to this case.

C. Plaintiff's Acorn Logo

Defendants provide no defense that their use of Acorn Logo constitutes trademark and copyright infringement. While Defendants claim an "affiliate" copied the Acorn Logo, there is no counterargument to the fact that the Acorn Logo 1) was used to identify Defendants' business; 2) was viewed over 14 million times on YouTube; 3) was used to promote Defendants' PPP services; and 4) resulted in profit to Defendants. Finally, Defendants claim that the YouTube channel is the sole source of infringement of the Acorn Logo. This is incorrect. Blue Acorn iCi has identified other social media accounts controlled by Defendants in which the Acorn Logo is shown. *See* DE 16-3. In sum, Defendants present no defense to infringement of the Acorn Logo.

D. Plaintiff's Marks are Strong

Defendants' final attack on Plaintiff's Marks is predicated on their alleged lack of strength. Defendants do not dispute that Plaintiff's Marks are inherently distinctive as arbitrary marks and deserving of the highest protection under the law. Instead, Defendants submit arguments against "tacking" which, as noted above, is irrelevant to Plaintiff's separate and distinct trademark infringement claims, cites case law for analyzing a mark's inherent strength while providing no specific analysis of the inherent strength of Plaintiff's Marks, and lists a number of websites including the phrase "blue acorn" without citing any caselaw supporting their conclusion that their existence "severely undercut the distinctiveness and strength of" Plaintiff's Marks. As "tacking" is irrelevant and Plaintiff's Marks are arbitrary and therefore highly distinctive (*see* TMEP § 1209.01(a)), Plaintiff will only address the specious attack on strength by third party use of the "blue acorn" phrase.

Of the eleven uses of the "blue acorn" phrase cited by the Defendants, most uses are wholly unrelated to the goods and services offered by Plaintiff (i.e., "Blue Acorn Properties" and "Blue Acorn" spiritual counseling), some of the third party brands may no longer even be in use (e.g., "Blue Acorn Marketing" who has shown no further activity since their launch in 2013), and some brands may have never been commercially used in the United States at all (*e.g.,* "Blue Acorn Solutions" and "Blue Acorn Consulting" of the United Kingdom). What is clear, however, is that unlike Defendants, none of the entities identified have intentionally copied stylized elements of Plaintiff's Marks, nor have any of these entities embarked on a widespread, national marketing campaign to promote their business which resulted in actual confusion with Plaintiff's Marks, creating significant business interruption. Here, Defendants have used their Infringing Mark in connection with selling their business to almost 1 million customers, and their advertisements have no doubt been visualized by millions more through social media and website advertisements.

Further, not one of the thousands of consumers who contacted Plaintiff were actually confused about the source of goods and services of any other "blue acorn" entity. ***All*** consumer confusion relates to Defendants' PPP business, which is and has been the sole source of infringing activity Plaintiff is aware of to date. Defendants' attempt to obscure their blatant copying of Plaintiff's Marks by pointing to other entities who registered a "blue acorn" name in Arizona is not a defense to infringement. Defendants ***alone*** engaged in intentional copying of Plaintiff's Marks, and Defendants ***alone*** are the source of mass consumer confusion.

II. DEFENDANTS' CLAIM OF INNOCENCE IS NOT CREDIBLE

Defendants claim their use of the Infringing Mark was inadvertent and unintentional. This contention is not credible.

A side-by-side comparison demonstrates that Blue Acorn iCi's BLUE ACORN mark, Acorn Logo mark and/or BLUE ACORN ICI mark was the artistic basis for Defendants' Infringing Mark given the unmistakable similarity in font, style, lower case, color, emphasis, and general artistic impression. This conclusion is bolstered by Defendants' blatant copying of Plaintiff's Acorn Logo, for which they offer no viable defense.

Defendants did not accidently copy the Acorn Logo and publish it to over 14 million consumers on YouTube and other social media sites. Likewise, Defendants did not accidentally fashion a logo with the same font, coloring, format, emphasis, and style as that of Plaintiff's Marks. Defendants' copying of ***both*** the Acorn Logo and the Infringing Mark demonstrates Defendants' intent to trade upon the goodwill of Plaintiff, make consumers believe Defendants are a reputable company in business for many years, and trick consumers into believing Defendants are associated with a long-standing company.

III. EVIDENCE OF ACTUAL CONSUMER CONFUSION IS DISPOSITIVE

Defendants' attempt to undermine the overwhelming evidence of actual consumer confusion is baseless.

"The traditional pattern of forward confusion occurs when customers mistakenly think that the junior user's goods or services are from the same source as or connected with the senior user's goods or services." *Valador, Inc. v. HTC Corp.*, 242 F. Supp. 3d 448, 453 (E.D. Va.), *aff'd*, 707 F. App'x 138 (4th Cir. 2017) (internal quotation and citation omitted). "In a reverse confusion trademark case, '[t]he public comes to assume the senior user's products are really the junior users or that the former has become somehow connected to the latter.'" *Id.* at 453 n.4 (quoting *Ameritech, Inc. v. Am. Info. Techs. Corp.*, 811 F.2d 960, 964 (6th Cir. 1987)). "In this respect, the senior user loses the value of the trademark—its product identity, corporate identity, control over its goodwill and reputation, and ability to move into new markets." *Id.* (internal quotation and citation omitted).

Here, Blue Acorn iCi has presented ample evidence of both forward ***and*** reverse confusion showing that customers of ***both parties*** believe there is a connection between the parties. Plaintiff's customers have expressed confusion, and customers of Defendants' PPP business have reached out to Blue Acorn iCi by the thousands. The consumer contacts here are not merely misdirected communications; rather, consumers are reaching out to Blue Acorn iCi requesting information about the funding of their loans and are providing sensitive personal and financial information. Furthermore, an overwhelming number of these contacts involve serious complaints about Defendants' business practices and extremely poor customer service—all of which is directed at Blue Acorn iCi based on consumers' belief that Blue Acorn iCi is the source of their frustration and is the company responsible for making things right. Further, Blue Acorn iCi has been contacted by multiple investigative bodies (including the Better Business Bureau, the State of Tennessee Department of Consumer Affairs, a District Attorney within the Commonwealth of Massachusetts, the Arizona Attorney General's Consumer Protection Office, and a State Attorney's Office in Florida) who believe Blue Acorn iCi is affiliated with Defendants.

Thus, even if the thousands of misdirected communications could be characterized as "careless mistakes," such mistakes are precisely the type of consumer confusion and resultant harm The Lanham Act and state infringement laws are designed to remedy. *See, e.g.,* 4 *McCarthy on Trademarks and Unfair Competition* § 23:8 (5th ed) ("The confusion that is remedied by trademark and unfair competition law is confusion not only as to source, but also as to affiliation, connection or sponsorship."); 4 *McCarthy* § 23:10 (actual reverse confusion shown when "customers of the junior user's goods who are dissatisfied . . . mistakenly communicate with the senior user to complain."); *Attrezzi, LLC v. Maytag Corp.*, 436 F.3d 32 (1st Cir. 2006) (evidence of actual confusion included emails mistakenly sent to the senior user by customers complaining of problems with the appliances they bought from the junior user); *Sports Auth., Inc. v. Prime Hosp. Corp.*, 89 F.3d 955, 963–64 (2d Cir. 1996) (evidence of misdirected calls to senior sufficient to show confusion); *Coach House Restaurant Inc. v. Coach and Six Restaurants, Inc.*, 934 F.2d 1551, 1562 (11th Cir. 1991) (TTAB incorrectly disregarded evidence of actual confusion consisting of inquiries as to the affiliation between two restaurants); *see also* 3 *McCarthy on Trademarks* § 23:16, pp. 23–38, 39; 15 U.S.C. § 1125(a).

Furthermore, the cases cited by Defendants in their Opposition are readily distinguishable and have no application to the type, volume, pattern, content, and overwhelmingly negative nature of the confusion at issue in this case. In those cases, the plaintiffs offered only vague evidence of confusion, but did not make a sufficient showing of confusion about the source of the parties' goods and services and otherwise failed to present a forecast of "chronic mistakes" or more than *di minimus* incidents of confusion.[1] Here, Plaintiff has provided significant evidence of actual forward *and* reverse confusion, which is compelling evidence of infringement.

[1]*See Codename Enters. v. Fremantlemedia N. Am. Inc.*, No. 16-CIV-1267ATSN, 2018 WL 3407709, at *10 (S.D.N.Y. Jan. 12, 2018) (unpublished) (finding no actual confusion when twenty examples of misdirected communications did not evidence any confusion about the source of goods and services); *Therma-Scan, Inc. v. Thermoscan, Inc.*, 295 F.3d 623 (6th Cir. 2002) (six emails that were arguably probative of confusion did not indicate "chronic mistakes and serious confusion of actual customers" and were *di minimus*); *Duluth News-Tribune v. Mesabi Publ'g Co.*, 84 F.3d 1093 (8th Cir. 1996) (insufficient evidence of likelihood of confusion where the purpose of misdirected calls/mail was unclear and *di minimus*); *WWW Pharmaceutical Co, Inc. v. Gilette*, 984 F.2d 567 (2d Cir. 1993) (insufficient evidence where only one speculative example of actual confusion was offered); *Lang v. Retirement Living Pub. Co., Inc.*, 949 F.2d 576, 582–83 (2d Cir. 1991) (determining that phone calls and letters did not demonstrate actual confusion where they were made during period when junior user was not listed in a telephone directory and it was not clear that customers believed the senior user was connected to the junior user's goods/services).

IV. THE BALANCE OF EQUITIES WEIGHS HEAVILY IN PLAINTIFF'S FAVOR

In less than a year, Defendants have raked in substantial profits by intentionally trading on Blue Acorn iCi's long-standing brand, all while Blue Acorn iCi has suffered significant, unprecedented business interruption and reputational loss. Blue Acorn iCi is still mired in the process of attempting to explain to consumers and governing bodies that it has nothing to do with Defendants' PPP business. It continues to be inundated daily with calls and contacts and continues to expend time and resources responding to legal authorities who are investigating Defendants' businesses. Ongoing evidence of mass confusion in the marketplace from consumers, state authorities, and customers of Blue Acorn iCi are before the Court. Plaintiff has shown a likelihood of success on the merits on its claims and an absolute need for immediate relief. Accordingly, Plaintiff requests that its Motion for Preliminary Injunctive Relief be granted.

Respectfully submitted this 6th day of July 2021.

/s/ Beth A. Stanfield
Beth A. Stanfield (N.C. State Bar No. 36296)
Thomas Babel (N.C. State Bar No. 35004)
Laura K. Greene (N.C. State Bar No. 47771)
FORREST FIRM, P.C.
105 Grace Street, Suite 101
Wilmington, NC 28401
T/F: (336) 275 - 6344
Beth.stanfield@forrestfirm.com
thomas.babel@forrestfirm.com
katie.greene@forrestfirm.com
Attorneys for Plaintiff

CERTIFICATE OF SERVICE

The undersigned does hereby certify that a copy of the foregoing **REPLY BRIEF IN SUPPORT OF PLAINTIFF'S MOTION PRELIMINARY INJUNCTIVE RELIEF** has been filed with the Clerk for the United States District Court, Eastern District of North Carolina, using the electronic filing system of the Court which will send notification to the following counsel of record:

Christopher J. Blake
N.C. State Bar No. 16933
D. Martin Warf
N.C. State Bar No. 32982
Nelson Mullins Riley & Scarborough LLP
4140 Parklake Ave, Suite 200
Raleigh, NC 27612
Chris.blake@nelsonmullins.com
Martin.warf@nelsonmullins.com

Attorneys for Defendants Fin Cap, Inc, Blueacorn PPP, LLC and Blue Oak Forest, LLC

✓ By placing a copy, contained in a first-class, postage paid wrapper, into a depository under the exclusive custody of the United States Postage Service, addressed to the parties as indicated below

Michael S. Cota
2138 S. Valle Verde Cir
Mesa, AZ 85209

James M. Flores
7833 E. Harvard Street
Scottsdale, AZ 85257

Stephanie Hockridge Reis
4747 N. Scottsdale Road, Unit C
Scottsdale, AZ 85251

Nathan Reis
4747 N. Scottsdale Road, Unit C
Scottsdale, AZ 85251

This the 6th day of July, 2021.

<u>/s/ Beth A. Stanfield</u>
Beth A Stanfield
Laura K. Greene
Thomas Babel

Attorneys for Plaintiff