

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF FLORIDA
BROWARD DIVISION

In Re:

CASE NO. 04-24418-BKC-RBR

MARK SIEGEL,

Debtor

_____ /
MERISANT COMPANY

Plaintiff,

v.

ADV. NO. 04-2298-BKC-RBR-A

MARK SIEGEL

Defendant

_____ /

**ORDER DENYING PLAINTIFF'S MOTION
FOR SUMMARY JUDGMENT**

THIS MATTER came before the Court on February 3, 2005, on the Motion By Plaintiff Merisant Company ("Merisant") For Summary Judgment (C.P. 8) against the Defendant Mark Siegel ("Siegel"). The Court received exhibits, an affidavit in opposition to the entry of the Motion and received the arguments of counsel. Based upon the record, the Court makes the following findings of fact and conclusions of law.

THE SUMMARY JUDGMENT STANDARD AND STATUS OF THE RECORD

Plaintiff seeks the entry of an order granting summary judgment on any of several counts alleging conduct of the Defendant that would bar the dischargeability of the debt arising from a judgment entered by the United States District Court in a case wherein Merisant was Plaintiff and Siegel, among others, was a defendant. The Complaint seeks relief under 11 U.S.C. § 523(a)(6) which denies discharge of a debt "for willful and malicious injury by the debtor to

another entity or to the property of another entity.” The Complaint alleges that in Count I the debt arises from trademark infringement under 15 U.S.C. § 114; in Counts II and III the debt arises under 15 U.S.C. § 1125 from false designation of origin, false description and dilution; in Count IV the debt arises under 15 U.S.C. § 410(c) from copyright infringement; in Count V the debt arises under Florida common law unfair competition and in Count VI the debt arises under the theory of unjust enrichment. Each of these separate counts were adjudicated by the District Court resulting in a judgment in favor of Merisant in the sum of \$5,000,000.00 as damages, attorneys fees and costs of suit. There was no allocation between damages, fees and costs, nor did the court award punitive damages.

Merisant’s Summary Judgment Motion asserts that it is entitled to judgment pursuant to Fed.R.Bankr.P. 7056 which adopts Fed.R.Civ.P. 56. This rule grants to the Court authority to render a judgment forthwith if

the pleadings, depositions, answers to interrogatories, and admissions on file, together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law.

The record before the Court consists of the Complaint in this adversary proceeding, Siegel’s Answer to the Complaint, Siegel’s Affidavit, the District Court’s Order Granting Summary Judgment and the Consent Permanent Injunction and Final Judgment against Trio International, Inc. and Siegel.

The Court is constrained to look no further than the record presented and upon which the party seeks entry of the judgment. In order to grant summary judgment the Court must conclude that the record displays there are no genuine issues of material fact and based on those facts the moving party is entitled to judgment as a matter of law. Celotex Corp. v. Catrett, 477 U.S. 317 (1986); Clark v. Coats & Clark, Inc., 929 F.2d 604 (11th Cir. 1991).

BACKGROUND

This adversary proceeding is based on a judgment obtained by Merisant against the Defendant/Debtor Siegel in the United States District Court, Southern District of Florida. Merisant seeks a determination by this Court that the monetary award granted in the District Court case is non-dischargeable pursuant to the provisions of 11 U.S.C. § 523(a)(6). The objection to dischargeability of the monetary award contained in the judgment is alleged to be supported by the judgment, particularly as to each count of the order granting Summary Judgment entered by the District Court. Merisant here seeks entry of a Summary Judgment premised on the doctrine of collateral estoppel alleging that simply based on the District Court's Summary Judgment this court should deny the discharge of the amount stated in the final judgment entered by the District Court.

The District Court granted Merisant's Motion for Summary Judgment in part and denied the motion in part. The court granted the motion as to Counts I, II, III, IV, V and VI and denied the motion as to counts VII and VIII. Summary Judgment was granted in favor of Siegel on Count VIII. A separate evidentiary hearing was to be set for determination of appropriate relief, including injunctive relief and damages, with a separate final judgment to be thereafter issued. No evidentiary hearing was held.

COLLATERAL ESTOPPEL

The findings of fact and conclusions of law made by the District Court do not support adoption of the collateral estoppel doctrine upon which Merisant relies to conclusively determine the issues raised in the complaint wherein Merisant seeks a determination that the monetary judgment obtained against Siegel is not dischargeable under the provisions of 11 U.S.C. § 523(a)(6). Merisant's position fails on several principles of the doctrine which has been

summarized as follows: (1) a full and fair opportunity to litigate the issue in the prior case; (2) identity of the issues in each case; (3) actual litigation of the issue by the same parties; (4) the issue litigated must have been a critical and necessary part of the judgment entered in the prior case; and (5) the standard of proof must have been at least the same as required in the case where the doctrine is sought to be applied. St. Laurent II v. Ambrose, 991 F.2d 672 (11th Cir. 1993); Dana, III v. E.S. Originals, Inc., et.al., 342 F.3d 1320 (11th Cir. 2003).

OPPORTUNITY TO LITIGATE AND ACTUALLY LITIGATED

The separate count's of Merisant's Complaint either asserted statutory or common law grounds for relief that was ultimately granted in the form of monetary damages and injunctive relief. There is no allegation that Siegel's conduct rose to the level of a malicious and willful nature. Since those issues were not before the court, neither Merisant nor Siegel presented any evidence to that affect. The closest the court came to a finding of willfulness was with regard to the unjust enrichment claim in Count VI. However, the court made no finding that Siegel acted out of malice toward Merisant. Since this was not an issue raised between the parties there was neither actual litigation nor an opportunity to litigate that issue.

THE ISSUES ARE NOT IDENTICAL TO THE DISTRICT COURT CASE

In Count I of the District Court case Merisant was only required to prove that its mark had priority and that its use by the defendant would cause confusion to customers. The summary judgment findings of fact did not require, nor did the court consider, whether Siegel's conduct rose to the level of "willful and malicious" as required by 11 U.S.C. § 523(a)(6). In re Bossard, 74 Bankr. 730 (Bankr. N.D.N.Y. 1987). Indeed, no such finding was made by the court. The mere fact the trademark was used in commerce was sufficient to establish liability.

The Eleventh Circuit has defined willful and malicious as “ ... intentional or deliberate and can not be established merely by applying a recklessness standard.” Lee v. Ikner, 883 F.2d 986, 989 (11th Cir. 1989). Malicious is defined as “wrongful and without just cause or excessive even in the absence of hatred, spite or ill-will”. Sunco Sales, Inc. v Latch, 820 F.2d 1163 (11th Cir. 1987). Siegel may have been reckless in his conduct but there is no evidence or finding of malice.

As stated by the court in In re Taylor “... ‘malicious’, for purposes of denying the discharge of a debt, means a wrongful act done consciously and knowingly in the absence of just cause or excuse while the term ‘willful’ means intentional or deliberate.” 187 B.R. 736, 738 (Bankr. N.D. Ala. 1995). Although malice may be implied it is not necessarily the result of showing a debtor acted willfully. The “acts and conduct of the debtor in the context of their surrounding circumstances” may be considered in determining whether there is implied malice. Ford Motor Credit Co. v. Rose, 183 Bankr. 742, 745 (Bankr. W.D. Va. 1995). A literal reading, out of context, of a party’s conduct, would result in any breach of a statute or contract rising to the level of willful and malicious. Such a construction would end in unintended results beyond the statutory intent to sanction a wrongdoer for seriously egregious conduct. In construing the statute the court looks to the statutory language and absent clear legislative intent the plain language of the statute is to be followed. U.S. v. Ron Pair Enterprises, Inc., 489 U.S. 235 (1989).

Counts II and III required only proof by Merisant that “(1) its mark is inherently distinctive or has acquired secondary meaning, (2) its mark is primarily non-functional, and (3) the defendant’s mark is confusingly similar.” These issues do not speak to the issue of willful and malicious injury. The court did not address those issues when considering the mark infringement. Those facts were not relevant nor were they material to the issues for decision.

Count IV was based on a claim for copyright infringement. Proof of “(1) ownership of a valid copyright in the work allegedly infringed and (2) that the ... defendants copied the protected work. A debt is non-dischargeable under 11 U.S.C. § 523(a)(6) which requires the act to be committed with “intent to cause injury.” Kawaahau v. Geiger, 523 U.S. 57, 61 (1998). One Circuit has taken a strict subjective approach in holding “ ... unless ‘the actor desires to cause consequences of his act, or ... believes that the consequences are substantially certain to result from it’, he has not committed a ‘willful and malicious injury’ as defined under § 523(a)(6).” In re Markowitz, 190 F.3d 455, 464 (6th Cir. Mich. 1999).

Count V of Merisant’s Complaint is framed under the theory of unfair competition under Florida law a party need only show “deceptive **or** fraudulent conduct of a competitor and likelihood of consumer confusion” (emphasis added). M.G.B. Homes, Inc. v Ameron Homes, Inc., 903 F.2d 1486 (11th Cir. 1990). Whether the court considered the act to be fraudulent or to be deceptive is unclear. Since the court could have reached its decision on either premise, the judgment is inconclusive for collateral estoppel purposes. It is clear that neither malice nor willfulness were considered by the court regarding this count. Those issues were clearly beyond the requisites for decision. Fraudulent and deceptive are not elements of an objection under 11 U.S.C. § 523(a)(6).

Absent a finding of fact by the District Court that Siegel’s actions were willful and malicious, this court is not precluded from considering whether 11 U.S.C. § 523(a)(6) bars the discharge of Merisant’s debt based on evidence presented on that issue. In re Fulgham, 70 B.R. 168 (Bankr. D.N.M. 1986). None of the conclusions reached by the District Court demanded such finding.

**THE ISSUE WAS NOT CRITICAL OR NECESSARY TO
GRANTING THE SUMMARY JUDGMENT**

Each of the counts upon which Summary Judgment was granted in the District Court case required a finding that Siegel acted in violation of the relevant statutes or common law doctrines upon which the judgment was granted. Willfulness and malice are not elements of any of the statutes or common law doctrine upon which the judgment was based. Since issues of willfulness and malice are not material or relevant as a requisite for a finding against Siegel in the prior litigation, it cannot be said that they formed a critical or necessary element of the conclusions reached by the District Court. Absent such a condition that essential element of collateral estoppel is not supported by the judgment.

CONCLUSION

Based on the foregoing, it is

ORDERED AND ADJUDGED that Motion By Plaintiff Merisant Company For Summary Judgment (C.P. 8) is **DENIED**.

DONE AND ORDERED in the Southern District of Florida on April 6, 2005.

RAYMOND B. RAY
U. S. BANKRUPTCY JUDGE