No. 03-4085

**IN THE UNITED STATES COURT OF APPEALS**
**FOR THE SEVENTH CIRCUIT**

| | | |
|---|---|---|
| TE-TA-MA TRUTH FOUNDATION - FAMILY OF URI, INC., | ) | Appeal from the United States District Court for the Northern District of Illinois |
| *Plaintiff-Appellant,* | ) | |
| vs. | ) | Honorable Joan H. Lefkow Presiding |
| THE WORLD CHURCH OF THE CREATOR | ) | Case No. 00 C 2638 |
| *Defendant-Appellee.* | ) | |

**OPENING BRIEF OF PLAINTIFF-APPELLANT**
**TE-TA-MA TRUTH FOUNDATION - FAMILY OF URI, INC.**

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December 22, 2003

# CIRCUIT RULE 26.1 DISCLOSURE STATEMENT

Appellate Court No: No. 03-4085

Short Caption: *TE-TA-MA Truth Foundation v. The World Church Of The Creator*

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**(1) The full name of every party that the attorney represents in the case (if the party is a corporation, you must provide the corporate disclosure information required by Fed. R. App. P. 26.1 by completing the item #3):**

TE-TA-MA Truth Foundation – Family of URI Inc.

**(2) The names of all law firms whose partners or associates have appeared for the party in the case (including proceedings in the district court or before an administrative agency) or are expected to appear for the party in this court:**

Kirkland & Ellis LLP

**(3) If the party or amicus is a corporation:**

i) Identify all its parent corporations, if any; and

None.

ii) list any publicly held company that owns 10% or more of the party's or amicus' stock:

None.

Attorney's Signature:_____Date: December 22, 2003
Attorney's Printed Name: Paul R. Steadman

Please indicate if you are *Counsel of Record* for the above listed parties pursuant to Circuit Rule 3(c). Yes_X_ No.

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## STATEMENT OF JURISDICTION

**Jurisdiction in the district court.** This is an action for trademark infringement, unfair competition, deceptive trade practices and dilution arising under the Lanham Act, 15 U.S.C. §§ 1051 *et*. *seq*., and various state laws. The district court had subject matter jurisdiction over this dispute pursuant to 15 U.S.C. § 1121 (Lanham Act), 28 U.S.C. § 1331 (Federal Question), and 28 U.S.C. § 1367 (Supplemental). Defendant The World Church of the Creator (the "World Church") is an unincorporated association with its principle place of business in East Peoria, Illinois. The World Church's members are citizens of numerous states,[1] as well as citizens of a number of foreign countries.[2] The district court had personal jurisdiction over the World Church because: (i) the World Church conducts business in the Northern District of Illinois; and (ii) the World Church acquiesced to personal jurisdiction by the district court and voluntarily withdrew a motion to dismiss for lack of jurisdiction/venue.

**Jurisdiction on Appeal.** The district court denied the Plaintiff's Motion to Declare this Case Exceptional and Award Plaintiff's Attorneys' Fees on March 31, 2003 (A. 1-4; A 0001-0005; R. 126), and entered final judgment on October 27, 2003 incorporating the denial of that motion (A. 0006-0008; R. 159). Plaintiff timely filed a Notice of Appeal on November 25, 2003 seeking review of that portion of the final judgment denying Plaintiff's Motion to Declare the

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[1] Alabama; Arizona; Arkansas; California; Colorado; Connecticut; Florida; Georgia; Idaho; Illinois; Indiana; Iowa; Kansas; Kentucky; Louisiana; Massachusetts; Maryland; Maine; Michigan; Minnesota; Missouri; Mississippi; Montana; North Carolina; North Dakota; New Hampshire; New Jersey; New Mexico; Nevada; New York; Ohio; Oklahoma; Oregon; Pennsylvania; Rhode Island; South Carolina; South Dakota; Tennessee; Texas; Utah; Virginia; Washington; West Virginia; and Wisconsin.

[2] Argentina; Australia; Belgium; Canada; England; Finland; France; Germany; Holland; Italy; Ireland; Norway; Spain; and Switzerland.

Case Exceptional and to Award Plaintiff's Attorneys' Fees. (S.A. 0273-0274; R. 161) This Court therefore has appellate jurisdiction pursuant to 28 U.S.C. §§ 1291 and 1294.

**Prior Appeals:** A prior appeal to this Court, Appeal No. 02-1381, resulted in remand to the district court with instructions to "enter an appropriate judgment in favor of the Foundation." *TE-TA-MA Truth Foundation v. The World Church of the Creator*, 279 F.3d 662 (7th Cir. 2002), *cert. denied*, 123 S. Ct. 854 (2003). The district court entered a permanent injunction, and defendant appealed. Appeal No. 02-4220. However, defendant's interlocutory appeal 02-4220 was ultimately dismissed for want of prosecution by order of this Court on or about April 22, 2003.

## ISSUE PRESENTED FOR REVIEW

During this litigation Defendant's leader exhorted Defendant's members to harass Plaintiff and its attorneys in an attempt to induce them to dismiss the complaint and later the appeal. As a result, Plaintiff and its attorneys received threatening and harassing voicemail and e-mail messages, the avowed purpose of which was to intimidate Plaintiff and its counsel and to waste their resources. Defendant also exhorted its members to defy the judgment that this Court ordered be entered and the resulting orders and injunction of the district court. Thereafter, Defendant and its members and leaders continued willfully to infringe the Plaintiff's trademark and breach the district court's injunction. Defendant's leader was eventually arrested, and currently awaits trial for soliciting the murder of the presiding district judge.

Under any normal meaning of the word this case was truly "exceptional." The only question on appeal is whether the Defendant's vexatious conduct is "exceptional" within the meaning of the Lanham Act's attorneys' fees provision, 35 U.S.C. § 1117(a). The district court said "no," reading the statute to limit the award of attorneys' fees to willful infringement by a

defendant regardless of its litigation conduct. Did the district court err in denying Plaintiff's motion to declare the case exceptional and award fees to Plaintiff as the prevailing party by holding as a matter of law that litigation misconduct cannot make a case exceptional under 35 U.S.C. § 1117(a)?

## STATEMENT OF THE CASE

This is an action for trademark infringement, unfair competition, deceptive trade practices and dilution under the federal Lanham Act, 15 U.S.C. §§ 1051 *et. seq.*; the Illinois Trademark Registration Protection Act, 765 ILCS 1036/65 (1998); the Illinois Uniform Deceptive Trade Properties Act, 815 ILCS 510/1 *et. seq.* (1992); and Illinois common law. On July 25, 2002, this Court ordered that judgment be entered in favor of Plaintiff TE-TA-MA Truth Foundation—Family of URI, Inc. (the "Foundation") on its claims under these causes of action against the World Church. *TE-TA-MA Truth Foundation v. The World Church of the Creator*, 279 F.3d 662 (7th Cir. 2002), *cert. denied,* 123 S. Ct. 854 (2003). On August 28, 2002, as the prevailing party, the Foundation moved to have this case declared "exceptional" and thus recover its attorneys' fees under § 35(a) of the Lanham Act. *See* 15 U.S.C. § 1117(a). The district court denied the Foundation's motion on March 31, 2003, holding that where the plaintiff is the prevailing party, Seventh Circuit precedent limits exceptional cases to only those involving willful infringement. (A. 1-4; A. 0001-0005; R. 126[3]) The Foundation timely filed a Notice of Appeal on November 25, 2003. (S.A. 0273-0274; R. 161)

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[3] The District Court's Order can be found in the **A**ppendix at the end of this Brief and on-line at 2003 WL 1720000 (N.D. Ill. Mar. 31, 2003). All citations in this brief will be in the following format: "A. [**A**ppendix page number]; SA. [**S**upplemental **A**ppendix page number]; R. [**R**ecord on appeal docket number]."

## STATEMENT OF THE FACTS

The facts of the underlying case are accurately summarized in this Court's July 25, 2002, decision, which reversed the summary judgment granted to the World Church and ordered that judgment be entered in the Foundation's favor. *See* 279 F.3d 662. The additional facts relevant to this appeal involve the pattern of harassment and intimidation by the defendant World Church against the Foundation, its attorneys and the district court itself. These facts were summarized to the district court in the Foundation's Motion for Attorneys' Fees (S.A. 0031-0237; R. 88, 89), and were largely accepted and set forth in the district court's opinion denying attorneys' fees (A. 1-4; A. 0001-0005; R. 126). Additional relevant facts also included the Defendant's willful infringement and violation of the district court's orders and injunction after remand from this Court. All of the relevant facts are set forth below.

### I. The District Court's Findings Regarding the World Church's Harassment of the Foundation and Its Attorneys.

The district court reviewed the evidence of record and agreed with the Foundation about the nature of the harassment and threats at issue here. Specifically, the district court found that the Defendant World Church had sent a "barrage of hateful letters, voice- and e-mails to the Foundation and the Foundation's counsel. As the (evidence) demonstrates, more than 70 communications were sent, and they can be readily traced to incitement by (Defendant's Leader) Hale, who via e-mail called upon World Church members to 'make (the Foundation and its attorneys) consume their time and money dealing with the mass of calls from angry White Racial Loyalists' and to pressure the Foundation to drop the law suit." (A. 1; A. 0002; R. 126 at 1) The district court characterized these communications as "ugly, even threatening," and termed the World Church's conduct as "reprehensible" and "tortious or criminal." (A. 2, 4 n.2; A. 0003, 0005; R. 126 at 2, 4 n.2)

The district court's findings in this regard were well supported by record evidence as shown in sections II-VII below, which summarize the facts and evidence for the convenience of this Court. Indeed, the World Church essentially admitted to the "tortious or criminal" and "reprehensible" conduct, defending against the imposition of attorneys' fees only by claiming that the communications were not "harassing but merely free expression guaranteed under the First Amendment." (A. 2; A. 0003; R. 126 at 2) The district court rightly rejected this argument. (*See, e.g.,* A. 4 at n.2; A. 0005; R. 126 at 4 n. 2)

### A. The World Church's Harassment of the Foundation and Its Attorneys Following the Filing of this Lawsuit and the Subsequent Notice of Appeal.

The Foundation's complaint was filed on May 2, 2000. (S.A. 0018-0030; R. 1) E-mails soon began arriving at the Foundation from World Church members. Some of the e-mails were rude and offensive. Others were more threatening:

- "We will include you in the concentration camps…" (S.A. 0072; R. 89 at Tab 13).
- "Perhaps I will drop by and pay you a visit. TOM METZGER." (S.A. 0065; R. 89 at Tab 10) (Although we cannot verify the actual identity of this e-mail's sender, Tom Metzger is the name of the director of the White Aryan Resistance.)
- "(I)f you are wise you will stop such a stupid action as a lawsuite (sic), for your well-being." (S.A. 0078; R. 89 at Tab 16).
- "i and my racial comrades take a great offense in suing the real church of the creator . . . you wander why Hitler took you Jewish scum out back then well i hope you realize this will piss my race off even more because of this there may be a rise in so called 'Hate Crimes' i am not saying i am going to but your sure to piss somebody off to the point of violence" (all grammar and spelling in original) (S.A. 0055; R. 89 at Tab 5).

The World Church (through its leader, Mr. Hale) maintained several e-mail lists, as well as a "hotline message" that could be reached by calling a phone answering machine with a pre-recorded message, or by reading a transcript that the World Church made available on its web sites and updated on a regular basis. The World Church used these e-mail lists and hotline

messages to promote more threats and harassment by the World Church members after the district court's entry of summary judgment in the World Church's favor. On February 15, 2002, the Foundation, through its attorneys, filed a Notice of Appeal from the district court's order granting summary judgment to the World Church. The World Church (through its leader, Mr. Hale) responded by broadcasting an e-mail and hotline message calling on World Church members to "put pressure to bear on the (Foundation's) scoundrel law firm," and "make them consume their time and money" to get them to dismiss the appeal of the summary judgment. (S.A. 0044-0046 and 0210-0211; R. 89 at Tabs 1 and 80, *originally published at* https://www.wcotc.com /hotline/29_08.html). In the hotline message, Mr. Hale urged World Church members:

- "In any case, I want you to try something new. I want you to begin lodging your protests with the law firm responsible for this attack. . . . I note that two of the three main attorneys from this firm handling the case are Jewish. The ringleader is named James Amend. Call Amend at (312) 861-(omitted, but contained in original) or send him a fax at (312) 861-2200. You have every right to protest this witch hunt and make them consume their time and money dealing with the mass of calls from angry White Racial Loyalists. They have consumed enough of our time and money—perhaps they could be repaid in kind." (S.A. 0210-0211; R. 89 at Tab 80)

- "This is not a case in which attorneys are simply representing the will and interests of their clients. This is a case of attorneys actually being the impetus and spearhead for the entire matter. Does Mr. Amend's Jewish background have anything to do with his actions? Two plus two usually does, in fact, equal four." (S.A. 0210-0211; R. 89 at Tab 80)

In direct response to these instructions from the World Church's leader, its members sent e-mails and voicemails to the Foundation's attorneys. Among these e-mails were ones that stated:

- "Listen up, you kike, you better leave our f***ing church alone or *I'm gonna f***ing kill you*." (S.A. 0198; R. 89 at Tab 74)

- "I urge you to rescind from carrying this on any further to avoid embarrassment to yourself and to your clients. . . ." (S.A. 0127; R. 89 at Tab 39)

- "I understand that your law firm has appealed a decision handed down by a lower court in the World Church Of The Creator name lawsuit. . . . I'm a member of WCOTC and I just want to say that I think it's awful that your firm would do this kind of cheap, petty thing in the first place. WE had the name first. No one else did and it's been proven. Why do you and your firm place money ahead of ethics and morals? Obviously your client is paying a lot of money. Shame on your firm. God is watching you." (S.A. 031; R. 89 at Tab 41)

Apparently because its efforts did not succeed in having the appeal dismissed, on April 18, 2002, the World Church issued a second hotline message urging members to continue calling the "Jew infested law firm, Kirkland & Ellis" and again gave the direct telephone line for one of the "Jewish attorney(s)." Mr. Hale urged members to "continue calling Kirkland & Ellis and voice your opposition to their pursuing this appeal of their harassment lawsuit against us. Call Jewish attorney James Amend," and listed Mr. Amend's direct phone number. (S.A. 0213-0214; R. 89 at Tab 81, *originally published at* http://www.wcotc.com/hotline/29_16.html)

**B. The World Church's Actions Following Judgment on Appeal.**

On July 29, 2002, following this Court's decision in *TE-TA-MA Truth Foundation v. The World Church of the Creator*, 279 F.3d 662 (7th Cir. 2002), *cert. denied*, 123 S. Ct. 854 (2003), the World Church again issued a hotline message written and delivered by its leader Mr. Hale, announcing that this Court's decision would be ignored: "(W)e will continue to use our name . . .. There is no power, there is no authority that can tell us, as a Church, that we must use a certain name. . .. We will not submit, we will not bow down before any unconstitutional decision; we don't care where it comes from." (S.A. 0216-0217; R. 89 at Tab 82, *originally published at* http://www.wcotc.com/hotline/29_31.html). The World Church called on its members to continue using that name to spread its beliefs (willfully infringing the Foundation's trademark), and then began calling for more e-mail harassment of the Foundation and its attorneys.

On August 1, 2002, The World Church issued yet another e-mail message through Mr. Hale to World Church members calling on them to protest against the "bogus pro-kike Church" and its attorneys. Mr. Hale listed the "website of the vermin" (meaning the Foundation), and published its mailing and e-mail addresses. He also again named the Foundation's attorneys and once again listed their e-mail addresses and phone numbers. He again called on his organization's members "to speak to any of these scoundrels and spend as much time as you desire taking them away from their mission. . ." (S.A. 0048-0049; R. 89 at Tab 2)

Once more numerous e-mails from World Church members immediately followed. Some were sent repeatedly by the same people. Many were only rude and offensive, but others (as with the earlier round) were more threatening:

- To the Foundation: "The World Church of the creator has members in your area and who are on their way to talk to you about he lawsuit." (S.A. 0092; R. 89 at Tab 23)

- To the Foundation: "do us, the people concerned about the preservation of natures finest, a favor. i'm sure we could supply you with the gun." (S.A. 0108; R. 89 at Tab 31)

- To the Foundation: "The only thing you will be successful in doing is EARNING THE WRATH OF THOUSANDS OF CREATORS!" (S.A. 0094; R. 89 at Tab 24)

- To the Foundation: "The World Church of the Creator has had our name for many years more than you. . . . you will make a lot of people very angry." (S.A. 0098; R. 89 at Tab 26)

- To the Foundation's Attorneys: "My name is Michael and I am a member of The WCOTC in East Peoria. I think it is absurd that a organization such as yourself . . . would battle for a name instead of allowing us to have the name our founder gave us." (S.A. 0175; R. 89 at Tab 63)

- To both the Foundation and its Attorneys: "You must STOP your FASCIST ATTACK on our Church!! Protests and Boycotts are all you will get from us!!!!" (S.A. 0171; R. 89 at Tab 61)

- To the Foundation: "keep praying to your pathetic jew god that does not exist that you and all your 'brothers of humanity' will not suffer the same fate that you are destined to face." (S.A. 0116; R. 89 at Tab 35)

- To the Foundation: "They that can give up essential liberty to obtain a little temporary safety deserve neither liberty nor safety." (S.A. 0102; R. 89 at Tab 28)

- To the Foundation's Attorneys (via voicemail): "Yes, my name is John Pierce. I'm a member of the COTC, the Church of the Creator, the 'real' Church of the Creator. Personally, I think you're a shyster, the ambulance chaser of the worst kind. How dare you persecute the Church of the Creator?. . . ." (S.A. 0200; R. 89 at Tab 75)

The World Church's members also declared their commitment to the continued use of the infringing marks, in spite of this Court's judgment:

- To the Foundation's Attorneys (via voicemail): "Yeah, I'm a member . . . of the WCOTC, the real COTC, and I must say that I find your actions extremely offensive. . . . we don't care what that three-judge court of clowns say, we have the right to our religion. . . We will not abide by any of the unconstitutional proclamations of your kangaroo court. To hell with you." (S.A. 0204; R. 89 at Tab 77)

- To the Foundation (via e-mail): "You can pay all the judges you want, hire all the expensive lawyers you want, pass all the crooked laws you want prohibiting us from using our name but none of it will work we will keep the name that our founder Ben Klassen gave us in 1972. No matter what!!!!" (S.A. 0116; R. 89 at Tab 35)

- To the Foundation's Attorneys (via voicemail): "We will not abide by your distortions, your perversion of the Constitution." (S.A. 0200; R. 89 at Tab 75)

### C. The World Church's Actions Following the Foundation's Motion for Attorneys' Fees.

On approximately August 28, 2002,[4] almost immediately after the Foundation filed its Plaintiff's Motion to Declare this Case Exceptional and Award Plaintiff's Attorneys' Fees, the

[4] The copy of the press release (S.A. 0229-0230; R. 89 at Tab A) from Defendant's web site www.wcotc.com was erroneously dated August 20, 2002. That date cannot be correct, because the text of the press release refers to the motions filed by Plaintiff on August 28, 2002. Dates on the e-mails (at Tabs B and C) are September 5, 2002.

World Church again issued a "press release" and e-mail through Mr. Hale, again including the Foundation's counsel's telephone number, and directed members to "call the Jews of Kirkland & Ellis, James Amend and Paul Steadman, and challenge them." (S.A. 0228-0237; R. 94 at Tabs A, B, C). Hale ostensibly addressed this call to the "news media," in an apparent but bogus attempt to wrap himself in the First Amendment -- but the e-mail itself was sent to the World Church's own e-mail lists:

- worldchurchofthecreatorwisconsin@yahoogroups.com,
- aryancreativity3@yahoogroups.com,
- AryanNews@yahoogroups.com, and
- White-Unity@yahoogroups.com.

(*See, e.g.*, S.A. 0236-0237; R. 94 at Tab C).

**D. The World Church's Actions Following Entry of the Permanent Injunction.**

The World Church purposely and publicly violated the district court's November 19, 2002 Order and Injunction, which was issued in accordance with this Court's mandate. On December 4, 2002, the World Church posted a "press release" on its infringing web site www.wcotc.com. It stated:

- "A federal judge has no constitutional power to either rewrite our religion or order the destruction of our religious books";
- "I (Matt Hale) neither have the power nor the desire to change our religion to meet the dictates of a corrupt judge.";
- "We call upon Judge Lefkow to recognize that her alleged order violates the supreme law of the land";
- "By your actions, Judge Lefkow, you have made yourself part of the criminal conspiracy to destroy rights";
- "we have every right to declare them as open criminals violating the Constitution and the highest law of the land. They then obviously are the criminals, and we can then treat them like the criminal dogs they are and take the law into our own

hands. This is the obvious, logical thing to do. We must then meet force with force and open warfare exists. It will then be open season on all Jews."; and

- "This court order thus places our Church in a state of war with this federal judge and any acting on authority from her kangaroo court."

(S.A. 0276-0277; R. 102 at 1-2) The next day, on December 5, 2002, the World Church's leader Matt Hale stated during a live "chat" published on World Church's www.wcotc.com website that "I have some additional news that all of you will hear about formally tomorrow (i.e., December 6, 2002)." (S.A. 0285; R. 102 at Tab 1, printout of portion of chat, at 2). Then, on December 6, 2002, the following message appeared at the URL www.overthrow.com/lsn/news.asp?articleID =3286:

> The World Church of the Creator today publically (sic) violated a federal judge's court order to destroy their "Holy Books" by shipping their remaining stock of said books out of the state of Illinois and the jurisdiction of the local Federal Appeals Court.
>
> According to an email sent out today by Matt Hale, the books have been shipped to another US state. While such a transfer of property is a violation of the court's order, it does place the property out of the court's power for the moment. . . .

(S.A. 0299-0300; R. 102 at Tab 3 (emphasis in original)). Through Mr. Hale, the World Church sent the e-mail referred to in this press release early on the morning of December 6, 2002. (S.A. 0348-0354; R. 102 at Tab 6). In the e-mail, Hale states that "materials that have not already been distributed throughout the rest of the world to our adherents are now in Wyoming safe and secure," having been delivered to Rev. Thomas Kroenke, P.O. Box 1482, Riverton, Wyoming 82501. (*Id*. at 2). Hale also stated that he is "planning many surprises for our enemies both inside and outside the courtroom." (*Id.*)

Thereafter, on May 1, 2003, the district court found the World Church in contempt of its injunction, not only for failing to remove the infringing marks from Defendant's websites and for failing to deliver for destruction or redaction all materials bearing the infringing marks, as the

injunction ordered, but also for "affirmatively and knowingly flout(ing)" the injunction's "express terms." (S.A. 0262-0269; R. 134, 135). The district court noted that not only did the World Church and others acting in concert with it make the public remarks described above, but Matt Hale himself, as well as Defendant, submitted sworn affidavits from World Church members confessing that Hale had purposely and deliberately moved articles bearing the infringing marks out of state to frustrate the district court's jurisdiction. (S.A. 0264; R. 135 at 2)

### E. The World Church's Actions and Those of Its Leader Mr. Hale Following the District Court's Order and Injunction.

On January 8, 2003, following the district court's November 19, 2002 order and injunction implementing this Court's decision, Hale was arrested by federal agents on a two-count indictment for: (i) soliciting the murder of presiding district court Judge Joan Lefkow; and (ii) attempting to influence Judge Lefkow corruptly and by force. *See United States v. Hale*, No. 03CR0011 (N.D. Ill. Jan. 7, 2003). At Hale's January 23, 2003 detention hearing, the government presented evidence gleaned from the e-mails and web site messages cited above, as well as from testimony and tapes made by an informant inside the World Church. The government's evidence is summarized in the district court's February 20, 2003 detention order, of which this Court may take judicial notice. *See Opoka v. I.N.S.*, 94 F.3d 392, 394 (7th Cir. 1996) (noting that the decision of another court is a proper subject of judicial notice). The detention order notes that Hale sent a November 20, 2002 e-mail telling World Church members that the district court's order "in effect places our Church in a state of holy war with this federal judge and any acting on authority from her kangaroo court." Mr. Hale then stated, "As I am sure you will understand, it is necessary that I speak in generalities concerning the response of the Church to such an obvious violation of our religious rights." Mr. Hale urged followers to "take the law into their own hands":

> They then obviously are the criminals, and we can treat them like the criminal dogs they are and take the law into our own hands. This is the obvious, logical thing to do. We must then meet force with force and open warfare exists.

A December 4, 2002 e-mail referred to Judge Lefkow as a "Probable Jew," described two of the Foundation's attorneys as "Jew," and referred to a third attorney as "Traitor White." The e-mail concluded:

> Any action of any kind against those seeking to destroy our religious liberties is entirely up to each and every Creator according to the dictates of his own conscience.

Feb. 20, 2003 Detention Order, Case No. 03-CR-11, at 3-4.

The government's confidential informant, identified as the head of the "White Berets," the World Church's security arm, received an e-mail from Hale on December 4, 2002 labeled "Assignment," in which Hale allegedly asked him to find the home addresses of Judge Lefkow and three of the Foundation's attorneys. In a subsequent conversation recorded on December 5, 2002, when the government's source asked Hale if they were going to "exterminate the rat," referring to Judge Lefkow, Hale told the source to do "whatever you want to do, basically," and that "if you wish to do anything yourself, you can." When the source told Hale to "Consider it done," Hale replied, "Good." In a conversation on December 17, 2002, the source reported to Hale that plans were in place to "exterminate" Judge Lefkow in the near future. Although Hale then told his lieutenant that he could not be part of such a plan, he made no attempt to stop it. Indeed, Hale added that if asked, the informant should say that they had been talking about baseball, a subject that never came up during the conversation. See Feb. 20, 2003 Detention Order, Case No. 03-CR-11.

On January 8, 2003, federal agents searched the World Church's headquarters and Hale's sometime residence at 217 Randolph Street in East Peoria, Illinois. In addition to a cache of

weapons, the agents also found at least 97 publications bearing an infringing mark, secreted away in violation of the district court's Permanent Injunction, contradicting a statement that Hale made in a December 12, 2002 letter to Judge Lefkow: "(F)rom my understanding of the Court's order, I have no material in my control or possession that falls afoul of it." See October 31, 2003 Third Superseding Indictment at p. 4 ¶2, Case No. 03-CR-11. This also contradicted Hale's pleading, filed with the Court on Dec. 26, 2002, that "I have not had any materials in my possession bearin gthe offending marks since weeks before this Court's November 19, 2002 Order and Injunction . . . .. I have not materials either in my 'possession, custody, or control' as provided in paragraph 6 of the Court's order." (S.A. 0369; R. 108 at 3)

Mr. Hale currently awaits trial on these charges. *See United States v. Hale*, No. 03CR0011 (N.D. Ind. Jan. 23, 2003), Docket.

## II. The World Church's Actions Were Intended To, and Did, Exacerbate the Litigation and Cost the Foundation Time and Money.

The World Church's campaign of harassing and threatening e-mails was overtly intended to intimidate the Foundation and its attorneys, and to deliberately waste their time and money, all in the hopes that the Foundation could be bullied into dropping the case. The World Church admitted as much. For example, the World Church's e-mail and hotline message of February, 2002 stated that e-mails and other messages to the Foundation and its attorneys were intended to "make them consume their time and money dealing with the mass of calls from angry White Racial Loyalists." (S.A. 0210-0211; R. 89 at Tab 80) The World Church's April, 2002 hotline message stated that the intent of such e-mails and calls was to oppose "their pursuing this appeal . . . Call Jewish attorney James Amend." (S.A. 0213-0214; R. 89 at Tab 81) The World Church's August, 2002 e-mail message stated that the intent was to "spend as much time as you desire taking them away from their mission." (S.A. 0048-0049; R. 89 at Tab 2)

As it turned out, the World Church's tactic worked at least in part. The Foundation and its attorneys were forced to spend additional time, effort, fees and expenses dealing with the threats and harassment, and to prepare and file additional pleadings. The World Church's deliberate refusal to obey the district court's injunction and orders caused the Foundation and its attorneys to spend countless hours investigating the failure to comply and bring them to the Court's attention. In other words, a substantial portion of the Foundation's attorneys' fees were directly caused by the World Church's litigation misconduct.

## III. The Actions Described Herein Were Directly Attributable to the Defendant.

The World Church is responsible for the threats and acts of intimidation and harassment described above. On at least four separate occasions, Hale himself, in his capacity as the World Church's leader, urged his followers and supporters to carry out such acts. Hale explicitly directed these calls to action to the World Church's members, asking his "brothers and sisters" to respond. (S.A. 0044-0046, 0048-0049, 0210-0211, 0213-0214; R. 89 at Tabs 1, 2, 80, 81). In fact, many of the harassers who obliged the World Church's request specifically identified themselves as Defendant's members:

- "Yeah, I'm a member and a minister of the WCOTC" (S.A. 0204; R. 89 at Tab 77).
- "My name is Michael and I am a member of the WCOTC in East Peoria." (S.A. 0171, 0175, 0177; R. 89 at Tabs 32, 63, 64).
- "Yes, my name is John Pierce. I'm a member of the COTC, the Church of the Creator, the *real* Church of the Creator." (S.A. 0200; R. 89 at Tab 75).
- "Sister Lisa Turner, the Women's Information Coordinator for the World Church of the Creator" (S.A. 0082; R. 89 at Tab 18).
- "We of the World Church of the Creator" (S.A. 0078; R. 89 at Tab 16).
- "Brother Jason" (S.A. 0084; R. 89 at Tab 19).

- "Brother Michael Ireland" (S.A. 0169, 0173, 0179, 0181, 0183, 0185, 0187, 0189, 0191, 0193, 0195; R. 89 at Tabs 60, 62, 65, 66, 67, 68, 69, 70, 71, 72, 73).
- "I'm a member of a white racel (sic) religion called creativity." (S.A. 0114; R. 89 at Tab 34).
- "your persecution of my Church" (S.A. 0076; R. 89 at Tab 15).
- "our f***ing church" (S.A. 0198; R. 89 at Tab 74).
- "our Church" (S.A. 0086; R. 89 at Tab 20).
- "World Church of the creator has *members* in your area and who are on their way to talk to you about the lawsuit." (S.A. 0092; R. 89 at Tab 23).

## STANDARD OF REVIEW

This Court reviews *de novo* the district court's determination of the scope and meaning of the term "exceptional" as used in § 35(a) of the Lanham Act. *Badger Meter, Inc., v. Grinnell Corp.*, 13 F.3d 1145, 1154-55 (7th Cir. 1994) ("We review the district court's conclusions of law *de novo.*"); *accord Ferrero U.S.A., Inc. v. Ozak Trading, Inc.*, 952 F.2d 44, 48 (3d Cir. 1991) (noting that the district court's application of § 1117(a) is reviewed for abuse of discretion, "unless, of course, the district court applied the wrong standard, which would be an error of law").

## SUMMARY OF THE ARGUMENT

As a matter of law, the district court improperly and erroneously denied the Foundation's motion to recover attorneys' fees under the Lanham Act, despite behavior by the World Church that has gone well beyond the pale of acceptable litigation conduct, and included willful infringement and intentional disregard of Court Orders. First, the egregious nature of the relevant facts essentially makes this a matter of first impression in the Seventh Circuit, although in earlier cases this Court has already suggested that litigation misconduct can be the basis for a

case being declared exceptional under § 1117(a). Indeed, other Circuit Courts confronted with cases involving analogous, but less egregious, fact patterns have held that litigation misconduct, and not just willful infringement, can be the basis for an "exceptional case." Finally, an examination of the attorney fee provision's purpose and the policy considerations related to its application in this case shows that one of its purposes was to prohibit conduct such as that engaged in by the World Church.

## ARGUMENT

### I. The Litigation Misconduct at Issue Here Is Unprecedented and Exceptional.

The World Church's actions toward, and communications with, the Foundation and the Foundation's attorneys, as well as those directed at the district court and its orders, are of the most serious type of litigation misconduct. The district court itself described the World Church's actions in this litigation as "reprehensible," "ugly," "threatening," "harassing," "anti-Semitic," and "tortious or criminal." Several messages directed overt threats against the lives of Plaintiff's staff and counsel, using explicit references to concentration camps, hate crimes, violence and firearms in an attempt to intimidate and to terrorize. In addition to these explicit threats of retribution, many other messages featured innuendo suggesting that the recipients were in physical danger. Even those voicemails and e-mails that were not overtly threatening were exceptional as elements of the intentional, coordinated campaign of harassment that the defendant waged against the Foundation, its attorneys and the district court. The voicemails and e-mails that the Foundation's attorneys received after February 15, 2002 came as a direct result of the leader of the World Church calling for its members and supporters to "put pressure to bear" on the plaintiff's attorneys, and to consume their "time and money." (S.A. 0210-0211; R. 89 at Tab 80). Defendant has never raised any argument that these communications do <u>not</u>

constitute litigation misconduct. Defendant has argued only that its harassing messages are protected under the First Amendment. (*See* A. 0003; R. 126 at 2; S.A. 0241; R. 95 at 4). This argument, however, flies in the face of the Supreme Court's decisions holding that threats of violence and intimidation are not protected speech. *See, e.g., R.A.V. v. City of St. Paul, Minn.*, 505 U.S. 377, 388 (1992).

The World Church's flagrant disregard for the district court's injunction is also exceptional. Beginning after this Court's July 25, 2002 decision, the infringement by the defendant became willful and then contemptible, as the World Church explicitly refused to "submit" to this Court's or the district court's authority. Not only did the World Church instruct its followers to disobey the Courts' decisions, but Matt Hale and the World Church's leadership actually removed infringing articles from the district court's jurisdiction in anticipation of the district court's issuing its permanent injunction. Furthermore, the World Church's conduct included at least one outright lie to the court, revealed with the government's discovery and seizure on January 8, 2003 of nearly a hundred publications bearing an infringing mark at the defendant's headquarters in East Peoria.

Although Mr. Hale was not named personally as a defendant in this trademark action, as the World Church's recognized and self-proclaimed leader he was primarily responsible for organizing its legal defense. He also served as the World Church's public spokesman throughout the litigation. Mr. Hale's acts as Defendant's leader not only include instigating the vexatious conduct described above, but also include directing a member of his organization to obtain the home addresses of three of the Foundation's attorneys, as well as that of Judge Lefkow, whom Hale allegedly gave orders to "exterminate."

All of these actions were intended to, and did, cost the Foundation and its attorneys needless time and effort dealing with the threats, harassment and deliberate violations of the Court's Orders, as well as the additional associated fees and expenses. Thus, the defendant's extraordinary misconduct in this case takes multiple forms, which individually or collectively made the World Church's behavior "exceptional."

## II. In Cases Where the Trademark Owner Prevails, Nothing Limits Exceptional Cases to Those Involving Willful Infringement.

The dramatic facts of this case are unique in this Circuit. (See, e.g., A. 0004; R. 126 at 3. While it is true that the cases on which the district court relied in denying the Foundation's motion all involved claims stemming from the nature of the underlying infringement (as opposed to the defendant's behavior during litigation), none of those cases precludes a finding of exceptionality based on other aspects of the parties' conduct. Indeed, this Court has explicitly suggested that litigation misconduct can be the basis for an exceptional case. Other Circuits that have considered this question more directly have also held cases to be exceptional based on behavior comparable to, although less egregious than, the actions of the Defendant here.

### A. The question of whether a defendant's litigation misconduct can constitute an exceptional case is an open question in the Seventh Circuit.

15 U.S.C. § 1117(a) provides: "The court in exceptional cases may award reasonable attorney fees to the prevailing party." As the district court noted, no case with analogous facts has ever been presented in the Seventh Circuit (A. 0004; R. 126 at 3) It is true that in other cases with different facts, the "canonical formula" in the Seventh Circuit for awarding attorneys' fees under § 1117(a) has been whether the non-prevailing party's actions with respect to the infringement, itself, were "malicious, fraudulent, deliberate, or willful." *Door Sys., Inc. v. Pro-*

*Line Door Sys., Inc*., 126 F.3d 1028, 1031 (7th Cir. 1997). However, the statute is not limited to the "canonical formula."

The district court cited *Otis Clapp & Sons, Inc. v. Filmore Vitamin Co.*, 754 F.2d 738 (7th Cir. 1985), for the proposition that where the plaintiff is victorious on the merits, the defendant's "acts of infringement" are the only actions that can be evaluated under this standard. (A. 0003; R. 126 at 2 (citing 754 F.2d at 746)) But the question in *Otis Clapp & Sons* was a different one: whether the accused infringer's deliberate "targeting" of the plaintiff's business constituted an exceptional case. *See* 754 F.2d at 746. The *Otis Clapp* opinion nowhere states or implies that the standard for exceptionality precludes claims arising from other acts related to the litigation. The district court also cited *Roulo v. Russ Berrie & Co., Inc.*, 886 F.2d 931 (1989), for the proposition that this Circuit has limited the finding of exceptional cases to those involving "willful infringement." (A. 0003; R. 126 at 2 (citing 886 F.2d at 943)). Again, however, although *Roulo* defines the standard for cases where the claim of exceptionality rests on the character of the infringement, the Seventh Circuit has never settled the question posed here. For this reason, the cases on which the district court relied do not foreclose as a matter of law a finding in the Foundation's favor, and it erred in concluding that they did.

### B. Seventh Circuit cases suggest that a defendant's litigation misconduct can render a case "exceptional."

Following *Roulo*, this Court has defined "exceptional cases" more broadly: they include "truly egregious, purposeful infringement, ***or other purposeful wrongdoing***." *Badger Meter, Inc. v. Grinnell Corp.*, 13 F. 3d at 1159 (emphasis added). Purposeful ***infringement*** on the one hand and purposeful ***wrongdoing*** on the other thus constitute separate categories, either one of which may qualify a case as "exceptional." And "purposeful wrongdoing" certainly describes

the virulent campaign of threats, harassment and intimidation that the World Church undertook as part of this litigation.

In any event, the World Church's behavior following entry of the District Court's injunction encompasses purposeful, willful infringement as well. The World Church has openly bragged about its continued infringement after entry of the injunction. This Circuit has found that such continued infringement after being ordered to cease and desist supports the finding of an "exceptional case." In *Gorenstein Enterprises, Inc. v. Quality Care—USA, Inc.*, for example, the defendants, whose franchise had been terminated by the plaintiff, continued to use the plaintiff's trademark after they had lost on the merits of the trademark infringement action, arguing that they were both permitted and required to continue using the mark during the pendency of the defendant's own action to rescind its franchise agreement with the plaintiff. "So weak are the (defendant's) arguments regarding their (continued) infringement . . . and so deliberate the infringement, that it might have been an abuse of discretion for the district court judge *not* to have awarded . . . attorney's fees. . ." 874 F.2d 431, 435 (7th Cir. 1989) (emphasis in original). Thus, even if the original infringement was not willful, continued infringement after an injunction is entered is both willful and sufficient as a basis for declaring the case exceptional and awarding attorneys fees to the trademark owner.

### C. Other circuits have found litigation misconduct to be *per se* grounds for declaring a case exceptional.

Other Circuits that have confronted the question of whether litigation misconduct other than willful infringement can make a case "exceptional" have found such conduct sufficient. In *Securacomm Consulting, Inc. v. Securacom Inc.*, the Third Circuit explicitly rejected an argument that only cases involving willful infringement can be exceptional when the plaintiff prevails. 224 F.3d 273, 279 (3d Cir. 2000). In a case where the defendant used meritless and

oppressive litigation tactics to try to destroy a financially-weaker plaintiff, the Third Circuit concluded that although culpable conduct in the act of infringement is often a relevant factor, it is not exclusive of other considerations, including litigation misconduct. *Id*. at 280. Moreover, the Court observed that the reference to "equitable considerations" in §1117(a)'s legislative history (*see* discussion *infra* at III) demonstrates that Congress intended to invoke the tradition of equity, a hallmark of which is the ability to assess the totality of the circumstances in each case, including vexatious litigation conduct and bad faith actions by the parties. *Id*. at 281.

The Eighth Circuit has also described exceptional cases broadly as being those where a party's actions were "groundless, unreasonable, vexatious, or pursued in bad faith" or, even more generally, where "one party's behavior went beyond the pale of acceptable conduct." *Aromatique, Inc. v. Gold Seal, Inc.*, 28 F.3d 863, 877 (8th Cir. 1994) (holding in the context of a plaintiff accused of making fraudulent representations to the defendant about the validity of the plaintiff's mark). The district court in *Yankee Candle Co., Inc. v. Bridewater Candle Co., LLC* applied almost the same standard, finding that predatory litigation strategies (in that case, the plaintiff's "aggressive pursuit of unfounded claims") were "'exceptional' under virtually any standard." 140 F.Supp.2d 111, 121-22 (D. Mass. 2001). The World Church's litigation-related efforts to intimidate the Foundation and its counsel into dropping this case, and to punish the district court for implementing this Court's mandate, easily meet the standard for litigation misconduct as elaborated in these other Circuits.

## III. The Statute's Language and Purpose Are Not Limited to Willful Infringement.

The first sentence of the Lanham Act Section 1117(a) explicitly provides that, for "willful violation under section 1125(c) of this title," *i.e.*, for willful dilution of a famous mark, plaintiffs are entitled to recover profits, damages and costs. Thus, the legislature knew how to tie a

specific remedy under Section 1117(a) to willful infringement. But in allowing the prevailing party to recover attorneys' fees in "exceptional cases," the Lanham Act drafters deliberately chose a broader class of cases than those involving "willful infringement." Indeed, nothing in the Lanham Act provides that willful infringement is the exclusive standard for an "exceptional case."

Rather, the legislative history of the attorneys' fees portion of § 1117(a) reveals that its purpose was to "authorize award of attorney fees to the prevailing party in trademark litigation *where justified by equitable considerations*." S. REP. NO. 93-1400, at 1 (1974), *reprinted in* 1974 U.S.C.C.A.N. 7132, 7132 ("Purpose of H.R. 8981") (emphasis added). Examples of exceptional cases included instances where plaintiffs prevail over "willful infringers" and where defendants prevail over "unfounded suits," but the legislative history does not identify these scenarios as being anything more than two examples of relevant "equitable considerations." *Id.* at 5 ("Sectional Analysis").

Indeed, § 1117(a) was added to restore the "equitable doctrine" that previously allowed courts to award attorneys' fees at their discretion to successful plaintiffs in infringement cases before the Supreme Court struck down that authority as lacking a statutory basis in *Fleischman Distilling Corp. v. Maier Brewing Co.*, 386 U.S. 714 (1967). S. REP. NO. 93-1400, at 4. Although litigation misconduct was not a frequent issue in the pre-*Fleischman* cases, federal courts had exercised their equitable power to award attorneys' fees to plaintiffs in circumstances of fraudulent or bad faith infringement, including misconduct during trial. *See, e.g.*, *Admiral Corp. v. Penco, Inc.*, 203 F.2d 517, 521 (2d Cir. 1953) (granting appellate costs to the plaintiff where the defendant appealed a "patently just judgment"); *Williamson-Dickie Mfg. Co. v. Davis Mfg. Co.*, 149 F.Supp. 852, 855 (E.D. Pa. 1957) (noting that an award of attorneys' fees could be

based on "bad faith *or* vexatious tactics") (emphasis added). 15 U.S.C. § 1117(a) restored this broad authority.

In addition, in drafting § 1117(a), Congress used the exact same language as in the corresponding provision of the Patent Act that authorizes attorneys' fees in "exceptional cases." *See* 35 U.S.C. § 285. The Third Circuit has observed that because "35 U.S.C. § 285 is identical to . . . the Lanham Act fee provision . . . . (w)e, therefore, look to the interpretation of the patent statute for guidance." *Securacomm Consulting*, 224 F.3d at 281. The Federal Circuit has repeatedly interpreted § 285 of the Patent Act to allow a finding of exceptionality when there has been inequitable conduct during the prosecution of a patent, misconduct during litigation, vexatious or unjustified litigation tactics, or a frivolous suit. *See, e.g.*, *Kloster Speedsteel AB v. Crucible Inc.*, 793 F.2d 1565, 1580 (Fed. Cir. 1986) ("(B)ad-faith displayed in pretrial and trial stages, by counsel or party, may render the case exceptional under § 285."); *Rolls-Royce, Ltd. v. GTE Valeron Corp.*, 800 F.2d 1101, 1111 (Fed. Cir. 1986) (noting that "misconduct (e.g., frivolity; harassing tactics) may suffice" for finding an exceptional case); *Hughes v. Novi American, Inc.*, 724 F.2d 122, 125 (Fed. Cir. 1984) (allowing attorneys' fees where a party continues a suit in bad faith or commits "other misconduct during trial").

## IV. Lanham Act Policy Considerations Support a Reading That Allows Litigation Misconduct by Defendants to Fall Within the Scope of Exceptional Cases.

There is no reason to preclude litigation misconduct from serving as a basis for an exceptional case, and good reasons to include it. "Effective enforcement of trademark rights is left to the trademark owners and they should, in the interest of preventing purchaser confusion, be encouraged to enforce trademark rights." S. REP. NO. 93-1400 at 4-5. The goal of encouraging "effective enforcement of trademark rights" via private suit is not facilitated when the infringing party is left free to subject the plaintiff and its attorneys to time-wasting and cost-

inducing harassment and threats of personal reprisal. It sends the wrong message to future plaintiffs in cases such as this one to fail to protect Plaintiff, its counsel and the district court by awarding attorneys' fees for the kind of reprehensible and egregious conduct that the World Church employed here. The district court itself described the World Church's actions in this litigation as "reprehensible," "ugly," "threatening," "harassing," "anti-Semitic," and "tortious or criminal." The World Church's actions were explicitly intended to, and did, cause the Foundation to waste time, efforts and attorneys' fees. If the World Church's actions do not constitute "exceptional" behavior worthy of sanction, it is hard to imagine what might.

## CONCLUSION

The district court made a mistake of law in finding that only willful infringement can serve as the basis for an exceptional case under 15 U.S.C. § 1117(a). Once that error is corrected, it is clear that it would be an abuse of discretion if this case were not declared exceptional, and a ruling that it be so declared is respectfully sought from this Court.

Dated: December 22, 2003

Respectfully Submitted,

_____

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## CERTIFICATE OF COMPLIANCE

Pursuant to Fed. R. App. P. 32, the undersigned attorney certifies that (exclusive of the Corporate Disclosure Statement, Table of Contents, Table of Authorities, Certificate of Compliance and Certificate of Service) this brief complies with Fed. R. App. P. 32's type-volume limitations because it contains fewer than 30 pages.

## CERTIFICATE OF SERVICE

The undersigned hereby certifies that, on this 22nd day of December 2003, 2 printed copies and 1 digital media copies of the foregoing Opening Brief of Plaintiff-Appellant TE-TA-MA Truth Foundation - Family of URI, Inc. were served via Federal Express on the following counsel of record for Defendant The World Church of the Creator:

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