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A Limited Liability Partnership
2 Including Professional Corporations
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8 UNITED STATES DISTRICT COURT
9 SOUTHERN DISTRICT OF CALIFORNIA
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11 Topsy Elves LLC,
12 Plaintiff,
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14 v.
15 Ugly Christmas Sweater, Inc. and
16 DOES 1–10,
17 Defendants.

Case No.: '17CV0890 MMANLS
COMPLAINT FOR:
(1) FEDERAL TRADEMARK INFRINGEMENT (15 U.S.C. § 1114);
(2) FALSE DESIGNATION OF ORIGIN OR SPONSORSHIP AND UNFAIR COMPETITION (15 U.S.C. § 1125(a));
(3) UNFAIR COMPETITION & FALSE ADVERTISING (CAL. BUS. & PROF. CODE §§ 17200 & 17500, ET SEQ.);
(4) COMMON LAW TRADEMARK INFRINGEMENT;
(5) CONTRIBUTORY TRADEMARK INFRINGEMENT;
AND
(6) VICARIOUS TRADEMARK INFRINGEMENT

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23 Plaintiff Topsy Elves LLC (“Topsy Elves” or “Plaintiff”) alleges as follows in
24 this Complaint against Ugly Christmas Sweater, Inc. and DOES 1–10 (collectively
25 “Defendants”):

26 **JURISDICTION AND VENUE**

27 1. This is an action for infringement of a federally registered trademark in
28 violation of Section 32(1) of the Lanham Act (15 U.S.C. § 1114(1)), for unfair

1 competition and false designation of origin or sponsorship in violation of Section
2 43(a) of the Lanham Act (15 U.S.C. § 1125(a)) for unfair competition and false
3 advertising in violation of the California Business and Professions Code (Cal. Bus.
4 & Prof. Code §§ 17200 & 17500, *et seq.*); Common Law Trademark Infringement,
5 Contributory Trademark Infringement; and Vicarious Trademark Infringement.

6 2. The Court has subject-matter jurisdiction over the federal trademark,
7 unfair competition, and false designation of origin or sponsorship claims in this
8 action arising under 15 U.S.C. § 1121 and 28 U.S.C. § 1331, 1338, and 1367. This
9 court has subject-matter jurisdiction over the California State-law claims under 28
10 U.S.C. §§ 1338 and 1367.

11 3. The Court also has jurisdiction under 28 U.S.C. § 1332 because the
12 amount in controversy between the parties exceeds \$75,000, and there is complete
13 diversity between Plaintiff, a California company with its principal place of business
14 in California, and Defendant Ugly Christmas Sweater, Inc., which is, on information
15 and belief, a Michigan corporation with its principal place of business in Michigan.

16 4. On information and belief this Court has personal jurisdiction over
17 Defendants because they have contacts with and conduct substantial business within
18 the State of California and this judicial district. Defendants offer products that
19 directly compete with Plaintiff's products in this judicial district and have
20 unlawfully used Plaintiff's registered trademark in related online advertising
21 disseminated in this judicial district to offer competing goods for sale in this judicial
22 district, causing tortious injury to Plaintiff in this judicial district.

23 5. Venue is proper in the Court pursuant to 28 U.S.C. §§ 1391(b) and (c)
24 as Defendants transact affairs in this district, including by unlawfully offering to sell
25 goods in this judicial district in connection with Plaintiff's trademark.

26 **THE PARTIES**

27 6. Plaintiff is a California limited liability company with its principal
28 place of business at 1041 Market Street, #306, San Diego, California 92101.

1 high-quality clothing bearing original Topsy Elves designs. Beyond its own
2 advertising efforts, Plaintiff has been featured and praised for its quality and
3 popularity in the media, including on the hit television show Shark Tank and
4 through reports and features by ABC, AOL, CNBC, E! Online, Forbes, People, the
5 Today Show, and others.

6 12. Plaintiff brings this lawsuit to protect the substantial goodwill that it
7 has developed in its distinctive TIPSY ELVES mark. Defendants' actions alleged
8 herein have threatened and impaired the goodwill and reputation for quality that
9 Plaintiff has worked hard to cultivate. Defendants have used the TIPSY ELVES
10 mark on advertising copy to offer competing goods to the same online consumers
11 served by Plaintiff.

12 **B. Defendants' Unauthorized and Prominent Use of the TIPSY ELVES**
13 **Mark in Advertising Copy**

14 13. Defendants have directly and deceptively misappropriated and used the
15 TIPSY ELVES mark and traded off of its goodwill.

16 14. On information and belief, Defendant Ugly Christmas Sweater, Inc.
17 ("Defendant UCS") was founded in 2012.

18 15. On information and belief, in December 2016, at the annual height of
19 demand for holiday sweaters, Defendants used Google AdWords to place the
20 following sponsored search result and advertisement (shown inside the blue box
21 below), which used "Topsy Elves" as the top and first two words of copy in the
22 headline of an online advertisement linked to Defendant Ugly Christmas Sweater,
23 Inc.'s website:

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The screenshot shows a Google search for "tipsy elves". The search results include several organic listings and a sponsored advertisement. The sponsored advertisement is for "Tipsy Elves" and is prominently displayed in blue text. The organic results include "tipsyelves.com - Topsy Elves® - Official - #1 in Ugly Christmas Sweaters" and "Topsy Elves - Sweaters for Men & Women - uglychristmassweater.com". The sponsored advertisement is for "Ugly Christmas Sweaters - Men's Happy Birthday Jesus Sweater: Medium by Topsy Elves" and is priced at \$54.00. The advertisement also includes a star rating of 4.5 out of 5 stars based on 200 reviews. The organic result for "Topsy Elves - Sweaters for Men & Women - uglychristmassweater.com" is highlighted with a blue box. The organic result for "Topsy Elves: Ugly Christmas Sweaters & Tacky Christmas Sweaters" is also visible. The sponsored advertisement includes the text "Shop for tipsy elves on Google" and "Sponsored". The organic result for "tipsyelves.com" includes the text "Buy Funny & Ugly Holiday Sweaters. As Featured On TV's Shark Tank. As seen on TV's Shark Tank - Free Shipping on \$60+ - Perfect for Holiday Party - Easy Fast Returns Excellent Shopping Experience - Google Trusted Stores". The organic result for "Topsy Elves - Sweaters for Men & Women - uglychristmassweater.com" includes the text "Large Collection of Funny Sweaters & Leggings. Free Shipping & Fast Delivery Truly Unique Gift - Custom Sweaters Types: Sweaters, Jackets, Leggings, 3d Sweaters Men's Christmas Sweaters · 3d Christmas Sweaters · Star Wars Sweaters · Santa Sweaters". The organic result for "Topsy Elves: Ugly Christmas Sweaters & Tacky Christmas Sweaters" includes the text "Award winning ugly Christmas sweaters starting at \$35. Get free and fast shipping on hilarious Christmas sweaters and onesies for women and men! You've visited this page many times. Last visit: 10/12/16". The sponsored advertisement includes the text "Ugly Christmas Sweaters - Men's Happy Birthday Jesus Sweater: Medium by Topsy Elves \$54.00 - Topsy Elves ★★★★★ (200)". The organic result for "Topsy Elves - Sweaters for Men & Women - uglychristmassweater.com" includes the text "Large Collection of Funny Sweaters & Leggings. Free Shipping & Fast Delivery Truly Unique Gift - Custom Sweaters Types: Sweaters, Jackets, Leggings, 3d Sweaters Men's Christmas Sweaters · 3d Christmas Sweaters · Star Wars Sweaters · Santa Sweaters". The organic result for "Topsy Elves: Ugly Christmas Sweaters & Tacky Christmas Sweaters" includes the text "Award winning ugly Christmas sweaters starting at \$35. Get free and fast shipping on hilarious Christmas sweaters and onesies for women and men! You've visited this page many times. Last visit: 10/12/16". The sponsored advertisement includes the text "Ugly Christmas Sweaters - Men's Happy Birthday Jesus Sweater: Medium by Topsy Elves \$54.00 - Topsy Elves ★★★★★ (200)". The organic result for "Topsy Elves - Sweaters for Men & Women - uglychristmassweater.com" includes the text "Large Collection of Funny Sweaters & Leggings. Free Shipping & Fast Delivery Truly Unique Gift - Custom Sweaters Types: Sweaters, Jackets, Leggings, 3d Sweaters Men's Christmas Sweaters · 3d Christmas Sweaters · Star Wars Sweaters · Santa Sweaters". The organic result for "Topsy Elves: Ugly Christmas Sweaters & Tacky Christmas Sweaters" includes the text "Award winning ugly Christmas sweaters starting at \$35. Get free and fast shipping on hilarious Christmas sweaters and onesies for women and men! You've visited this page many times. Last visit: 10/12/16".

16. Defendants thus not only used the TIPSY ELVES mark, but also featured it in blue letters above everything else in the advertisement at a much larger size than most of the other advertising copy. Defendants employed the keyword “tipsy elves” within Google AdWords in order to ensure that the advertisement featuring the TIPSY ELVES mark appeared alongside legitimate advertisements and links to the Topsy Elves website.

17. This advertisement gave the consuming public the false impression that clicking on the associated links would take them to either the Topsy Elves website or another website where they could purchase Topsy Elves apparel. This advertising tactic was highly likely to confuse, mislead, and deceive consumers as to the source of products, including Christmas sweaters, available through the associated links to the uglychristmassweater.com website. Furthermore, on information and belief, the lower quality of Defendant UCS’s products was likely to mislead consumers as to the quality and characteristics of genuine Topsy Elves products.

1 under 15 U.S.C. § 1117.

2 23. Moreover, Plaintiff is informed and believes that Defendants'
3 unauthorized use of the TIPSY ELVES mark was willful, and with the intent to
4 cause confusion, mistake, or deception, making this case exceptional and entitling
5 Plaintiff to recover treble damages and reasonable attorneys' fees under 15 U.S.C.
6 § 1117.

7 **SECOND CAUSE OF ACTION**

8 **False Designation of Origin or Sponsorship and Unfair Competition**

9 **(15 U.S.C. § 1125(a))**

10 **(against all Defendants)**

11 24. Plaintiff realleges and incorporates by reference the allegations of the
12 above paragraphs, as though fully set forth here.

13 25. Defendants' unauthorized use of the TIPSY ELVES mark in interstate
14 commerce to advertise, promote, market, and offer for sale goods covered by the
15 TIPSY ELVES mark as described above constitutes a false designation of origin or
16 false representation that wrongfully and falsely designates Defendants' products as
17 originating from or connected with Plaintiff, and constitutes the use of false
18 descriptions or representations in interstate commerce under 15 U.S.C. § 1125(a).

19 26. Consumers are likely to be misled and deceived by Defendants' use of
20 the TIPSY ELVES mark.

21 27. Defendants knew or should have known that their use of the TIPSY
22 ELVES mark was likely to confuse and mislead consumers, including those
23 shopping for Topsy Elves products online.

24 28. As a direct and proximate result of Defendants' unfair competition,
25 Plaintiff has suffered and will continue to suffer loss of income, profits, and
26 goodwill, and Defendants have and will continue to unfairly acquire income, profits,
27 and goodwill.

28 29. Plaintiff has suffered and continues to suffer damages as a direct and

1 proximate result of Defendants' actions, and Defendants have and will continue to
2 unfairly acquire income, profits, and goodwill. Plaintiff is thus entitled to recover
3 damages in an amount to be proven at trial, profits, and the costs of this action,
4 under 15 U.S.C. § 1117.

5 30. Moreover, Plaintiff is informed and believes that Defendants'
6 unauthorized use of the TIPSYPY ELVES mark was willful, and with the intent to
7 cause confusion, mistake, or deception, making this case exceptional and entitling
8 Plaintiff to recover treble damages and reasonable attorneys' fees under 15 U.S.C.
9 § 1117.

10 **THIRD CAUSE OF ACTION**

11 **Unfair Competition & False Advertising**

12 **(Cal. Bus. & Prof. Code §§ 17200 & 17500, et seq.)**

13 **(against all Defendants)**

14 31. Plaintiff realleges and incorporates by reference the allegations of the
15 above paragraphs, as though fully set forth here.

16 32. Defendants' unauthorized use of the TIPSYPY ELVES mark in interstate
17 commerce to advertise, promote, market, and offer for sale goods covered by the
18 TIPSYPY ELVES mark as described above constitutes trademark infringement, false
19 advertising, and unfair competition in violation of the laws of the State of
20 California.

21 33. By these actions, Defendants have engaged in false advertising and
22 unfair competition in violation of the statutory law of the state of California, Cal.
23 Bus. & Prof. Code §§ 17200 and 17500, et seq.

24 34. Consequently, Plaintiff has suffered and will continue to suffer damage
25 to its business, reputation, and goodwill.

26 35. Moreover, Plaintiff is informed and believes that Defendants'
27 unauthorized use of the TIPSYPY ELVES mark was willful, and with the intent to
28 cause confusion, mistake, or deception.

1 unfairly acquire income, profits, and goodwill. Plaintiff is thus entitled to recover
2 damages in an amount to be proven at trial.

3 44. Moreover, Plaintiff is informed and believes that Defendants'
4 unauthorized use of the TIPSYP ELVES mark was willful.

5 **SIXTH CAUSE OF ACTION**

6 **Vicarious Trademark Infringement (against all Defendants)**

7 45. Plaintiff realleges and incorporates by reference the allegations of the
8 above paragraphs, as though fully set forth here.

9 46. Defendants' unauthorized use of the TIPSYP ELVES mark in interstate
10 commerce to advertise, promote, market, and offer for sale goods covered by the
11 TIPSYP ELVES mark as described above constitutes vicarious trademark
12 infringement in violation of federal law and the common law of the State of
13 California.

14 47. Defendants each have the ability to control the actions of Doe
15 Defendants, fund the advertising activities of Doe Defendants, and derive a direct
16 financial benefit from the illegal acts of Doe Defendants.

17 48. Plaintiff has suffered and continues to suffer damages as a direct and
18 proximate result of Defendants' actions, and Defendants have and will continue to
19 unfairly acquire income, profits, and goodwill. Plaintiff is thus entitled to recover
20 damages in an amount to be proven at trial.

21 49. Moreover, Plaintiff is informed and believes that Defendants'
22 unauthorized use of the TIPSYP ELVES mark was willful.

23 **PRAYER FOR RELIEF**

24 WHEREFORE, Plaintiff prays for relief as follows:

25 A. For an order that Plaintiff's trademark has been infringed by Defendants
26 in violation of 15 U.S.C. § 1114(1) and California state common law.

27 B. That Defendants, and any of its officers, directors, agents, servants,
28 employees, successors, assigns and attorneys, as well as all of those in

1 active concert or participation with them, be preliminarily and
2 permanently enjoined such that all of their respective officers, agents,
3 servants, representatives, employees, attorneys, and all other persons
4 acting in concert with them be enjoined from using the TIPSY ELVES
5 mark, or any mark confusingly similar to the TIPSY ELVES mark, in
6 connection with the marketing, promotion, advertising, sale, or
7 distribution of clothing, namely, tops, sweaters, vests, scarfs, headwear,
8 ties, hats, and caps.

9 C. That Defendants be ordered to file with the Court and serve on Plaintiff
10 within thirty days after issuance of an injunction a report in writing and
11 under oath setting forth in detail the manner and form in which
12 Defendants have complied with the injunction, pursuant to 15 U.S.C.
13 § 1116.

14 D. For a finding that Defendants have disseminated false and/or
15 misleading representations of fact, including by false designation of
16 origin or sponsorship, in commercial advertising or promotion in
17 violation of 15 U.S.C. § 1125(a) and Cal. Bus. & Prof. Code §§ 17200
18 and 17500, *et seq.*

19 E. For an order that Defendants disseminate within 30 days of judgment
20 corrective advertising at Defendants' expense that informs consumers,
21 the trade, and the public at large of Defendants' unlawful conduct as
22 complained of herein and of the judgment requiring Defendants to
23 cease such unlawful conduct, and/or order Defendants to pay Plaintiffs'
24 costs in producing and disseminating such corrective advertising.

25 F. For an order awarding Plaintiff monetary relief from Defendants in an
26 amount to be fixed by the Court in its discretion as just, including all
27 damages sustained by Plaintiffs as a result of Defendants' actions, this
28 amount to be trebled, together with prejudgment interest; the costs of

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the action; and all reasonable costs and attorneys’ fees under 15 U.S.C. § 1117, because of the exceptional nature of this case resulting from Defendants’ deliberate and willful trademark infringement and false advertising.

G. For an order awarding Plaintiff all profits received by Defendants from sales and revenues of any kind made as a result of its unlawful actions, this amount to be trebled.

H. For an order under 15 U.S.C. § 1118, requiring that Defendants and all others acting under Defendants’ authority, at their cost, be required to deliver up and destroy all devices, literature, advertising, labels and other material in their possession bearing the infringing designation.

I. For all other relief to which Plaintiff is entitled, and such other or additional relief as the Court deems just and proper.

C. DEMAND FOR JURY TRIAL

Plaintiff demands trial by jury on all issues so triable.

Dated: May 2, 2017

SHEPPARD, MULLIN, RICHTER & HAMPTON
LLP

By _____
s/Martin R. Bader
MARTIN R. BADER
WILLIAM J. BLONIGAN
TRAVIS J. ANDERSON
Attorneys for Plaintiff

Exhibit A

United States of America
United States Patent and Trademark Office

TIPSY ELVES

Reg. No. 4,402,796

TIPSY ELVES LLC (CALIFORNIA LIMITED LIABILITY COMPANY)
1041 MARKET STREET, UNIT 306
SAN DIEGO, CA 92101

Registered Sep. 17, 2013

Int. Cl.: 25

FOR: CLOTHING, NAMELY, TOPS, SWEATERS, VESTS, SCARFS, HEADWEAR, TIES,
HATS AND CAPS, IN CLASS 25 (U.S. CLS. 22 AND 39).

TRADEMARK

FIRST USE 7-31-2011; IN COMMERCE 7-31-2011.

PRINCIPAL REGISTER

THE MARK CONSISTS OF STANDARD CHARACTERS WITHOUT CLAIM TO ANY PAR-
TICULAR FONT, STYLE, SIZE, OR COLOR.

SER. NO. 85-797,158, FILED 12-7-2012.

AMY ALFIERI, EXAMINING ATTORNEY



Lisa Street Lee

Deputy Director of the United States Patent and Trademark Office