

SUPREME COURT OF ALABAMA

Classroomdirect.com, LLC v. Draphix, LLC, f/k/a Re-Print/Draphix, LLC

992 So. 2d 692 (Ala. 2008) · No. 1060739 and 1060740 · Decided April 25, 2008

SUMMARY

The Alabama Supreme Court affirmed postjudgment rulings arising from a dispute between Classroomdirect.com, LLC and Draphix, LLC, involving alleged Lanham Act unfair competition, breach and rescission of a settlement agreement, and related contractual claims. The court upheld an award of additional damages, a limited permanent injunction, denial of attorney fees, and an award of one-half of the litigation costs.

CASE DETAILS

COURT	Supreme Court of Alabama
WRITING FOR THE COURT	Lyons, Justice; Cobb, Chief Justice; See, Justice; Stuart, Justice; Smith, Justice; Parker, Justice; Murdock, Justice
JURISDICTION	Alabama
DECIDED	April 25, 2008
DOCKET	1060739 and 1060740
DISPOSITION	affirmed
PROCEDURAL POSTURE	Classroom Direct appealed from postjudgment rulings that granted only limited injunctive relief, denied attorney fees, and awarded only one-half of costs. Draphix cross-appealed from the trial court's award of additional damages under the Lanham Act.

STANDARD OF REVIEW	The scope of a permanent injunction is reviewed for whether the trial court exceeded its discretion, with factual findings based on ore tenus evidence presumed correct unless clearly erroneous, unsupported, manifestly unjust, or against the great weight of the evidence. Attorney-fee awards under the Lanham Act are reviewed for excess of discretion; contractual attorney-fee issues are reviewed de novo when the trial court determines the legal effect of an unambiguous contract, but an implicit factual finding concerning prevailing-party status is reviewed for clear error. Taxation of costs is discretionary. Lanham Act damages and profits are reviewed under a clearly-erroneous/excess-of-discretion inquiry.
PRECEDENTIAL VALUE	published precedential opinion
PARTIES	Classroomdirect.com, LLC v. Draphix, LLC, f/k/a Re-Print/Draphix, LLC

TOPICS

trademark infringement equitable relief damages commercial litigation contracts

PRACTICE AREAS

intellectual property trademark infringement commercial litigation equitable relief damages contracts

QUESTIONS PRESENTED

1. Whether the permanent injunction was impermissibly narrow because it allowed Draphix to continue using the Teacher Direct name, Celita Carmichael as spokesperson, the teacherdirect.com domain name, and the catalog numbering system.
2. Whether Classroom Direct was entitled to attorney fees under the asset-purchase agreement or the Lanham Act.
3. Whether the trial court properly awarded only one-half of the litigation costs.
4. Whether the trial court had authority under 15 U.S.C. § 1117(a) to increase the jury's Lanham Act damages award despite jury instructions assigning fact-finding authority to the jury.

HOLDINGS

1. The trial court did not exceed its discretion by entering a tailored permanent injunction that prohibited specified misleading phrases, the distinctive hand gesture, and use of the Re-Print mark in the school-supply business, while allowing Draphix to continue using the Teacher Direct name, Carmichael as spokesperson, its domain name, and its three-digit catalog code subject to prominent disclaimers and other restrictions.
2. Classroom Direct was not entitled to contractual attorney fees because the trial court could reasonably find that Classroom Direct was not the prevailing party within the meaning of the litigation-cost

provision.

3. The trial court did not exceed its discretion in denying attorney fees under 15 U.S.C. § 1117(a), because the evidence and the jury's limited damages award and failure to award punitive damages did not require a finding that the case was exceptional.
4. The trial court did not exceed its discretion by awarding Classroom Direct only one-half of the costs of the action.
5. The trial court had authority under 15 U.S.C. § 1117(a) to increase the jury's Lanham Act damages award, and its additional award was not clearly erroneous or beyond its discretion.

KEY QUOTATIONS

“Classroom Direct prevailed, but it was not legally entitled to an injunction that stripped Teacher Direct of its name, spokesperson, and code numbers, and essentially put Teacher Direct out of business.” (709)

“Whether this Court would find this case an “exceptional” one that would support an attorney-fee award under the Lanham Act is not the relevant inquiry here.” (713)

“Teacher Direct ignores the clear language of § 1117(a) that allows the trial court, in its discretion, to increase or decrease the judgment entered if it finds that the damages award based on profits is “either inadequate or excessive.”” (716)

FACTUAL BACKGROUND

Classroom Direct and Draphix operated competing school-supply businesses after Draphix purchased Classroom Direct's architectural and engineering supply business and obtained a license to use the Re-Print mark in that market. Draphix launched Teacher Direct using catalog designs, phrases, imagery, a spokesperson, and other features that resembled Classroom Direct's marketing, resulting in customer confusion and combined orders. The parties entered a settlement restricting Draphix's use of specified phrases and imagery, but Draphix later used a catalog thumbnail depicting the prohibited gesture and phrase, while evidence also showed misuse of the Re-Print mark and transfer of confidential business information. A jury found for Classroom Direct on its unfair-competition, fraud, and intentional-interference claims and awarded damages, after which the trial court entered tailored injunctive relief and additional Lanham Act damages.

PROCEDURAL HISTORY

Classroom Direct sued Draphix in federal court under the Lanham Act and later reached a settlement. Classroom Direct then sued in Alabama circuit court for breach of the settlement agreement and amended its claims to include rescission, fraud, Lanham Act and Alabama common-law unfair competition, and intentional interference with employment relations. The trial court granted summary judgment for Classroom Direct on Draphix's counterclaims, a jury awarded Classroom Direct \$175,000, and the court later entered a permanent injunction, rescinded the settlement agreement, awarded additional Lanham Act damages, denied attorney fees, and awarded one-half of costs. The Alabama Supreme Court affirmed all challenged portions of the postjudgment order.

DISPOSITION

affirmed

CASES CITED

- Weeks v. Wolf Creek Industries, Inc., 941 So. 2d 263, 271 (Ala. 2006)
- TFT, Inc. v. Warning Sys., Inc., 751 So. 2d 1238, 1241-42 (Ala. 1999)
- Smith v. Madison County Comm'n, 658 So. 2d 422, 423 n. 1 (Ala. 1995)
- American Petroleum Equip. & Constr., Inc. v. Fancher, 708 So. 2d 129, 132 (Ala. 1997)
- Collins v. Rodgers, 938 So. 2d 379, 384 (Ala. 2006)
- Aronowitz v. Health-Chem Corp., 513 F.3d 1229, 1241-42 (11th Cir. 2008)
- Simmons v. Conger, 86 F.3d 1080, 1085 (11th Cir. 1996)
- Howard Johnson Co. v. Khimani, 892 F.2d 1512, 1517 (11th Cir. 1990)
- eBay Inc. v. MercExchange, L.L.C., 547 U.S. 388, 391 (2006)
- Bridgeport Music, Inc. v. Justin Combs Publ'g, 507 F.3d 470, 492 (6th Cir. 2007)
- Clark Constr. Co. v. Pena, 930 F. Supp. 1470 (M.D. Ala. 1996)
- Pryor v. Reno, 998 F. Supp. 1317 (M.D. Ala. 1998)
- Cumulus Media, Inc. v. Clear Channel Communications, Inc., 304 F.3d 1167, 1179 (11th Cir. 2002)
- Chevron Chem. Co. v. Voluntary Purchasing Groups, Inc., 659 F.2d 695, 705 (5th Cir. 1981)
- Broderick & Bascom Rope Co. v. Manoff, 41 F.2d 353, 354 (6th Cir. 1930)
- Opticians Association of America v. Independent Opticians of America, 920 F.2d 187, 197 (3d Cir. 1990)
- Schwinn Bicycle Co. v. Ross Bicycles, Inc., 870 F.2d 1176, 1182 n. 12 (7th Cir. 1989)
- Saunders v. Florence Enameling Co., 540 So. 2d 651, 655 (Ala. 1988)
- Daniels v. Chapuis, 344 So. 2d 500, 503 (Ala. 1977)
- SunAmerica Corp. v. Sun Life Assurance Co. of Canada, 77 F.3d 1325, 1335-36 (11th Cir. 1996)
- B.H. Bunn Co. v. AAA Replacement Parts Co., 451 F.2d 1254, 1270 (5th Cir. 1971)
- Battle v. City of Birmingham, 656 So. 2d 344, 347 (Ala. 1995)
- Laster ex rel. Laster v. Norfolk Southern Ry., So. 2d (Ala. 2007)
- Securacomm Consulting, Inc. v. Securacom Inc., 224 F.3d 273, 279-82 (3d Cir. 2000)
- Ferrero U.S.A., Inc. v. Ozak Trading, Inc., 952 F.2d 44, 47-49 (3d Cir. 1991)
- City of Bessemer v. McClain, 957 So. 2d 1061, 1078 (Ala. 2006)
- Winkleblack v. Murphy, 811 So. 2d 521, 525-26 (Ala. 2001)
- Smith v. Smith, 482 So. 2d 1172, 1175 (Ala. 1985)
- Vulcan Oil Co. v. Gorman, 434 So. 2d 760, 762 (Ala. 1983)
- Andretti v. Borla Performance Indus., Inc., 426 F.3d 824, 836 (6th Cir. 2005)
- White & White, Inc. v. American Hosp. Supply Corp., 786 F.2d 728, 730 (6th Cir. 1986)
- Cheairs v. Stollenwerck, 232 Ala. 546, 168 So. 589, 590 (1936)
- Illinois Central Gulf R.R. v. Price, 539 So. 2d 202, 205 (Ala. 1988)

- State ex rel. State Highway Commission v. Belvidere Development Co., 315 S.W.2d 781, 783-84 (Mo. 1958)
- Dairy Queen, Inc. v. Wood, 369 U.S. 469, 476-79 (1962)
- Lurzer GMBH v. American Showcase, Inc., 75 F. Supp. 2d 98, 103-04 (S.D.N.Y. 1998)
- Ideal World Marketing v. Duracell, Inc., 997 F. Supp. 334, 337-40 (E.D.N.Y. 1998)
- Gucci America, Inc. v. Accents, 994 F. Supp. 538, 539 (E.D.N.Y. 1998)
- Stuart v. Collins, 489 F. Supp. 827, 834 (S.D.N.Y. 1980)
- Lone Star Steakhouse & Saloon, Inc. v. Longhorn Steaks, Inc., 106 F.3d 355, 363 (11th Cir. 1997)
- Babbit Electronics, Inc. v. Dynascan Corp., 38 F.3d 1161, 1182 (11th Cir. 1994)
- St. Charles Manufacturing Co. v. Mercer, 737 F.2d 891, 893-94 (11th Cir. 1983)
- Boston Professional Hockey Ass'n, Inc. v. Dallas Cap & Emblem Mfg., Inc., 597 F.2d 71, 76 (5th Cir. 1979)
- Ramada Inns, Inc. v. Gadsden Motel Co., 804 F.2d 1562, 1564-65 (11th Cir. 1986)
- Burger King Corp. v. Mason, 855 F.2d 779, 781 (11th Cir. 1988)
- Kyser v. Harrison, 908 So. 2d 914, 918 (Ala. 2005)
- Ex parte Family Dollar Stores of Alabama, Inc., 906 So. 2d 892, 899 (Ala. 2005)