
IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF UTAH

DERMA PEN, LLC,

Plaintiff,

v.

4EVERYOUNG LIMITED, d/b/a
DERMAPENWORLD; BIOSOFT (AUST)
PTY LTD, d/b/a DERMAPENWORLD;
EQUIPMED INTERNATIONAL PTY
LTD, d/b/a DERMAPENWORLD; and
STENE MARSHALL, d/b/a
DERMAPENWORLD,

Defendants.

**FINDINGS OF FACT, CONCLUSIONS
OF LAW, AND ORDER REGARDING
ABANDONMENT, CONTEMPT, AND
DISCOVERY SANCTIONS**

Case No. 2:13-cv-00729-DN

District Judge David Nuffer

Plaintiff Derma Pen LLC filed a motion for an order to show cause against Defendant Stene Marshall¹ and a motion for an order to show cause against Nonparties Joel Marshall, Sasha Marshall, and DP Derm LLC (collectively, the “Nonparties”).² Both of these motions (collectively, the “OSC Motions”) were granted,³ and they are treated as if they were filed for

¹ Motion for Order to Show Cause Why Stene Marshall Should Not Be Held in Contempt, [docket no. 1078](#), filed July 18, 2017; *see* Opposition to Motion to Show Cause, [docket no. 1105](#), filed August 21, 2017; Declaration of Stene Marshall Opposing Motion to Show Cause, [docket no. 1106](#), filed August 21, 2017; Reply Memorandum in Support of Motion for Order to Show Cause, [docket no. 1109](#), filed September 7, 2017; Request to Submit for Decision, [docket no. 1129](#), filed November 15, 2017; Response to Request to Submit for Decision and Request for Oral Hearing, [docket no. 1134](#), filed November 27, 2017.

² Ex Parte Motion for Order to Show Cause and for Leave to Conduct Discovery, [docket no. 1126](#), filed November 3, 2017; *see* Memorandum in Opposition to Ex Parte Motion for Order to Show Cause and for Leave to Conduct Discovery, [docket no. 1130](#), filed November 20, 2017; Reply Memorandum in Further Support of Motion for Order to Show Cause and for Leave to Conduct Discovery, [docket no. 1135](#), filed December 4, 2017; Sur Reply to Reply Memorandum in Further Support of Motion for Order to Show Cause and for Leave to Conduct Discovery, [docket no. 1137](#), filed December 20, 2017; Non-Parties Joel and Sasha Marshall’s and DP Derm, LLC’s Response to Plaintiff’s Ex Parte Motion for Order to Show Cause and for Leave to Conduct Discovery, [docket no. 1155](#), filed July 3, 2018; Declaration of Joel Marshall, [docket no. 1156](#), filed July 3, 2018; Supplemental Briefing in Support of Motion for Leave to Conduct Further Discovery, [docket no. 1161](#), filed July 5, 2018.

³ Order for Stene Marshall, Joel Marshall, Sasha Marshall and DP Derm LLC to Appear and Show Cause, [docket no. 1142](#), filed June 8, 2018.

and on behalf of Derma Pen IP Holdings LLC (“DPIPH”).⁴ Accordingly, an evidentiary hearing on the allegations raised in the OSC Motions was held December 17–18, 2018.⁵ Derma Pen LLC, DPIPH, Stene Marshall, and the Nonparties all participated in the hearing, and everyone, except Stene Marshall, was represented by counsel: Kevin A. Turney represented Derma Pen LLC and DPIPH, Walter A. Romney Jr. represented DPIPH, and Jefferson W. Gross and Sam Meziani represented the Nonparties. In connection with this hearing, the Nonparties filed two short form discovery motions (collectively, the “Discovery Motions”), one against Derma Pen LLC⁶ and the other against DPIPH.⁷

Based on the arguments of the parties, the evidence presented, the documents on file, and for good cause appearing, the following findings of fact and conclusions of law are entered.⁸ These findings of fact and conclusions of law should be read together: legal conclusions recited in the findings should be regarded as legal conclusions, and facts recited in the conclusions should be regarded as findings of fact.

⁴ See Order Granting Derma Pen IP Holdings LLC’s Motion to Join, [docket no. 1280](#), filed December 26, 2018.

⁵ See Minute Entry for Proceedings Held Before Judge David Nuffer, [docket no. 1272](#), filed December 17, 2018; Minute Entry for Proceedings Held Before Judge David Nuffer, [docket no. 1273](#), filed December 18, 2018; *see also* Minute Entry for Proceedings Held Before Judge David Nuffer, [docket no. 1163](#), filed July 6, 2018.

⁶ Short Form Discovery Motion re: Sanctions for Violating December 3, 2018 Order (“Motion re December 3, 2018 Order”), [docket no. 1239](#), filed December 10, 2018; *see* Plaintiff’s and Derma Pen IP Holdings, LLC’s Response to Non-Parties’ Short Form Motion re: Sanctions for Violating December 3, 2018 Order, [docket no. 1258](#), filed December 14, 2018.

⁷ Short Form Discovery Motion re: Sanctions for Violating December 4, 2018 Order (“Motion re December 4, 2018 Order”), [docket no. 1237](#), filed December 10, 2018; *see* Derma Pen IP Holdings, LLC’s Response to Non-Parties’ Short Form Motion re: Sanctions for Violating December 4, 2018 Order, [docket no. 1257](#), filed December 14, 2018.

⁸ See Documents Lodged Consisting of E-mail to Parties Regarding Outline of Anticipated Ruling, [docket no. 1283](#), filed December 28, 2018; Submission of Non-Parties’ Proposed Findings of Fact, Conclusions of Law and Order re: Motion for Contempt and Short Form Discovery Motions, [docket no. 1285](#), filed January 11, 2019; Plaintiff’s and Derma Pen IP Holdings, LLC’s Objections to Proposed Findings of Fact, Conclusions of Law and Order re: Motion for Contempt and Short Form Discovery Motions, [docket no. 1291](#), filed January 18, 2019.

FINDINGS OF FACT

1. On January 31, 2017, a default certificate was entered against all defendants in this case, including Stene Marshall.⁹

2. On May 8, 2017, a final judgment was entered in favor of Derma Pen LLC against all defendants, including Stene Marshall, for the total principal amount of \$15,575,327.53.¹⁰ The judgment included a permanent injunction (the “Injunction”) against all defendants in favor of the owner of the DERMAPEN[®] trademark (the “Mark”), which was then DPIP. ¹¹

3. DPIP is still the owner and registrant of the Mark as of December 18, 2018.

4. Through the OSC Motions, DPIP and Derma Pen LLC seek to enforce the Injunction and have Stene Marshall and the Nonparties held in contempt.¹²

Abandonment

5. The clear and convincing evidence shows that the registrant of the Mark has not used the Mark in the ordinary course of trade within a three-year period, which period began on January 9, 2015 (the “three-year period”).

6. DPIP has failed to produce credible evidence of actual use of the Mark by the owner of the Mark during the three-year period.

7. DPIP has failed to produce credible evidence of actual use of the Mark during the three-year period by a “related company,” as that term is defined in [15 U.S.C. § 1127](#).

⁹ Default Certificate As to All Defendants, [docket no. 1002](#), filed January 31, 2017.

¹⁰ Final Judgment ¶¶ 1-2, [docket no. 1043](#), filed May 8, 2017; *see* Findings of Fact and Conclusions of Law, [docket no. 1046](#), filed under seal May 9, 2017.

¹¹ Final Judgment, *supra* note 10, ¶ 3.

¹² *See supra* notes 1-2.

8. DPIPH has failed to produce persuasive evidence of the Mark owner's control over use of the Mark by others, including by FD Holdings LLC ("FD Holdings"). Although there was evidence (without any quantification or exhibits) that FD Holdings sold product using the Mark, there was only slight evidence of the relationship between FD Holdings and DPIPH and no credible evidence of DPIPH's control over the nature or quality of goods sold by FD Holdings.

9. DPIPH has failed to produce persuasive evidence of valid reasons excusing nonuse of the Mark during the three-year period.

10. This litigation, and the court's orders in this litigation, did not prevent any owner of the Mark, including DPIPH, from using the Mark during the three-year period.

11. Evidence was presented that the registrant of the Mark did not intend to resume use of the Mark within the three-year period or within the reasonably foreseeable future, and there was not credible evidence of intent to resume use.

Contempt

12. The Nonparties are not in privity with Defendants for issue preclusion purposes.

13. The term "dermapen" has become descriptive of micro-needling devices generally and is used in common inquiries as shorthand for a micro-needling device. It is a weak mark and not sufficiently similar to terms in use by the Nonparties to sell their micro-needling devices.

14. Defendants have trademark rights outside the United States to the name "Dermapen." Given the existence of the internet, stray inquiries regarding "Dermapen" are possibly sent to Stene Marshall and the Nonparties from the United States.

15. Stene Marshall had actual knowledge of the Injunction by June 7, 2017, the date he filed his appeal.

16. Stene Marshall failed to: (a) deliver or destroy devices in his possession or control as required by Paragraph 3(d) of the Injunction; (b) deliver a list of the names and contact information of all persons or entities to whom he previously sold devices as required by Paragraph 3(e) of the Injunction; and (c) file a statement explaining what efforts, if any, he made to comply with the Injunction, as required by Paragraph 3(h) of the Injunction.

17. The Nonparties did not have knowledge of the terms of the Injunction until July 25, 2017.

18. The Nonparties did not act in active concert or participation with Defendants to violate the Injunction. DPIPH presented four e-mails in an attempt to establish that the Nonparties acted in concert with Defendants.¹³ Each e-mail, however, was sent before July 25, 2017. Two of the e-mails were sent before the Injunction.

19. DPIPH has failed to prove by clear and convincing evidence that the Nonparties sold or branded micro-needling devices in the United States bearing the Mark.

Discovery

20. On December 3, 2018, Derma Pen LLC was ordered to produce a properly prepared rule 30(b)(6) designee to answer questions on the topics set forth in the Nonparties' deposition notice.¹⁴

21. On December 7, 2018, Stuart Hennefer appeared as Derma Pen LLC's rule 30(b)(6) designee.

¹³ Exhibits 13, 32, 40, and 61. *See* Combined Exhibit and Witness List, [docket no. 1281](#), filed December 26, 2018.

¹⁴ Order Granting Nonparties' Short Form Discovery Motion re: Rule 30(b)(6) Deposition ("December 3, 2018 Order"), [docket no. 1225](#), filed December 3, 2018.

22. Hennefer was completely unprepared to answer questions on the topics in the deposition notice.¹⁵

23. On December 4, 2018, DPIPH was ordered to provide a full and complete response to the Nonparties' subpoena by no later than December 7, 2018.¹⁶

24. DPIPH's response to the subpoena was inadequate.¹⁷

CONCLUSIONS OF LAW

Abandonment

25. The party asserting abandonment must "strictly prove" its claim.¹⁸

26. The Lanham Act provides that nonuse of a trademark for three consecutive years is prima facie evidence of abandonment.¹⁹ "[U]se" means use of a mark in the ordinary course of trade.²⁰

27. Because the Mark has not been used in the ordinary course of trade within the three-year period, there is a rebuttable presumption of intent not to resume use of the Mark.²¹ DPIPH has failed to rebut this presumption.

¹⁵ See 30(b)(6) Deposition of Derma Pen, LLC Witness: Stewart Hennefer, [docket no. 1239-1](#), filed December 10, 2018.

¹⁶ Order Granting and Denying in Part Nonparties' Short Form Discovery Motion Against Derma Pen IP Holdings LLC ("December 4, 2018 Order"), [docket no. 1229](#), filed December 4, 2018.

¹⁷ See Derma Pen IP Holdings, LLC Objections and Response to Subpoena to Produce Documents, Information or Objects or to Permit Inspection of Premises in Civil Action, [docket no. 1237-1](#), filed December 10, 2018.

¹⁸ *Original Rex, L.L.C. v. Beautiful Brands Int'l, LLC*, 792 F. Supp. 2d 1242, 1253 (N.D. Okla. 2011).

¹⁹ 15 U.S.C. § 1127.

²⁰ *Id.*

²¹ See *id.*

28. DPIP H did not present credible evidence to rebut the presumption of abandonment of the Mark. DPIP H did not introduce credible evidence that it engaged in activities during the three-year period to resume use of the Mark in trade.²²

29. DPIP H has failed to establish that FD Holdings is a “related company” under [15 U.S.C. § 1127](#) or that any use of the Mark by FD Holdings inured to the benefit of DPIP H.

30. For purposes of this proceeding—which is not a declaratory action regarding abandonment, and in which abandonment is a collateral issue—it appears that the Mark was abandoned.

Contempt

31. The preclusive effect of a federal court judgment is determined by federal law.²³

32. “Under federal law, issue preclusion attaches only when an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment.”²⁴

33. The May 9, 2017 Findings of Fact and Conclusions of Law²⁵ were based on the Defendants’ default.

34. The May 9, 2017 Findings of Fact and Conclusions of Law²⁵ do not have preclusive effect for purposes of this proceeding. In any event, the Nonparties are not in privity with Defendants for issue preclusion purposes.

²² See *Specht v. Google Inc.*, 747 F.3d 929, 934 (7th Cir. 2014); *Citigroup Inc. v. City Holding Co.*, No. 99-cv-10115-RWS, 2003 WL 282202, at *17-19 (S.D.N.Y. Feb. 10, 2003) (registrant could not present any “concrete plans to resume use” and thus could not overcome presumption).

²³ *In re Corey*, 583 F.3d 1249, 1251 (10th Cir. 2009).

²⁴ *Id.*

²⁵ Findings of Fact and Conclusions of Law, *supra* note 10.

35. The terms “similar wording” and “variants” in paragraph 3(a) of the Injunction are meant to follow federal law and only bar “similar wording” or “variants” that are likely to cause marketplace confusion.

36. The Injunction applies only within the United States. It does not restrict use of the name “Dermapen” outside of the United States.

37. The sending of stray inquiries from within the United States regarding “Dermapen” to Stene Marshall or the Nonparties, and their responses to those inquiries, do not violate the Injunction.

38. Derma Pen LLC’s initial disclosures limited the scope of the evidentiary hearing and OSC Motions.²⁶ Derma Pen LLC’s initial disclosures do not allege that “DP DERM,” the mark that the Nonparties used to sell micro-needling devices in the United States, violate the Injunction. Instead, the initial disclosures allege that the Nonparties’ use of the “DP Pharmaceuticals” mark violated the Injunction.

39. Products bearing the mark “DP Dermaceutical” do not violate the Injunction.

40. Because Derma Pen LLC is not the registrant of the Mark, Derma Pen LLC no longer has the right to enforce the Injunction. That right now belongs solely to DPIPH, the current registrant of the Mark.

41. In a civil contempt proceeding, the complainant “has the burden of proving, by clear and convincing evidence, that a valid court order existed, that the defendant had knowledge of the order, and that the defendant disobeyed the order.”²⁷

²⁶ Disclosures, [docket no. 1238-2](#), filed December 10, 2018; *see* Rule 16 Scheduling Order, [docket no. 1174](#), filed August 7, 2018.

²⁷ *Reliance Ins. Co. v. Mast Constr. Co.*, 159 F.3d 1311, 1315 (10th Cir. 1998).

42. Thus, to enforce the Injunction and have Stene Marshall held in civil contempt, DPIPH must show all of the following by clear and convincing evidence: (a) the existence of a valid court order; (b) Stene Marshall had knowledge of the Injunction; and (c) Stene Marshall violated the Injunction.

43. As a matter of law, the Injunction is a valid court order.

44. DPIPH has shown by clear and convincing evidence that Stene Marshall had actual knowledge of the Injunction by at least June 7, 2017, which is when he filed his appeal.²⁸

45. DPIPH has shown by clear and convincing evidence that Stene Marshall knowingly violated the Injunction by failing to: (a) deliver or destroy devices in his possession or control as required by paragraph 3(d) of the Injunction; (b) deliver a list of the names and contact information of all persons or entities to whom he previously sold devices as required by paragraph 3(e) of the Injunction; and (c) file a statement explaining what efforts, if any, he made to comply with the Injunction, as required by paragraph 3(h) of the Injunction.

46. Likewise, to enforce the Injunction and have the Nonparties held in civil contempt, DPIPH must show all of the following by clear and convincing evidence: (a) the existence of a valid court order; (b) the Nonparties had knowledge of the Injunction; and (c) the Nonparties violated the Injunction in active concert or participation with Defendants.²⁹

47. As a matter of law, the Injunction is a valid court order.

48. While Exhibit 33 (an e-mail dated June 28, 2017) shows that Joel Marshall had knowledge that a final judgment was entered, the Nonparties did not have knowledge of the terms of the Injunction until July 25, 2017.

²⁸ Notice of Appeal, [docket no. 1051](#), filed June 7, 2017.

²⁹ See *United States v. Ford*, 514 F.3d 1047, 1051 (10th Cir. 2008).

49. DPIPH has failed to prove by clear and convincing evidence that the Nonparties violated the Injunction.

50. DPIPH has failed to prove by clear and convincing evidence that the Nonparties participated or acted in concert with the Defendants in violation of the Injunction.³⁰

51. Specifically, DPIPH has failed to prove by clear and convincing evidence that the Nonparties sold or branded devices in the United States with the Mark.

52. Mutual involvement in the same industry is not active concert or participation. Mutual involvement in the same industry before issuance of the Injunction does not violate the Injunction. The language of the Injunction and [Fed. R. Civ. P. 65\(d\)\(2\)\(C\)](#) is very limited.

53. Derma Pen LLC and DPIPH produced no evidence of their alleged damages, including their lost sales, or of Stene Marshall's or the Nonparties' sales in the United States.

54. DPIPH's evidence was not clear; it was muddled. It was not convincing; it was unpersuasive.

55. The Nonparties have not been, and are not now, in contempt of the Injunction.

Discovery

56. Regarding the Nonparties' Short Form Discovery Motion re: Sanctions for Violating December 3, 2018 Order,³¹ Derma Pen LLC's designees were not qualified, and their deposition responses were inadequate, even after a prior order.³²

57. Derma Pen LLC's failure to comply with the December 3, 2018 order³² prejudiced the Nonparties and Stene Marshall's ability to present evidence and defenses.

³⁰ See *United Pharmacal Corp. v. U.S.*, 306 F.2d 515, 517-18 (1962).

³¹ Motion re December 3, 2018 Order, *supra* note 6.

³² See December 3, 2018 Order, *supra* note 14.

58. Regarding the Nonparties' Short Form Discovery Motion re: Sanctions for Violating December 4, 2018 Order,³³ DPIP's response to the subpoena was inadequate, even after a prior order.³⁴

59. DPIP's failure to comply with the December 4, 2018 order³⁴ prejudiced the Nonparties and Stene Marshall's ability to present evidence and defenses.

ORDER

THEREFORE, IT IS HEREBY ORDERED that Stene Marshall is guilty of civil contempt as a result of his knowing violation of the Injunction. He is required to pay a fine of \$100 for each day from January 1, 2019, through the date that he purges his contempt, which must start with his filing a statement explaining what efforts, if any, he has made to comply with paragraphs 3(d) and 3(e) of the Injunction. He may purge his contempt by complying with this Order. Except as set forth in this paragraph, DPIP is entitled to no relief through the OSC Motions.³⁵

IT IS FURTHER HEREBY ORDERED that the Discovery Motions³⁶ are GRANTED as follows:

1. In accordance with [Fed. R. Civ. P. 37\(b\)\(2\)\(C\)](#), Derma Pen LLC shall pay the Nonparties' reasonable attorneys' fees incurred in preparing for and taking the December 7, 2018 depositions of Derma Pen LLC and in connection with the Short Form Discovery Motion re: Sanctions for Violating December 3, 2018 Order.³⁷ By no later than *February 28, 2019*, the

³³ Motion re December 4, 2018 Order, *supra* note 7.

³⁴ See December 4, 2018 Order, *supra* note 16.

³⁶ [Docket no. 1237](#), filed December 10, 2018; [docket no. 1239](#), filed December 10, 2018.

³⁶ [Docket no. 1237](#), filed December 10, 2018; [docket no. 1239](#), filed December 10, 2018.

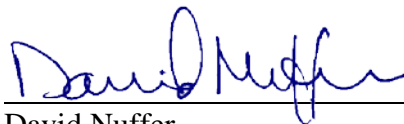
³⁷ [Docket no. 1239](#).

Nonparties may file a motion supported by a declaration stating and describing the fees and expenses incurred.

2. In accordance with [Fed. R. Civ. P. 37\(b\)\(2\)\(C\)](#), DPIPH shall pay the Nonparties' reasonable attorneys' fees incurred in connection with the Short Form Discovery Motion re: Sanctions for Violating December 4, 2018 Order.³⁸ By no later than *February 28, 2019*, the Nonparties may file a motion supported by a declaration stating and describing the fees and expenses incurred.

Signed February 14, 2019.

BY THE COURT:



David Nuffer
United States District Judge

³⁸ [Docket no. 1237](#).