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6 IN THE UNITED STATES DISTRICT COURT  
7 FOR THE DISTRICT OF ARIZONA

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9 AFL Telecommunications LLC, ) No. CV 11-01086-PHX-FJM

10 Plaintiff, )

**ORDER**

11 vs. )

12 )

13 SurplusEQ.com, Inc., Tech Sales, LLC, )  
and Daniel Parsons and Jane Doe Parsons, )

14 Defendants. )

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17 The court has before it defendants' motion to dismiss (doc. 25), plaintiff's response  
18 (doc. 29), and defendants' reply (doc. 30). Also before us are plaintiff's motion for  
19 preliminary injunction (doc. 6), defendants' response (doc. 23), plaintiff's reply (doc. 27), and  
20 defendants' motion to stay pending transfer (doc. 31). For the reasons that follow, we grant  
21 in part and deny in part defendants' motion to dismiss. We deny plaintiff's motion for  
22 preliminary injunction and deny defendants' motion to stay as moot.

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**I**

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25 Plaintiff AFL Telecommunications LLC ("AFL") is a wholly-owned subsidiary of  
26 Fujikura Ltd. ("Fujikura"), a Japanese manufacturer of fiber optic equipment. One of  
27 Fujikura's products is a fusion splicer, a device which it sells under the FUJIKURA  
28 trademark. AFL is the exclusive North American licensee for FUJIKURA fusion splicers.  
Defendants (an Arizona corporation, an Arizona limited liability company, the sole member

1 of the limited liability company, and his wife) sell fusion splicers and related equipment  
2 online. Defendants import FUJIKURA fusion splicers designed for sale outside the United  
3 States and sell them over the Internet to customers within the United States. These fusion  
4 splicers are grey market goods, defined as goods which are "produced and legitimately sold  
5 abroad under a particular trademark and are imported into the United States and sold in  
6 competition with goods of the owner of U.S. trademark rights in the identical mark." Vivitar  
7 Corp. v. United States, 761 F.2d 1552, 1555 (Fed. Cir. 1985).

8 Plaintiff filed a complaint on May 31, 2011, alleging claims for unfair competition  
9 under 15 U.S.C. § 1125(a), false advertising under 15 U.S.C. § 1125(a), common law unfair  
10 competition, and copyright infringement. Plaintiff filed a motion for preliminary injunction  
11 on June 1, 2011. Defendants filed a motion to dismiss on July 26, 2011. Defendants' motion  
12 to stay pending transfer (doc. 31), filed August 22, 2011, is also pending.

## 13 II

14 When considering a motion to dismiss pursuant to Rule 12(b)(6), Fed. R. Civ. P., "a  
15 court must construe the complaint in the light most favorable to the plaintiff and must accept  
16 all well-pleaded factual allegations as true." Shwarz v. United States, 234 F.3d 428, 435 (9th  
17 Cir. 2000). On the other hand, a court is "not bound to accept as true a legal conclusion  
18 couched as a factual allegation." Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555, 127 S. Ct.  
19 1955, 1965 (2007) (quoting Papasan v. Allain, 478 U.S. 265, 286, 106 S. Ct. 2932, 2944  
20 (1986)). To survive a motion to dismiss, the complaint must contain "enough facts to state  
21 a claim to relief that is plausible on its face." Id. at 570, 127 S. Ct. at 1974. "A claim has  
22 facial plausibility when the plaintiff pleads factual content that allows the court to draw the  
23 reasonable inference that the defendant is liable for the misconduct alleged." Ashcroft v.  
24 Iqbal, 556 U.S. \_\_\_, 129 S. Ct. 1937, 1949 (2009). Dismissal under Rule 12(b)(6) may be  
25 "based on the lack of a cognizable legal theory or the absence of sufficient facts alleged  
26 under a cognizable legal theory." Balistreri v. Pacifica Police Dep't, 901 F.2d 696, 699 (9th  
27 Cir. 1990).

## 28 III

1 Plaintiff's first claim is for unfair competition under the Lanham Act. This statute  
2 creates civil liability for anyone who makes a false or misleading representation which "is  
3 likely to cause confusion, or to cause mistake, or to deceive as to the affiliation, connection,  
4 or association of such person with another person, or as to the origin, sponsorship, or  
5 approval of his or her goods, services, or commercial activities by another person." 15  
6 U.S.C. § 1125(a)(1)(A). The ultimate issue under this statute is "whether there is a likelihood  
7 of confusion as to source." Am. Circuit Breaker Corp. v. Oregon Breakers Inc., 406 F.3d  
8 577, 584-85 (9th Cir. 2005). There is no likelihood of confusion if two products are  
9 materially different. When dealing with grey market goods, "the threshold of materiality  
10 must be kept low enough to take account of potentially confusing differences—differences  
11 that are not blatant enough to make it obvious to the average consumer that the origin of the  
12 product differs from his or her expectations." Societe Des Produits Nestle, S.A., v. Casa  
13 Helvetia, Inc., 982 F.2d 633, 641 (1st Cir. 1992).

14 While there is no dispute as to whether the fusion splicers sold by defendants were  
15 actually manufactured by Fujikura, there is a dispute as to whether defendants modified these  
16 products. Plaintiff alleges that defendants changed the products' serial numbers and replaced  
17 memory chips in a way that damaged the products. These alleged changes are material,  
18 according to plaintiff, and therefore create a presumption of consumer confusion. Accepting  
19 these factual allegations as true, as we must at this stage, plaintiff has alleged the elements  
20 necessary to state a cause of action for unfair competition under the Lanham Act.

#### 21 IV

22 Plaintiff also claims a violation of common law unfair competition. Unfair  
23 competition at common law consists of several tort theories. Fairway Constructors, Inc. v.  
24 Ahern, 193 Ariz. 122, 124, 970 P.2d 954, 956 (Ct. App. 1998). Plaintiff has failed to the  
25 provide the court with any indication of which theory of unfair competition it is alleging.  
26 Accordingly, plaintiff's claim of common law unfair competition is dismissed.

#### 27 V

28 A prima facie case of false advertising under 15 U.S.C. § 1125(a)(1)(B) requires a

1 showing of a false statement made by the defendant in a commercial advertisement or  
2 promotion which actually deceived or had the tendency to deceive its audience. The  
3 deception must have been material, the defendant must have caused its statement to enter  
4 interstate commerce, and the plaintiff must have been injured as a result. Jarrow Formulas,  
5 Inc. v. Nutrition Now, Inc., 304 F.3d 829, 835 n.4 (9th Cir. 2002).

6 The disputed element here is whether the statement was made in a commercial  
7 advertisement or promotion. For representations to constitute commercial advertising or  
8 promotion under this statute, they must be "(1) commercial speech; (2) by a defendant who  
9 is in commercial competition with plaintiff; (3) for the purpose of influencing consumers to  
10 buy defendant's goods or services." Coastal Abstract Serv., Inc. v. First Am. Title Ins. Co.,  
11 173 F.3d 725, 735 (9th Cir. 1999). The representations must also "be disseminated  
12 sufficiently to the relevant purchasing public to constitute 'advertising' or 'promotion' within  
13 that industry." Id. The plaintiff alleges that defendants' advertisement and promotion of the  
14 splicers constituted false descriptions or representations of fact, which were disseminated  
15 through defendants' websites and a blog. Compl. ¶¶ 63, 65. Defendants dispute that their  
16 blog could be the basis for a false advertising claim, as they contend that it is informational  
17 and therefore not commercial speech. Even if true, though, this argument does not dispose  
18 of plaintiff's claim. Plaintiff alleges false statements were published on various sales  
19 websites owned by the defendants in addition to the blog. These allegations are sufficient  
20 to put defendants' statements within the realm of commercial speech. The other parts of the  
21 "commercial advertising or promotion" definition are satisfied, as well as the remaining  
22 elements of a prima facie case. Plaintiff has pled sufficient facts to show the facial  
23 plausibility of a claim for false advertising.

## 24 VI

25 According to plaintiff, the software in FUJIKURA splicers is copyrighted by Fujikura  
26 and exclusively licensed to AFL. Defendants allegedly infringed this copyright by  
27 distributing fusion splicers with this software in violation of 17 U.S.C. § 106(3), which gives  
28 a copyright owner exclusive rights to distribute copies of the copyrighted work by sale or

1 other transfer of ownership. To establish infringement, plaintiff must show "ownership of  
2 the allegedly infringed material and . . . demonstrate that the alleged infringers violate at least  
3 one exclusive right granted to copyright holders under 17 U.S.C. § 106." A&M Records, Inc.  
4 v. Napster, Inc., 239 F.3d 1004, 1013 (9th Cir. 2001). As an exclusive licensee, plaintiff  
5 owns an exclusive right under 17 U.S.C. § 106 and so may sue for copyright infringement.  
6 17 U.S.C. §§ 501(b), 106; Silvers v. Sony Pictures Entm't, Inc., 402 F.3d 881, 884-85 (9th  
7 Cir. 2005). Accepting plaintiff's factual allegations and reasonable inferences as true,  
8 plaintiff has stated a claim for copyright infringement.

9 Defendants argue that they have an affirmative defense to copyright infringement  
10 under the first-sale doctrine. However, in Omega S.A. v. Costco Wholesale Corp., the  
11 United States Court of Appeals for the Ninth Circuit limited the first-sale doctrine to  
12 domestically made copies of copyrighted works. 541 F.3d 982, 985 (9th Cir. 2008), aff'd per  
13 curiam, 131 S. Ct. 565 (2010). Plaintiff's complaint does not directly state that the software  
14 at issue was manufactured outside the United States, but this can reasonably be inferred. As  
15 a result, under Omega, the first-sale doctrine is unavailable to the defendants because the  
16 subject goods were not made domestically.

17 Defendants also contend that plaintiff's claim is barred by copyright misuse. While  
18 they say that the defense of copyright misuse is clear from the face of the complaint, they do  
19 not provide any explanation for this statement. "The misuse defense prevents copyright  
20 holders from leveraging their limited monopoly to allow them control of areas outside the  
21 monopoly." A&M Records, 239 F.3d at 1026. There is no indication of an unduly restrictive  
22 licensing scheme, unilateral refusal to license a copyright, or other behavior suggesting  
23 plaintiff has attempted to impermissibly expand its monopoly. Id. at 1027 & n.8. Plaintiff's  
24 claim of copyright infringement is valid and not barred by the defense of misuse.

## 25 VII

26 "A plaintiff seeking a preliminary injunction must establish that he is likely to succeed  
27 on the merits, that he is likely to suffer irreparable harm in the absence of preliminary relief,  
28 that the balance of equities tips in his favor, and that an injunction is in the public interest."

1 Winter v. Natural Res. Def. Council, Inc., 555 U.S. 7, 20, 129 S. Ct. 365, 374 (2008).  
2 Plaintiff's motion for preliminary injunction is denied because plaintiff does not show it will  
3 suffer irreparable harm in the absence of an injunction. Irreparable harm is no longer  
4 presumed in a trademark or copyright case upon a showing of a likelihood of success on the  
5 merits. Flexible Lifeline Sys., Inc. v. Precision Lift, Inc., No. 10-35987, 2011 WL 3659315,  
6 at \*5 (9th Cir. Aug. 22, 2011) ("proclaim[ing] that the 'King' is dead, referring to Elvis  
7 Presley the case—to the extent it supported the use of a presumption of irreparable harm in  
8 issuing injunctive relief.").

9 Plaintiff argues that, even without this presumption, it will suffer irreparable harm in  
10 the form of injury to reputation, injury to goodwill, and the threatened loss of prospective  
11 customers. Such intangible injuries can qualify as irreparable harm. Rent-A-Center, Inc. v.  
12 Canyon Television & Appliance Rental, Inc., 944 F.2d 597, 603 (9th Cir. 1991). But  
13 "[s]peculative injury does not constitute irreparable injury." Goldie's Bookstore, Inc. v.  
14 Superior Court, 739 F.2d 466, 472 (9th Cir. 1984). Plaintiff has not introduced any factual  
15 evidence of its purported injuries here. A plaintiff seeking an injunction under the Lanham  
16 Act must "offer something more than a mere subjective belief that he is likely to be injured  
17 as a result of the false advertising, he must submit proof which provides a reasonable basis  
18 for that belief." PBM Prods., LLC v. Mead Johnson & Co., 639 F.3d 111, 127 (4th Cir.  
19 2011) (quoting Coca-Cola Co. v. Tropicana Prods., Inc., 690 F.2d 312, 316 (2d Cir. 1982)).  
20 Since no proof of irreparable injury has been submitted, plaintiff has not met the standard for  
21 a preliminary injunction.

## 22 VIII

23 **IT IS HEREBY ORDERED GRANTING** defendants' motion to dismiss plaintiff's  
24 claim of common law unfair competition (doc. 25).

25 **IT IS ORDERED DENYING** defendants' motion to dismiss plaintiff's federal unfair  
26 competition, federal false advertising, and copyright infringement claims (doc. 25).

27 **IT IS FURTHER ORDERED DENYING** defendants' motion to stay pending  
28 transfer as moot (doc. 31).

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**IT IS FURTHER ORDERED DENYING** plaintiff's motion for preliminary injunction (doc. 6).

DATED this 13<sup>th</sup> day of September, 2011.

*Frederick J. Martone*  
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Frederick J. Martone  
United States District Judge