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UNITED STATES DISTRICT COURT  
CENTRAL DISTRICT OF CALIFORNIA  
SOUTHERN DIVISION

PLANET COFFEE ROASTERS, INC., )  
 )  
Plaintiff, )  
 )  
v. )  
 )  
HUNG DAM, dba PLANET COFFEE, et )  
al., )  
 )  
Defendants. )

Case No. SACV 09-00571-MLG  
MEMORANDUM OPINION AND ORDER  
GRANTING IN PART AND DENYING IN  
PART DEFENDANTS' MOTION TO  
DISMISS

**I. Factual and Procedural Background**

On May 26, 2009, Plaintiff Planet Coffee Roasters, Inc., filed a first amended complaint ("FAC") against Defendant Hung Dam alleging (1) false designation of origin (15 U.S.C. § 1125(a)); (2) trademark dilution (15 U.S.C. § 1125(c)); (3) federal unfair competition (15 U.S.C. § 1125(a); (4) common law unfair competition; and (5) California unfair competition (Cal. Bus. & Prof. Code § 17200).

In the first amended complaint, Plaintiff alleges that since 1993, it has been operating a well-known and successful business offering services related to coffee, including roasting, supplies and equipment. The first amended complaint accuses Defendant of unlawfully

1 using Plaintiff's mark "Planet Coffee" as the name of his coffee  
2 house, located in Garden Grove, California. Plaintiff does not hold a  
3 federally registered trademark on either "Planet Coffee" or "Planet  
4 Coffee Roasters."

5 On July 9, 2009, Defendant filed a motion to dismiss pursuant to  
6 Federal Rule of Civil Procedure 12(b)(6). On July 28, 2009, Plaintiff  
7 filed an opposition to the motion to dismiss. On August 4, 2009,  
8 Defendant filed a reply to Plaintiff's opposition. On August 11, 2009,  
9 the Court heard oral argument on the motion. The matter is now ready  
10 for decision.

## 11 12 **II. Standard of Review**

13 Federal Rule of Civil Procedure 12(b)(6) provides for dismissal  
14 of a complaint for "failure to state a claim upon which relief may be  
15 granted." To survive a motion to dismiss for failure to state a claim,  
16 a plaintiff must allege "enough facts to state a claim to relief that  
17 is plausible on its face." *Bell Atlantic Corp. v. Twombly*, 550 U.S.  
18 544, 570 (2007). A claim has "facial plausibility when the plaintiff  
19 pleads factual content that allows the court to draw the reasonable  
20 inference that the defendant is liable for the misconduct alleged."  
21 *Ashcroft v. Iqbal*, 129 S.Ct. 1937, 1949 (2009) (citing *Twombly*, 550  
22 U.S. at 556). The plausibility standard is not akin to a "probability  
23 requirement," but it asks for more than a sheer possibility that a  
24 defendant has acted unlawfully. *Id.* Where a complaint pleads facts  
25 that are "merely consistent with" a defendant's liability, it "stops  
26 short of the line between possibility and plausibility of entitlement  
27 to relief." *Twombly*, 550 U.S. at 557.

28 The Court in *Twombly* explained that a complaint is read in

1 conjunction with Federal Rule of Civil Procedure 8(a)(2) which  
2 requires a "showing" that the plaintiff is entitled to relief, "rather  
3 than a blanket assertion" of entitlement to relief. *Id.* at 556, n.3.  
4 While Rule 8 does not require "detailed factual allegations," it  
5 nevertheless "demands more than an unadorned, the defendant-  
6 unlawfully-harmed-me accusation." *Iqbal*, 129 S.Ct. at 1949. A pleading  
7 that offers "labels and conclusions" or "a formulaic recitation of the  
8 elements of a cause of action will not do." *Twombly*, 550 U.S. at 555.

9 In considering Defendants' motion to dismiss, the Court must  
10 accept all factual allegations of the complaint as true and construe  
11 those facts, as well as the inferences from those facts, in the light  
12 most favorable to Plaintiff. See *Knieval v. ESPN*, 393 F.3d 1068, 1072  
13 (9th Cir. 2005). However, the Court need not accept as true  
14 unreasonable inferences or conclusory legal allegations cast in the  
15 form of factual allegations. *Ileto v. Glock Inc.*, 349 F.3d 1191, 1200  
16 (9th Cir. 2003) (citing *Western Mining Council v. Watt*, 643 F.2d 618,  
17 624 (9th Cir. 1981)). "While legal conclusions can provide the  
18 framework of a complaint, they must be supported by factual  
19 allegations." *Iqbal*, 129 S.Ct. at 1250.

20  
21 **III. Discussion and Analysis**

22 **A. Plaintiff Has Stated a Claim Against Defendant for False**  
23 **Designation of Origin (15 U.S.C. § 1125(a))**

24 Plaintiff claims that Defendant has used Planet Coffee's  
25 distinctive mark or confusingly similar marks in commerce in  
26 connection with its own goods, which use is likely to cause confusion  
27 or to deceive as to the origin of such goods. (FAC ¶ 16.) Defendant  
28 claims that Plaintiff's false designation of origin claim should be

1 dismissed because Defendant, as the first user of the mark "Planet  
2 Coffee" in Garden Grove, California, has a prior use defense. (Def.'s  
3 Mot. to Dismiss at 6.)

4 A federal claim under section 43(a) of the Lanham Act for  
5 infringement of an unregistered mark is triggered by a use which "is  
6 likely to cause confusion, or to cause mistake, or to deceive as to  
7 the affiliation, connection, or association" of the user with the  
8 senior user. 15 U.S.C. § 1125(a). To prove a false designation of  
9 origin claim, a plaintiff must show that defendant (1) uses a false  
10 designation of origin; (2) in interstate commerce; (3) and in  
11 connection with goods or services; (4) when the designation is likely  
12 to cause confusion, mistake, or deception as to the origin,  
13 sponsorship, or approval of defendant's goods, services, or commercial  
14 activities by another person; and (5) plaintiff has been or is likely  
15 to be damaged by these acts. *McCarthy on Trademarks and Unfair*  
16 *Competition*, § 27:13 (Fourth Ed.)

17 Section 43(a) is the only provision in the Lanham Act that  
18 protects an unregistered mark. See *Kendall-Jackson Winery, Ltd. v. E.*  
19 *& J. Gallo Winery*, 150 F.3d 1042, 1047 n.7 (9th Cir. 1998)  
20 ("Registration is not a prerequisite for protection under § 43(a).").  
21 "Its purpose is to prevent consumer confusion regarding a product's  
22 source, ... and to enable those that fashion a product to  
23 differentiate it from others on the market." *Centaur Communications,*  
24 *Ltd. v. A/S/M Communications, Inc.*, 830 F.2d 1217, 1220 (2d Cir.  
25 1987).

26 Prior use is a complete defense to a claim of false designation  
27 of origin. See *T Shirts Plus v. T-Shirts Plus, Inc.*, 222 U.S.P.Q. 117,  
28 120 (C.D.Cal. 1983). In order to successfully establish a prior use

1 defense, Defendant must demonstrate that (1) its use of the mark began  
2 before it had actual or constructive notice of another's prior use of  
3 the mark and (2) there has been continuing use since that time. *Casual*  
4 *Corner Associates, Inc. v. Casual Corner Stores of Nevada, Inc.*, 493  
5 F.2d 709, 712 (9th Cir. 1974); *T Shirts Plus*, 222 U.S.P.Q. at 120.  
6 Defendant claims that it has a prior use defense to Plaintiff's false  
7 designation of origin claim because (1) it began using the mark  
8 "Planet Coffee" in August 2008 before it had any actual or  
9 constructive knowledge of Plaintiff's use of the mark and (2) it has  
10 been continuously using the mark since August 2008.

11 Applying the standard governing motions to dismiss and accepting  
12 all factual allegations pleaded in the complaint as true, the Court  
13 finds that Plaintiff has sufficiently pleaded a claim for false  
14 designation of origin. It is inappropriate at the pleading stage of  
15 the litigation to determine factual issues, such as whether Defendant  
16 can assert a prior use defense. Plaintiff does not need to provide  
17 evidence, at this stage, to defeat Defendant's prior use defense.  
18 Therefore, Defendant's motion to dismiss Plaintiff's claim for false  
19 designation of origin is **DENIED**.

20 **B. Plaintiff Has Failed to State a Claim Against Defendant for**  
21 **Trademark Dilution (15 U.S.C. § 1125(c))**

22 Plaintiff claims that its "Planet Coffee" mark is distinctive,  
23 well known and famous. (FAC ¶ 23.) Plaintiff contends that Defendant  
24 is "diluting the distinctiveness of Planet Coffee's marks by marketing  
25 and selling inferior goods bearing marks virtually identical or  
26 confusingly similar to Planet Coffee's trademarks." (FAC ¶ 24.)  
27 Plaintiff further contends that Defendant "has engaged in the conduct  
28 alleged in these claims, willfully intending to trade on Planet

1 Coffee's reputation and/or to cause dilution of the famous and  
2 distinctive marks" owned by Planet Coffee. (*Id.*) Defendant argues that  
3 Plaintiff's trademark dilution claim must be dismissed because  
4 Plaintiff has failed to allege any supporting facts to show that its  
5 mark has achieved the requisite degree of "national fame" necessary to  
6 support a trademark dilution claim. (Def.'s Mot. to Dismiss at 5.)

7 To prove a dilution claim, a plaintiff must demonstrate that the  
8 mark used by the alleged diluter is identical, or nearly identical, to  
9 the protected mark. *Thane Intern., Inc. v. Trek Bicycle Corp.*, 305  
10 F.3d 894, 905 (9th Cir. 2002). Additionally, the plaintiff must prove  
11 that "(1) its mark is famous; (2) the defendant is making commercial  
12 use of the mark in commerce; (3) the defendant's use began after the  
13 plaintiff's mark became famous; and (4) the defendant's use presents  
14 a likelihood of dilution of the distinctive value of the mark." *Avery*  
15 *Dennison Corp. v. Sumpton*, 189 F.3d 868, 874 (9th Cir. 1999).  
16 Moreover, the Trademark Dilution Revision Act of 2006 ("TDRA"),  
17 Pub.L. 109-312, 120 Stat. 1730, revised the Federal Trademark Dilution  
18 Act to deny protection to marks that are famous only in "niche"  
19 markets. *Century 21 Real Estate LLC v. Century Ins. Group*, 2007 WL  
20 484555, \*14 (D. Ariz. 2007) (citing House Report on Trademark Dilution  
21 act of 2005 at 8, 25).

22 Dilution is a cause of action "reserved for a select class of  
23 marks - those marks with such powerful consumer associations that even  
24 non-competing uses can impinge on their value." *Avery*, 89 F.3d at 875.  
25 For this reason, dilution protection extends only to those whose mark  
26 is a "household name." *Thane*, 305 F.3d at 911.

27 Applying the standard governing motions to dismiss, the Court  
28 finds that Plaintiff has not pled sufficient facts to state a claim

1 for trademark dilution that is "facially plausible." *Iqbal*, 2009 WL  
2 1361536, at \*14. Plaintiff has not alleged facts sufficient to show  
3 that its mark is nationally famous nor that Defendant's use of the  
4 mark "Planet Coffee" presents a likelihood of dilution of the  
5 distinctive value of Plaintiff's famous mark. Accordingly, Plaintiff's  
6 claim for trademark dilution is **DISMISSED WITH LEAVE TO AMEND**.

7 **C. Plaintiff Has Failed to Plead Fraud with the Specificity**  
8 **Required by Fed.R.Civ.P. 9(b)**

9 Defendant contends that Plaintiff's federal, common law and  
10 California unfair competition claims are rooted in fraud, and  
11 therefore Plaintiff must plead fraud with greater specificity under  
12 Fed.R.Civ.P. 9(b). (Def.'s Mot. to Dismiss at 8.)

13 Rule 9(b) requires that, when fraud is alleged, "a party must  
14 state with particularity the circumstances constituting fraud ...."  
15 Rule 9(b) requires that the circumstances constituting the alleged  
16 fraud "be 'specific enough to give defendants notice of the particular  
17 misconduct ... so that they can defend against the charge and not just  
18 deny that they have done anything wrong.'" *Bly-Magee v. California*,  
19 236 F.3d 1014, 1019 (9th Cir. 2001) (quoting *Neubronner v. Milken*, 6  
20 F.3d 666, 671 (9th Cir. 1993)). "Averments of fraud must be  
21 accompanied by the who, what, when, where, and how of the misconduct  
22 charged." *Vess v. Ciba-Geigy Corp.*, 317 F.3d 1097, 1106 (9th Cir.  
23 2003). A party alleging fraud must "set forth more than the neutral  
24 facts necessary to identify the transaction." *In re GlenFed, Inc. Sec.*  
25 *Litig.*, 42 F.3d 1541, 1548 (9th Cir. 1994) (emphasis in original),  
26 *superceded by statute on other grounds*.

27 Even where fraud is not an essential element of a claim, a  
28 "plaintiff may allege a unified course of fraudulent conduct and rely

1 entirely on that course of conduct as the basis of a claim. In that  
2 event, the claim is said to be 'grounded in fraud' or to 'sound in  
3 fraud,' and the pleading of that claim as a whole must satisfy the  
4 particularity requirement of Rule 9(b)." *Vess*, 317 F.3d at 1103-1104.  
5 However, "in a case where fraud is not an essential element of a  
6 claim, only allegations of fraudulent conduct must satisfy the  
7 heightened pleading requirements of Rule 9(b). Allegations of non-  
8 fraudulent conduct need satisfy only the ordinary notice pleading  
9 standards of Rule 8(a)." *Id.* at 1105.

10 While fraud is not a necessary element of a claim under  
11 California's unfair competition law (Cal. Bus. & Prof. Code § 17200),  
12 a plaintiff may nonetheless allege that the defendant engaged in  
13 fraudulent conduct. *Kearns v. Ford Motor Co.*, 567 F.3d 1120, 1125 (9th  
14 Cir. June 8, 2009) (used car purchaser failed to allege particular  
15 circumstances surrounding seller's purported misrepresentations and  
16 fraud regarding "certified pre-owned" vehicles, and thus failed to  
17 state claim for violation of California's unfair competition law under  
18 heightened pleading requirements for fraud claims). Where a plaintiff  
19 has alleged fraudulent conduct, those allegations must satisfy the  
20 heightened pleading requirements of Rule 9(b). *Id.*

21 Plaintiff has made allegations of fraudulent conduct which  
22 require more particularized pleading under Rule 9(b). In its federal  
23 unfair competition claim (15 U.S.C. § 1125(a)), Plaintiff alleges that  
24 Defendant engaged in "unlawful, unfair and fraudulent business  
25 practices" which "present a continuing threat to members of the public  
26 in that they are likely to be deceived as to the origin and quality of  
27 Planet Coffee's products." (FAC ¶ 32.) Plaintiff further alleges that  
28 Defendant has "engaged in the conduct alleged in these claims



1 knowingly and willfully." (FAC ¶ 30.) In its common law unfair  
2 competition claim, Plaintiff alleges that Defendant actions were  
3 "undertaken willfully and with the intention of causing confusion,  
4 mistake and deception." (FAC ¶ 40.) In its unfair competition claim  
5 under Cal. Bus. & Prof. Code § 17200, Plaintiff alleges that  
6 Defendant's "use of the infringing marks ... constitutes deceptive and  
7 misleading advertising...." (FAC ¶ 46.)

8 To the extent that Plaintiff alleges fraudulent conduct in its  
9 unfair competition causes of action, Plaintiff must either allege  
10 particular facts sufficient to satisfy the requirements of  
11 Fed.R.Civ.P. 9(b) or alternatively, eliminate the allegations of fraud  
12 in those causes of action. If Plaintiff chooses to eliminate the fraud  
13 allegations, but later determines during discovery that there are  
14 sufficient facts to support a fraud allegation, it may file a motion  
15 with the Court to amend the complaint. Accordingly, Plaintiff's unfair  
16 competition claims are **DISMISSED WITH LEAVE TO AMEND.**

17  
18 **IV. ORDER**

19 Defendant's motion to dismiss Plaintiff's claim for false  
20 designation of origin is **DENIED.** Defendant's motion to dismiss the  
21 claim for trademark dilution is **GRANTED WITH LEAVE TO AMEND.**  
22 Defendant's motion to dismiss Plaintiff's claims for federal unfair  
23 competition, common law unfair competition, and California Unfair  
24 Competition is **GRANTED WITH LEAVE TO AMEND.**

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1 Plaintiff shall have twenty-one days (21) days from the date of  
2 this order to file a second amended complaint correcting or  
3 eliminating the deficiencies described in this order.

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5 Dated: August 12, 2009



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8 Marc L. Goldman  
United States Magistrate Judge

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