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CLERK, U.S. DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA

BY 

DEPUTY

**UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF CALIFORNIA**

ELDORADO STONE, LLC; ELDORADO  
STONE OPERATIONS, LLC,

Plaintiffs,

vs.

RENAISSANCE STONE, INC; ALFONSO  
ALVAREZ; JOSE GALVEZ MARTINEZ;  
JOSEPH SMITH; ROB HABER; and ORCO  
CONSTRUCTION SUPPLY,

Defendants.

AND RELATED COUNTERCLAIMS

CASE NO. 04cv2562 JM(CAB)

ORDER GRANTING IN PART AND  
DENYING IN PART MOTION FOR  
JUDGMENT AS A MATTER OF  
LAW; CONDITIONALLY DENYING  
MOTION FOR NEW TRIAL UPON  
DEFENDANTS' ACCEPTANCE OF  
REMITTITUR; SCHEDULING  
ORDER

Defendants and Counterclaimants Renaissance Stone, Inc., Alfonso Alvarez, Joseph Smith, and Rob Hager move for judgment as a matter of law ("JMOL") or, alternatively, for a new trial pursuant to Federal Rule of Civil Procedure 50(b). Plaintiffs Eldorado Stone, LLC, and Eldorado Stone Operations, LLC. (collectively "Eldorado") partially oppose the motions. For the reasons set forth below, the court grants a remittitur on compensatory damages to \$ 2,488,750, grants a remittitur on punitive damages against Rob Hager to \$25,000, and denies all other grounds raised by Defendants. The denial of the motion for new trial is conditioned on Eldorado

1 accepting the remittitur on compensatory and punitive damages. In the event Eldorado  
2 accepts the remittitur, a Notice of Acceptance of Remittitur must be filed within 20  
3 days of entry of this order. In the event Eldorado does not accept the remittitur, the  
4 parties are instructed to appear for a status conference re: trial setting on September 28,  
5 2007.

## 6 **Legal Standards**

7 A post-verdict JMOL motion is proper “when a party has been fully heard on an  
8 issue and there is no legally sufficient evidentiary basis for a reasonable jury to find for  
9 that party on that issue.” Reeves v. Sanderson Plumbing Prods., Inc., 530 U.S. 133,  
10 149 (2000) (quoting Fed.R.Civ.P. 50(a)). The standard for granting a renewed post-  
11 verdict JMOL is the same as the standard for granting a pre-submission JMOL under  
12 Rule 50(a). Winarto v. Toshiba Am. Elecs. Components, Inc., 274 F.3d 1276, 1283 (9<sup>th</sup>  
13 Cir. 2001). The court must draw all reasonable inferences in favor of the nonmoving  
14 party and should review all evidence in the record. Reeves, 530 U.S. at 150.

15 A JMOL should be granted only if the jury’s verdict is “against the great weight  
16 of the evidence, or it is quite clear that the jury has reached a seriously deficient result.”  
17 EEOC v. Pape Lift, Inc., 115 F.3d 676, 680 (9<sup>th</sup> Cir. 1997). A new trial is appropriate  
18 only if “the verdict is contrary to the clear weight of the evidence, or is based upon  
19 evidence which is false, or to prevent, in the sound discretion of the trial court, a  
20 miscarriage of justice.” Silver Sage Parners, Ltd. v. City of Desert Hot Springs, 251  
21 F.3d 814, 819 99<sup>th</sup> Cir. 2001).

## 22 **Sufficiency of the Evidence: Excessive Verdict**

23 Renaissance argues that there is insufficient evidence to support the jury’s  
24 compensatory award of \$15 million, an argument accepted by Eldorado. Renaissance  
25 generally contends that the maximum amount of damages supported by the evidence  
26 is a maximum of \$2,488,750. (Motion at p.5:1-3). This amount represents Eldorado  
27 having captured virtually all, or about 95%, of Renaissance’s sales. Unless the amount  
28 of compensatory damages is reduced, Renaissance argues that it is entitled to a new

1 trial.

2 The court concludes, and Eldorado does not dispute, that the \$15 million  
3 compensatory award is excessive and contrary to the great weight of evidence  
4 presented at trial. The court conditions the granting of Renaissance's motion for new  
5 trial on Eldorado accepting a remittitur in the amount of \$2,488,750. This amount  
6 represents Eldorado capturing approximately 95% of Renaissance's sales, and accounts  
7 for a small amount of the lost sales going to Eldorado's competitors. See D & S Redi-  
8 Mix v. Sierra Redi-Mix & Contracting Co., 692 F.2d 1245, 1249 (9<sup>th</sup> Cir. 1982) (proper  
9 amount of remittitur is the maximum amount sustainable by the evidence). Given  
10 Eldorado's unique architectural appearance, the jury could reasonably have concluded  
11 that virtually all of Renaissance's sales were lost to Eldorado. The evidentiary record  
12 as a whole fully supports this determination. Eldorado's evidence established that the  
13 primary consideration in buying manufactured stone is the look of the product, no other  
14 stone manufacturer besides Renaissance could replicate the Eldorado look because of  
15 its trade secret coloration and production processes, Renaissance specifically sought  
16 to capture the look and feel of Eldorado's stone, numerous commercial and residential  
17 projects were lost to Renaissance, and that Eldorado would have made the great  
18 majority of sales at issue as no other competitors' products had been able to capture the  
19 Eldorado look. (Lexis Test.). The evidentiary record fully supports compensatory  
20 damages in the amount of 95% of lost sales, or \$2,488,750.

21 In sum, the court conditions the denial of the motion for new trial on Eldorado  
22 accepting a remittitur in compensatory damages to \$2,488,750.

23 **Sufficiency of the Evidence: There Is No Evidence to Support Any Damage**  
24 **Scenario**

25 Renaissance contends that the evidence shows that Eldorado did not lose any  
26 sales and that its sales actually increased over the past two years. Renaissance also  
27 contends that Eldorado's expert, Cary Mack, testified as to three possible losses and  
28 that it was improper to permit the jury to pick one of the alternative damage models at  
random.

1 The court concludes that sufficient evidence supports the damage award.  
2 Eldorado presented the testimony of Mack who testified that Eldorado's lost profits  
3 would have totaled \$2,620,213.92 if Eldorado had in fact captured 100% of  
4 Renaissance's sales, and earned its standard profit per unit sold. Mack also testified  
5 as to lost profits based on 95% of captured sales, \$2488,750. With respect to the  
6 argument that Eldorado did not lose any sales because its sales actually increased over  
7 the past two years, Eldorado responds that sales would have increased even more if it  
8 were not for Renaissance's misappropriation and use of Eldorado's trade secrets to  
9 replicate Eldorado's products.

10 In sum, for the reasons identified by Eldorado, sufficient evidence supports the  
11 compensatory damage award, as set forth above.

12 **Motion to Strike Eldorado's Lost Profits Evidence**

13 Renaissance moves to strike all evidence supporting an award of compensatory  
14 damage award because, in exchange for withdrawal of a discovery request, Eldorado  
15 "agreed not to seek [lost profits]." (Motion at p.7:15). In May 2006 Renaissance  
16 propounded discovery requests on Eldorado, generally requesting the deposition of the  
17 individual most knowledgeable about Eldorado's lost profits. In response to these  
18 requests Eldorado responded that the lost profits discovery was "irrelevant to  
19 Eldorado's trade secret claim, given that Eldorado has elected to pursue defendants'  
20 profits (rather than Eldorado's lost profits) as a damages model for its trade secret."  
21 For legal authority, Renaissance cites Wong v. Regents of University of California, 410  
22 F.3d 1052 (9<sup>th</sup> Cir. 2005) for the proposition that a party cannot withhold information  
23 and then present it at trial. In Wong, after discovery had closed, defendant moved for  
24 summary judgment and plaintiff sought to introduce the expert opinions of non-  
25 disclosed experts. The Ninth Circuit affirmed the district court's exercise of discretion  
26 to exclude the untimely disclosed expert reports noting that the court had inherent  
27 authority to control its docket and, absent a good reason to consider the evidence, the  
28 district court does not abuse its discretion.

1 The court concludes that the motion to strike based upon alleged discovery  
2 violations is not an appropriate ground to be raised on a motion for judgment as a  
3 matter of law. The court rejected the same argument when raised by Renaissance by  
4 means of a motion in limine. As noted by Eldorado, there appears to be no legal basis  
5 for Renaissance to seek a pre-trial Rule 37(b) discovery sanction after conclusion of  
6 the trial.

7 Even if the motion were proper, the court notes that Defendants cannot  
8 demonstrate any prejudice as they were on notice that Eldorado was seeking lost profits  
9 at least as early as January 9, 2007 when they received Cary Mack's expert report  
10 identifying Eldorado's lost profits. Further, defense expert Jeffrey Kinrich submitted  
11 a rebuttal report to Mack's damage analysis wherein he specifically addressed the lost  
12 profits analysis. The rebuttal report does not indicate that further discovery was  
13 required or that there was any surprise regarding Eldorado seeking lost profits or the  
14 need to conduct additional discovery. Kinrich also made his own estimates of lost  
15 profits. Further, Renaissance deposed Mack on February 26, 2007 and Mack was  
16 extensively questioned about the lost profits calculations. Moreover, Renaissance  
17 never moved to compel production of relevant evidence. Accordingly, Renaissance  
18 cannot establish undue prejudice or surprise.

19 The motion to strike evidence is denied.

#### 20 **Excessive Punitive Damages Award**

21 Renaissance contends that the punitive damages award was excessive because  
22 most California courts have stated that punitive damages should not be allowed to  
23 exceed 10% of the defendant's net worth. Storage Services v. Oosterbgaan, 214  
24 Cal.App.498 (1989), citing Devlin v. Kearny Mesa AMC/Jeep/Renault, Inc., 155  
25 Cal.App.3d 381, 393-96 (1984) (Survey of punitive damages as percentages of net  
26 worth in a sampling of 15 cases from 1950-1984 indicates that punitive damage awards  
27 are generally about 10% of the defendant's net worth). Here, the Court awarded  
28 punitive damages of \$1 million against Renaissance, \$100,000 against Alvarez, and

1 \$50,000 against Hager. Defendants request that the punitive damages award against  
2 Alvarez be reduced to \$50,000 and the award against Hager to \$25,000.

3 As to Alvarez, who declared a net worth of about \$500,000, Eldorado responds  
4 that the award is not excessive because Alvarez testified that he owned three real estate  
5 properties, failed to produce backup documents to support his financial net worth, and  
6 testified that he transferred large amounts of cash out of his bank account immediately  
7 prior to and after the jury's verdict. The court declines to reduce the amount of  
8 punitive damages against Alvarez because of his incomplete financial disclosures and  
9 egregious conduct in misappropriating Eldorado's trade secrets. At the time of trial  
10 Alvarez provided evasive answers to questions about his net worth and location of  
11 assets. He further testified that shortly before and after the jury returned the verdict he  
12 transferred significant assets in what appears to be an attempt to place assets outside  
13 the reach of creditors. In light of Alvarez's failure to provide complete and accurate  
14 discovery and answers to questions about his net worth, the court has little confidence  
15 that the \$500,000 net worth represents the entirety of his assets. Accordingly, the  
16 court declines to reduce the punitive damages award against Alvarez.

17 As to Hager, who declared a net worth \$250,000, Eldorado responds that he  
18 helped establish a "pirate company" and that the award is not unreasonable in light of  
19 the millions in damages caused to Eldorado. This argument misses the mark. The  
20 court notes that Hager is less culpable than Alvarez and that he provided accurate  
21 discovery and testimony concerning his net worth. Under these circumstances, the  
22 court concludes that a punitive damage award of 10% of his net worth is more  
23 consistent with Storage Services and California law. Accordingly, the court conditions  
24 the denial of the motion for new trial upon Eldorado accepting a remittitur to a total  
25 punitive damages award against Hager in the amount of \$25,000.

26 In sum, the court denies the motion with respect to Alvarez, grants the motion  
27 with respect to Hager, remitting punitive damages to \$25,000, and denies the motion  
28 with respect to Renaissance as its negative net worth moots the motion.

1 **Insufficient Evidence to Support a Finding of Trademark Infringement**

2 Renaissance contends that Eldorado's product, RUSTIC LEDGE, is generic and  
3 therefore cannot be trademarked, even though the jury found infringement.  
4 Renaissance also contends that ELdorado did not present evidence of secondary  
5 meaning as to the mark CLIFFSTONE and that Eldorado failed to present sufficient  
6 evidence of likelihood of confusion.

7 Eldorado responds that the jury made findings of wilfulness with respect to  
8 RUSTIC LEDGE when compared to Renaissance's "Rustic Stone." Further, Eldorado  
9 represents that it presented the testimony of Mike Lewis, Jamie Scholl and Joseph  
10 Smith to support its claim that the two names were confusingly similar and that the  
11 PTO necessarily found that the mark is not generic by issuing federal registration for  
12 RUSTIC LEDGE. With respect to the mark CLIFFSTONE, the evidence presented by  
13 Eldorado established that the mark was not named after any particular stone in nature  
14 and that customers associated the mark with Eldorado. This evidence gives rise to a  
15 permissible inference that CLIFFSTONE had achieved secondary meaning in the  
16 market place. Eldorado also presented evidence from which the jury could find the  
17 likelihood of confusion. Eldorado presented evidence that the offending marks were  
18 used in the same market, the companies market through the same channels of trade,  
19 and, through the testimony of Jamie Scholl and Mike Lewis, the marks are confusingly  
20 similar.

21 In sum, sufficient evidence supports the jury's finding of trademark  
22 Infringement.

23 **Insufficient Evidence of Actual Dilution**

24 Renaissance contends that Eldorado has failed to present any evidence of actual  
25 dilution as required by Moseley. The Lanham Act, section 1125(c), "unambiguously  
26 requires a showing of actual dilution, rather than a likelihood of dilution." Moseley v.  
27 V Secret Catalogue, Inc., 537 U.S. 418, 433 (2003). As there is no evidence of actual  
28 dilution, Renaissance concludes that it is entitled to JMOL.

1 Eldorado responds that Congress amended Section 1125(c), and passed the  
2 Trademark Dilution Revision Act of 2006 ("TDRA"). (Pub.L. No. 109-312 Stat. 1730  
3 (2006); See H.R. Rep 109-23, at 6 (2005) (stating that "[t]he Mosely [sic] standard  
4 creates an undue burden for trademark holders who contest diluting uses and should  
5 be revised."). Under the TDRA, signed into law on October 6, 2006, a plaintiff need  
6 only show a "likelihood of dilution." Starbucks Corp. V. Wolfe's Borough Coffee,  
7 Inc., 477 F.3d 765, 766 (2d Cir. 2007) (confirming that actual dilution under Moseley  
8 is no longer the standard and that likelihood of dilution is the standard).

9 Here, Eldorado presented sufficient evidence to show that Renaissance's conduct  
10 lessened the capacity of Eldorado's marks to identify and distinguish its products. Mr.  
11 Scholl testified that he observed Renaissance's products and product names and  
12 believed they were Eldorado's products. Mr. Scholl also testified that he believed the  
13 names "Rustic Ledge Stone and "Rustic Stone" were Eldorado's products when they  
14 were Renaissance's products. Such evidence supports the jury's finding of a likelihood  
15 of dilution.

16 In sum, sufficient evidence supports the jury's finding of dilution.

17 **Insufficient Evidence to Support the Interference with Prospective Economic**  
18 **Advantage Claim and Preemption of that Claim**

19 Renaissance contends that the jury was explicitly instructed that the wrongful  
20 conduct on the interference claim had to be separate and apart from the misappropriation  
21 of trade secrets, copyright, or trademark claims. As there is no evidence of such  
22 independent wrong, Renaissance concludes that it is entitled to JMOL on the  
23 interference with prospective economic advantage claim. Renaissance also argues that  
24 the intentional interference claim is preempted by the California Uniform Trade Secrets  
25 Act ("CUTSA") and the Federal Copyright Act as there is no evidence of an  
26 independent wrong. The court rejects this argument as Eldorado has presented  
27 sufficient evidence of independent wrongs.

28 Eldorado produced sufficient evidence of independent wrongs by showing  
Renaissance wrongfully (1) induced 20 of Eldorado's employees to work for it; (2)

1 solicited Eldorado's customers by using products bearing infringing names to  
2 Plaintiff's trademarks; (3) infringed Eldorado's trade dress to create market confusion;  
3 (4) misrepresented Renaissance's products as, for example, just the same as Eldorado's  
4 but 30% cheaper; (5) targeted Eldorado's customers to sell counterfeit goods, and (6)  
5 engaged in predatory practices including making arrangements to meet with potential  
6 customers immediately after Eldorado made its sales presentation and then deliberately  
7 undercut Eldorado on price while claiming that its products were equal to Eldorado's  
8 products. This evidence gives rise to an inference that Renaissance engaged in  
9 independent wrongs.

10 In sum, there is sufficient evidence to support the jury's determination of liability  
11 on the interference claims.

12 To summarize, the court conditionally denies the motion for new trial upon  
13 Eldorado accepting a remittitur on (1) the amount of compensatory damages to  
14 \$2,488,750 and (2) the amount of punitive damages against Hager to \$25,000. In all  
15 other respects, the court affirms the jury's verdict and the court's Statement of Decision  
16 re: Punitive Damages. Eldorado is instructed to file a notice either accepting or  
17 rejecting the remittitur within 20 days of entry of this order. Upon receipt of the notice  
18 accepting the remittitur the court will enter final judgment in this action. In the event  
19 Eldorado rejects the remittitur the parties are instructed to appear for a status  
20 conference re: trial setting on September 28, 2007 at 1:30p.m.

21 **IT IS SO ORDERED.**

22 DATED: 8/20, 2007

23   
24 **JEFFREY T. MILLER**  
25 United States District Judge

26 cc: All parties  
27  
28