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6 **IN THE UNITED STATES DISTRICT COURT**
7 **FOR THE DISTRICT OF ARIZONA**
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9 BBK Tobacco & Foods LLP,

10 Plaintiff,

11 v.

12 Central Coast Agriculture Incorporated, et
13 al.,

14 Defendants.

No. CV-19-05216-PHX-MTL

ORDER

15 Before the Court are Defendants' motion to dismiss Plaintiff BBK Tobacco & Foods
16 LLP's ("BBK") Amended Complaint (Doc. 70) and BBK's motion to dismiss
17 Defendant/Counterclaimant Central Coast Agriculture Inc.'s ("CCA") Counterclaims
18 (Doc. 77). For the following reasons, Defendants' motion is granted in part and denied in
19 part; Plaintiff's motion is denied.¹

20 **I. BACKGROUND**

21 As the Court noted in a previous order, BBK is an Arizona limited liability
22 partnership with its principal place of business in Arizona. (Doc. 10 at 1; Doc. 60 ¶ 1.)
23 BBK manufactures, distributes, and sells smoking-related products bearing its trademarked
24 "RAW" branding. (Doc. 60 ¶¶ 34-37.) BBK's marks include the following: "RAW,"
25 "RAW ORGANIC," "RAW ARTESANO," "SUPERNATURAL RAW," "RAW
26 CONNOISSEUR," and "RAW BLACK." (*Id.* ¶ 41.) BBK asserts that the word "raw" is a

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28 ¹ Both parties have submitted legal memoranda and oral argument would not have aided
the Court's decisional process. *See Partridge v. Reich*, 141 F.3d 920, 926 (9th Cir. 1998);
see also LRCiv 7.2(f); Fed. R. Civ. P. 78(b).

1 “distinctive enough” identifier “to trigger recognition in and of the RAW Brand Products
2 and Services.” (*Id.* ¶ 42.) BBK promotes 70 product brands including include cigarette
3 rolling papers, smoking accessories, and merchandise, as well as information services
4 regarding its products. (*Id.* ¶ 34.) BBK maintains multiple internet domains incorporating
5 the RAW designation.² (*Id.* ¶¶ 51–62.)

6 Defendant CCA is a Delaware corporation with its principal place of business in
7 Buellton, California. (*Id.* ¶ 2.) CCA sells cannabis products exclusively in California and
8 promotional merchandise nationwide. (*Id.* ¶ 121.) CCA identifies, or has identified, its
9 products using the names “Raw Garden,” “Raw Gardener,” and “Raw CO2” since 2015.
10 (*Id.* ¶¶ 66–67.) It maintains two websites: www.rawgarden.farm and www.rawgarden.co.
11 (*Id.* ¶ 25.) CCA offers merchandise for sale bearing the “Raw Garden” name through
12 www.rawgarden.co. (*Id.* ¶ 27.) (*Id.*) The products for sale include water bottles, posters,
13 T-shirts, hoodies, baseball caps, pin, lanyards, and “dab mats.” (*Id.* ¶ 177.) BBK claims
14 that CCA has infringed on its trademarks by making, using, promoting, advertising,
15 distributing, selling, and offering to sell its products using “Raw Garden” and related
16 names. (*Id.* ¶ 78.)

17 The Court previously denied CCA’s motion to dismiss for lack of personal
18 jurisdiction and improper venue on July 10, 2020. (Doc. 19.) BBK later moved to amend
19 the Complaint on the December 10, 2020 deadline to amend the pleadings, which the Court
20 granted. (Docs. 54, 59.)

21 The operative Amended Complaint names three additional defendants, each a
22 subsidiary of CCA: Central Coast Ag Farming, LLC (“CCA Farming”), Central Coast Ag
23 Distribution, LLC (“CCA Distribution”), and Central Coast Ag Products, LLC (“CCA
24 Products”) (collectively, the “Subsidiary Defendants”). (Doc. 60 at 2–4.) As did the
25 original Complaint, the Amended Complaint brings claims for trademark infringement,

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27 ² BBK’s online presence includes the following RAW domain names:
28 www.rawthentic.com, www.rawsmoke.com, and www.rawfoundation.com. (*Id.* ¶ 54.) It
also uses the Instagram “handles” @rawkandroll and @rawlife247.com and the Facebook
page titled “RAW Rolling Paper.” (*Id.* ¶¶ 57, 58.)

1 false designation of origin and representation, and anti-cybersquatting consumer protection
2 under federal law, and trademark infringement and unfair competition claims under
3 Arizona law. The Amended Complaint also adds two new claims, Counts 6 and 7, to void
4 CCA’s trademark applications and for false advertising under the Lanham Act,
5 respectively.

6 Defendants now move to dismiss the Subsidiary Defendants for lack of personal
7 jurisdiction under Rule 12(b)(2) of the Federal Rules of Civil Procedure, or, alternatively,
8 under Rule 12(b)(6) for failure to state a claim. CCA also moves to dismiss the two new
9 claims under Rule 12(b)(6). That motion is now fully briefed. (Docs. 79, 103.)

10 CCA separately answered Counts 1 through 5 of the Amended Complaint and filed
11 two counterclaims against BBK. Both counterclaims seek to cancel BBK’s specified marks
12 for fraud on the United States Patent and Trademark Office (“USPTO”) and for unlawful
13 use. (Doc. 71 at 49–51.) BBK has moved to dismiss the counterclaims pursuant to Rule
14 12(b)(6). (Doc. 77.) That motion is also now fully briefed. (Docs. 89, 101.)

15 **II. LEGAL STANDARDS**

16 **A. Rule 12(b)(2)**

17 Pursuant to Federal Rule of Civil Procedure 12(b)(2), a defendant may move, “prior
18 to trial, to dismiss the complaint for lack of personal jurisdiction.” *Data Disc, Inc. v. Sys.*
19 *Tech. Assocs., Inc.*, 557 F.2d 1280, 1285 (9th Cir. 1977). In a motion to dismiss for lack of
20 personal jurisdiction, the plaintiff bears the burden of showing that an exercise of
21 jurisdiction is proper. *Ziegler v. Indian River Cty.*, 64 F.3d 470, 473 (9th Cir. 1995).
22 However, “in the absence of an evidentiary hearing,” a plaintiff “need only make a prima
23 facie showing of jurisdictional facts.” *Sher v. Johnson*, 911 F.2d 1357, 1361 (9th Cir. 1990)
24 (internal citation omitted). When examining whether there is a prima facie showing of
25 jurisdictional facts, any “uncontroverted allegations in [the complaint] must be taken as
26 true, and conflicts between the facts contained in the parties’ affidavits must be resolved in
27 [plaintiff’s] favor.” *A T & T Co. v. Compagnie Bruxelles Lambert*, 94 F.3d 586, 588 (9th
28 Cir. 1996) (internal quotation marks and citations omitted); *see also Sher*, 911 F.2d at 1361

1 (treating plaintiff's allegations as true).

2 **B. Rule 12(b)(6)**

3 To survive a motion to dismiss for failure to state a claim, a complaint must contain
4 "a short and plain statement of the claim showing that the pleader is entitled to relief" such
5 that the defendant is given "fair notice of what the . . . claim is and the grounds upon which
6 it rests." *Bell Atl. Corp. v. Twombly*, 550 U.S. 545, 555 (2007) (quoting Fed. R. Civ. P.
7 8(a)(2); *Conley v. Gibson*, 355 U.S. 41, 47 (1957)). Dismissal under Rule 12(b)(6) "can be
8 based on the lack of a cognizable legal theory or the absence of sufficient facts alleged
9 under a cognizable legal theory." *Balistreri v. Pacifica Police Dep't*, 901 F.2d 696, 699
10 (9th Cir. 1988). A complaint should not be dismissed "unless it appears beyond doubt that
11 the plaintiff can prove no set of facts in support of the claim that would entitle it to relief."
12 *Williamson v. Gen. Dynamics Corp.*, 208 F.3d 1144, 1149 (9th Cir. 2000).

13 The Court must accept material allegations in the Complaint as true and construe
14 them in the light most favorable to Plaintiff. *North Star Int'l v. Arizona Corp. Comm'n*,
15 720 F.2d 578, 580 (9th Cir. 1983). "Indeed, factual challenges to a plaintiff's complaint
16 have no bearing on the legal sufficiency of the allegations under Rule 12(b)(6)." *Lee v. City*
17 *of Los Angeles*, 250 F.3d 668, 688 (9th Cir. 2001). Review of a Rule 12(b)(6) motion is
18 "limited to the content of the complaint." *North Star Int'l*, 720 F.2d at 581.

19 **III. DISCUSSION**

20 **A. Defendants' Motion (Doc. 70)**

21 Defendants move to dismiss the newly-added Subsidiary Defendants for lack of
22 personal jurisdiction pursuant to Rule 12(b)(2), or for failure to state a claim pursuant to
23 Rule 12(b)(6). Defendant CCA further moves to dismiss BBK's newly-added sixth and
24 seventh claims for failure to state a claim. (Doc. 70 at 2.) The Court first addresses two
25 preliminary matters before turning to these arguments.

26 **1. LRCiv 12.1(c) Conferral Requirements**

27 The Court first addresses BBK's suggestion that Defendants did not fully comply
28 with Rule 12.1 of the Local Rules of Civil Procedure ("LRCiv") in filing the present

1 motion. That rule provides that no motion to dismiss for failure to state a claim will be
2 considered unless the moving party certifies that, “before filing the motion, the movant
3 notified the opposing party of the issues asserted in the motion and the parties were unable
4 to agree that the pleading was curable in any part by a permissible amendment offered by
5 the pleading party.” LRCiv 12.1(c). A motion that “does not contain the required
6 certification may be stricken summarily.” *Id.* BBK asserts that in a “lengthy conference
7 call,” BBK’s counsel outlined proposed revisions to the Amended Complaint that would
8 “obviate the need for filing the present motion, at least in substantial part.” (Doc. 79 at 2.)
9 In particular, BBK’s counsel stated that it would add allegations regarding the alter ego
10 nature of Defendants. (*Id.*) Nonetheless, BBK asserts that Defendants “filed the present
11 motion the next day” without addressing BBK’s proposed revisions. (*Id.*)

12 In a prior filing, the parties stipulated to a two-day extension in which for
13 Defendants to respond to the Amended Complaint. The stipulation stated, in part,
14 “Defendants will be in a position as of Friday, February 5, 2021 to either bring their Rule
15 12(b)(6) motion (in which case Plaintiff BBK may suggest its intended further amendments
16 will merit denial of the motion and Defendant may rebut the same) or stipulate to further
17 amendment of BBK’s First Amended Complaint.” (Doc. 66 at 2.) Defendants have since
18 filed the present motion. BBK’s response relies in significant part on a proposed “Revised
19 Amended Complaint,” attached as Exhibit A to its response, which contains allegations
20 regarding the alter ego nature of Defendants. (Doc. 79 at 2; Doc. 79-1.) The Revised
21 Amended Complaint has not been otherwise filed on the case docket, nor has BBK moved
22 to amend its operative Amended Complaint.

23 The Court will not strike Defendants’ motion for failure to comply with LRCiv
24 12.1(c). Defendants certified compliance with the rule, stating, “[c]ounsel for both sides
25 met and conferred before the filing of this Motion. (See Doc. 66). Based on the statements
26 made by BBK during the conference, CCA believes that the deficiencies highlighted in this
27 Motion are unable to be cured through amendment.” (Doc. 70 at 2 n.2.) They continued,
28 “BBK’s supposed new theories and allegations that may follow this Motion, now fifteen

1 months into the case, would be a futile attempt to salvage its claims.” (*Id.*) Ultimately, “the
2 parties were unable to agree that the pleading was curable in any part by a permissible
3 amendment offered by the pleading party.” LRCiv 12.1. Defendants accordingly complied
4 with their referral requirements. *See Andrich v. Navient Sols. Inc.*, No. CV-18-02766-PHX-
5 SMB, 2020 WL 1515664, at *2 (D. Ariz. Mar. 30, 2020) (finding that defendants satisfied
6 LRCiv 12.1 by “providing sufficient “written notice of the issues” they intended to
7 assert.”).

8 2. **“Revised Amended Complaint”**

9 The Court next turns to BBK’s inclusion of, and reference to, its proposed “Revised
10 Amended Complaint.” (Doc. 79-1.) The Court understands BBK’s position to be that the
11 parties agreed, pursuant to the conferral process, that BBK would rebut Defendants’ motion
12 with its “intended further amendments.” (Doc. 66 at 2.) Nonetheless, as described below,
13 BBK’s reliance on the Revised Amended Complaint does not comply with the Federal
14 Rules of Civil Procedure, and the Court will therefore not consider it.

15 As noted, the deadline to amend the pleadings was December 10, 2020.³ (Doc. 41.)
16 On that date, BBK filed a motion for leave to file the Amended Complaint, which the Court
17 granted. (Docs. 54, 59.) Neither party has since moved to extend that deadline. BBK filed
18 its response to the present motion on March 8, 2021—nearly three months after the
19 amendment deadline. (Doc. 79.) At this stage in the case, Rule 15(a) of the Federal Rules
20 of Civil Procedure would permit further amendment only upon the “opposing party’s
21 written consent or the court’s leave.” Fed. R. Civ. P. 15(a)(2). BBK never specifically seeks
22 leave to amend the Amended Complaint, nor do Defendants indicate their consent.

23 Further, when the pleading amendment deadline has passed, as in this case, a party
24 must first comply with Rule 16’s “good cause” standard to amend the case scheduling order
25 before the court turns to Rule 15(a).⁴ *See Johnson v. Mammoth Recreations, Inc.*, 975 F.2d

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27 ³ The initial deadline was November 10, 2020; this deadline was extended once pursuant
to the parties’ stipulation. (Docs. 31, 40.)

28 ⁴ The Court is aware of Ninth Circuit authority requiring *sua sponte* leave to amend from
a dismissal for failure to state a claim, unless the court determines that the pleading could

1 604, 609 (9th Cir. 1992) (“Unlike Rule 15(a)’s liberal amendment policy which focuses on
2 the bad faith of the party seeking to interpose an amendment and the prejudice to the
3 opposing party, Rule 16(b)’s ‘good cause’ standard primarily considers the diligence of the
4 party seeking the amendment.”). Generally, to meet its burden under Rule 16’s “good
5 cause” standard, the movant is required to show:

6 (1) that [the movant] was diligent in assisting the Court in
7 creating a workable Rule 16 order; (2) that [the movant’s]
8 noncompliance with a Rule 16 deadline occurred or will occur,
9 notwithstanding [the movant’s] diligent efforts to comply,
10 because of the development of matters which could not have
11 been reasonably foreseen or anticipated at the time of the Rule
12 16 scheduling conference; and (3) that [the movant] was
diligent in seeking amendment of the Rule 16 order, once it
became apparent that [the movant] could not comply with the
order.

13 *Jackson v. Laureate, Inc.*, 186 F.R.D. 605, 608 (E.D. Cal. 1999) (citations omitted). BBK
14 has not attempted to make any such showing.

15 Even were the Court inclined to generously construe BBK’s response as a motion
16 to amend, BBK has not otherwise complied with LRCiv 15.1. That rule requires a party
17 seeking leave to amend to “attach a copy of the proposed amended pleading as an exhibit
18 to the motion, which must indicate in what respect it differs from the pleading which it
19 amends, by bracketing or striking through the text to be deleted and underlining the text to
20 be added.to amend.” LRCiv 15.1(a). BBK has only submitted a clean copy of the Revised
21 Amended Complaint. (Doc. 79-1.) For all of these reasons, the Amended Complaint
22 remains the operative complaint in this case. And “by definition,” a motion to dismiss
23 involves analysis “of the operative complaint.” *Figueroa v. L. Offs. of Patenaude & Felix,*
24 *A.P.C.*, No. EDCV 14-325 JGB (DTBX), 2014 WL 12597118, at *2 (C.D. Cal. May 30,
25 2014). *See also Ramos v. FCA US LLC*, 385 F. Supp. 3d 1056, 1066 (E.D. Cal. 2019)

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28 not possibly be cured by the allegation of other facts, but such circumstances are not present
here. *See Lacey v. Maricopa County*, 693 F.3d 896, 927 (9th Cir. 2012) (en banc) (citing
Doe v. United States, 58 F.3d 494, 497 (9th Cir. 1995)).

1 (“Therefore, the Court rejects the arguments from Plaintiffs that assume that Plaintiffs’
2 proposed amended complaint is the operative complaint. It is not. The operative complaint
3 is Plaintiffs’ original complaint.”). The Court will not consider BBK’s attached “Revised
4 Amended Complaint,” or any references to it in BBK’s response, in connection with
5 Defendants’ pending motion to dismiss.

6 **3. Lack of Personal Jurisdiction**

7 The Court now turns to the merits of Defendants’ motion. Defendants first argue
8 that the Subsidiary Defendants are not subject to personal jurisdiction in Arizona. (Doc. 70
9 at 3.) They acknowledge that the Court previously denied CCA’s motion to dismiss for
10 lack of personal jurisdiction. (Doc. 19.) In that order, the Court found that CCA was subject
11 to specific personal jurisdiction in Arizona due to its operation of a merchandise website,
12 <http://rawgarden.co>, and sales it made in Arizona.⁵ (Doc. 19 at 4–12.) In the present motion,
13 the Subsidiary Defendants argue that they “do not operate that website,” “are not involved
14 of the fulfillment of orders made on that website,” and “conduct no business in Arizona
15 and have no contacts with Arizona.” (Doc. 70 at 3.) Accordingly, the Subsidiary
16 Defendants argue that they are not subject to specific jurisdiction in Arizona. (*Id.*)

17 BBK appears to tacitly agree that personal jurisdiction does not exist under the
18 Amended Complaint, stating that it “recognized and acknowledged” during the meet-and-
19 confer process “that the First Amended Complaint needed to be augmented with allegations
20 establishing that Defendant CCA and its subsidiaries operate as a combined entity.” (Doc.
21 79 at 5.) The Court agrees with Defendants—and, seemingly, with BBK—that the
22 Amended Complaint does not demonstrate that the Subsidiary Defendants are subject to
23 personal jurisdiction in Arizona.

24 As the Court has previously noted, if a relevant federal statute does not provide for
25 personal jurisdiction, generally a “district court applies the law of the state in which the
26 court sits.” *Mavrix Photo, Inc. v. Brand Techs., Inc.*, 647 F.3d 1218, 1223 (9th Cir. 2011)

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28 ⁵ The Court also found that venue was proper in this District (*id.* at 13–18), but such an
argument is not present in the pending motion.

1 (citing Fed. R. Civ. P. 4(k)(1)(A)). Because Arizona’s long-arm statute conforms with the
2 requirements of federal due process, the analyses of personal jurisdiction under Arizona
3 law and federal due process are the same. *See* Ariz. R. Civ. P. 4.2(a);⁶ *Schwarzenegger v.*
4 *Fred Martin Motor Co.*, 374 F.3d 797, 800–01 (9th Cir. 2004).

5 To comport with federal due process, the non-resident defendant must have certain
6 “minimum contacts” with the forum state such that an exercise of jurisdiction “does not
7 offend traditional notions of fair play and substantial justice.” *Id.* at 801 (quoting *Int’l Shoe*
8 *Co. v. Washington*, 326 U.S. 310, 316 (1945)). Personal jurisdiction may be general or
9 specific. A court may exercise general jurisdiction “when a defendant is ‘essentially at
10 home’ in the State.” *Ford Motor Co. v. Montana Eighth Jud. Dist. Ct.*, 592 U.S. ___, 141
11 S. Ct. 1017, 1024 (2021) (citation omitted). General jurisdiction extends to “any and all
12 claims” brought against a defendant. *Id.* BBK does not assert that the Subsidiary
13 Defendants are subject to general personal jurisdiction.

14 “Specific jurisdiction is different: It covers defendants less intimately connected
15 with a State, but only as to a narrower class of claims.” *Id.* Specific jurisdiction requires a
16 defendant to have taken “some act by which [it] purposefully avails itself of the privilege
17 of conducting activities within the forum State.” *Id.* (citing *Hanson v. Denckla*, 357 U.S.
18 235, 253 (1958)). The act must show “that the defendant deliberately ‘reached out beyond’
19 its home—by, for example, ‘exploit[ing] a market’ in the forum State or entering a
20 contractual relationship centered there.” *Id.* at 1025 (citing *Walden v. Fiore*, 571 U.S. 277,
21 285 (2014)). These rules seek to “ensure that States with little legitimate interest in a suit
22 do not encroach on States more affected by the controversy.” *Id.*

23 The Ninth Circuit employs a three-prong test to assess whether a defendant has
24 sufficient minimum contacts with the forum state to be subject to specific personal
25 jurisdiction:

26
27 ⁶ Arizona’s long-arm statute states that a court “may exercise personal jurisdiction over a
28 person, whether found within or outside Arizona, to the maximum extent permitted by the
Arizona Constitution and the United States Constitution.” Ariz. R. Civ. P. 4.2(a).

- (1) The non-resident defendant must purposefully direct his activities or consummate some transaction with the forum or resident thereof; or perform some act by which he purposefully avails himself of the privilege of conducting activities in the forum, thereby invoking the benefits and protections of its laws;
- (2) the claim must be one which arises out of or relates to the defendant’s forum-related activities; and
- (3) the exercise of jurisdiction must comport with fair play and substantial justice, i.e., it must be reasonable.

Picot v. Weston, 780 F.3d 1206, 1211 (9th Cir. 2015) (citing *Schwarzenegger*, 374 F.3d at 802) (internal citations omitted). The burden initially falls on the plaintiff to show the first two prongs but then shifts to the defendant to show the third. *CollegeSource, Inc. v. AcademyOne, Inc.*, 653 F.3d 1066, 1076 (9th Cir. 2011).

In cases involving tortious conduct, the first required element, “purposeful direction,” is measured using the “effects” test set forth by the Supreme Court in *Calder v. Jones*, 465 U.S. 783 (1984). See *Axiom Foods, Inc. v. Acerchem Int’l, Inc.*, 874 F.3d 1064, 1069 (9th Cir. 2017). The effects test requires the defendant to “have (1) committed an intentional act, (2) expressly aimed at the forum state, (3) causing harm that the defendant knows is likely to be suffered in the forum state.” *Id.* (internal quotation marks and citations omitted). The Court addresses these requirements in turn.

a. Intentional Act

The intentional act requirement connotes an “intent to perform an actual, physical act in the real world, rather than an intent to accomplish a result or consequence of that act.” *Schwarzenegger*, 374 F.3d at 806. Accepting BBK’s allegations as true, the Subsidiary Defendants committed intentional acts by infringing on BBK’s intellectual property rights “by making, using, promoting, advertising, distributing, selling, and offering to sell” its products using BBK’s “Raw Garden Names.” (See, e.g., Doc. 60 ¶ 7.) Accordingly, *Calder*’s first part is satisfied.

b. Express Aiming

An “express aiming” analysis centers on whether “the defendant’s allegedly tortious

1 action was expressly aimed at the forum state.” *Picot*, 780 F.3d at 1214 (citing *Brayton*
2 *Purcell LLP v. Recordon & Recordon*, 606 F.3d 1124, 1129 (9th Cir. 2010)) (internal
3 quotation marks omitted). The precise form of analysis depends largely on the “specific
4 type of tort or other wrongful conduct at issue.” *Schwarzenegger*, 374 F.3d at 807. The
5 Amended Complaint asserts that CCA Farming “cultivates cannabis that is used in the
6 manufacturing of certain cannabis products,” that CCA Distribution “distributes cannabis
7 that is used for the production of certain cannabis products,” and that CCA Products
8 “manufactures certain cannabis products.” (Doc. 60 ¶¶ 9, 13, 16.) The entities’ growing,
9 manufacturing, and selling of cannabis occur exclusively in California. (*Id.* ¶ 121.)

10 As noted, “[i]n opposing a defendant’s motion to dismiss for lack of personal
11 jurisdiction, the plaintiff bears the burden of establishing that jurisdiction is proper.”
12 *Mavrix Photo, Inc.*, 647 F.3d at 1223. The only Amended Complaint allegations that
13 potentially support personal jurisdiction over the Subsidiary Defendants in Arizona—
14 which BBK does not invoke in its response—are that “Defendants use the Website domain
15 names: www.rawgarden.farm and www.rawgarden.co,” “Defendants operate a website at
16 the www.rawgarden.co domain name,” and “Defendants” have fulfilled orders to one or
17 more Arizona consumers. (Doc. 60 ¶¶ 25, 26, 31, 32.) Upon a Rule 12(b)(2) motion, a court
18 “may not assume the truth of allegations in a pleading which are contradicted by affidavit.”
19 *Data Disc, Inc.*, 557 F.2d at 1284. Defendants have submitted a declaration from CCA’s
20 Chief Operating Officer, Thomas Martin, who asserts that the Subsidiary Defendants “have
21 never had any role in the operation of the www.rawgarden.co website” or in the fulfillment
22 of orders made on such website. (Doc. 70-1 ¶¶ 12–13.) Those entities maintain offices in
23 Buellton, California; have never had any offices, employees, or bank accounts in Arizona;
24 and have not filed tax returns or advertised in the state. (*Id.* ¶¶ 14–18.) The Court will
25 accordingly not assume the truth of BBK’s allegations in light of Mr. Martin’s declaration.
26 *Data Disc, Inc.*, 557 F.2d at 1284.

27 Further, a plaintiff cannot “simply rest on the bare allegations of its complaint”
28 when facing a motion to dismiss for lack of personal jurisdiction. *Schwarzenegger*, 374

1 F.3d at 800 (citing *Amba Marketing Systems, Inc. v. Jobar International, Inc.*, 551 F.2d
2 784, 787 (9th Cir. 1977)). As Defendants note, the original Complaint asserted that CCA
3 (only) operated the merchandise website. The Amended Complaint now simply substitutes
4 the word “Defendants” for “Defendant” without any additional factual support. (Doc. 70
5 at 9.) These bare allegations, with respect to the Subsidiary Defendants, are not sufficient
6 to make a showing of personal jurisdiction. *See also Sher*, 911 F.2d at 1365 (“Regardless
7 of their [alleged] joint liability, jurisdiction over each defendant must be established
8 individually.”).

9 BBK asserts that its proposed Revised Amended Complaint, discussed above, and
10 the materials it references, demonstrate that Defendants “in fact operate as a single
11 combined entity for all practical purposes.” (Doc. 79 at 5.) It asserts that “[b]ased on the
12 alter ego nature of the relationship between CCA and the subsidiaries, the Court’s
13 determination of personal jurisdiction with respect to CCA also applies to the subsidiaries.”
14 (*Id.* at 10.) But as noted, the operative Amended Complaint contains no such allegations.
15 In fact, as Defendants state, the “phrase ‘alter ego’ does not appear anywhere” in the
16 Amended Complaint. (Doc. 103 at 8 n.3.) This argument is not persuasive.

17 Lastly, the Court is aware that, in the context of a motion to dismiss for lack of
18 personal jurisdiction, a plaintiff must “come forward with facts, by affidavit or otherwise,
19 supporting personal jurisdiction.” *Scott v. Breeland*, 792 F.2d 925, 927 (9th Cir.1986)
20 (quoting *Amba Marketing Systems, Inc.*, 551 F.2d at 787). BBK cites authority indicating
21 that it could rely on “affidavits and discovery material” to demonstrate personal
22 jurisdiction. (Doc. 79 at 4) (citing *Ochoa v. J.B. Martin & Sons Farms, Inc.*, 287 F.3d 1182,
23 1187 (9th Cir. 2002)). But BBK has produced no affidavits or discovery material in
24 connection with the pending motion. BBK has also not provided persuasive authority
25 indicating that the Court may consider the Revised Amended Complaint’s allegations as
26 “facts” for purposes of the present motion.⁷

27 _____
28 ⁷ BBK also asserts that the Revised Amended Complaint’s allegations must be “taken as
true.” (*Id.*) Its cases are not persuasive. For example, in *Eclectic Properties East, LLC v.
Marcus & Millichap Co.*, 751 F.3d 990, 996 (9th Cir. 2014), the issue of personal

1 For all of these reasons, the Court finds that BBK has not established specific
2 personal jurisdiction over the Subsidiary Defendants.⁸ It will grant the Subsidiary
3 Defendants’ Rule 12(b)(2) motion.

4 **4. Failure to State a Claim**

5 The Court next addresses arguments by CCA’s motion to dismiss BBK’s two
6 newly-added claims under Rule 12(b)(6).

7 **a. Trademark Applications “Void Ab Initio” (Count 6)**

8 In Count 6 of the Amended Complaint, BBK asserts a new claim for “Lack of Bona
9 Fide Intent to Use—Applications *Void Ab Initio*” against CCA. (Doc. 60 ¶ 224–28.) A
10 trademark registration applicant based on intent to use must have, at the time it files the
11 application, a “bona fide intention, under circumstances showing good faith of such person,
12 to use a trademark in commerce.” 15 U.S.C. § 1051(b); (Doc. 60 ¶ 225). It alleges that
13 CCA did not have such an intention with respect to its specified trademark applications.
14 BBK alleges that such applications are “therefore *void ab initio* and not entitled to
15 registration.”⁹ (*Id.* ¶¶ 226–28.) It seeks a judgment declaring that the specified applications
16 are void and an “injunction directing either CCA to expressly abandon these applications
17 or the Director of the [USPTO] to refuse registration of these applications.” (*Id.* at 49.)

18 CCA moves to dismiss this claim on grounds that a federal court is not empowered
19 to cancel federal trademark applications. The Court observes that CCA first states that it
20 moves under Rule 12(b)(6) for failure to state a claim (Doc. 70 at 2), and later asserts that

21
22 jurisdiction was not before the court, and the court cited the general proposition that the
23 factual allegations of the (operative) complaint are “taken as true” for purposes of resolving
24 a 12(b)(6) motion. *Id.* at 996 (citing *Starr v. Baca*, 652 F.3d 1202, 1216 (9th Cir. 2011)).

25 ⁸ Because the Court finds that the Subsidiary Defendants are not subject to personal
26 jurisdiction in this District, the Court need not address the Subsidiary Defendants’
27 alternative argument pursuant to Rule 12(b)(6).

28 ⁹ The specified trademark applications are Serials Nos. 88978396, 88978412, 88978328,
88978410, 88978326, 88978393, 88978394, 88978395, 88978335, 88978431, 88978432,
88978433, 88978415, 88978337, 88978414, 88978413, 88978329, 88978411, 88488733,
88978409, 88318474, 88978408, 87324208, 8732412, 88978327, 88978336, 88266152.
(*Id.* at 49.)

1 the Court “has no jurisdiction to grant the relief BBK requests,” seemingly invoking Rule
2 12(b)(1). (*Id.* at 14.) Regardless, although the Ninth Circuit Court of Appeals does not
3 appear to have ruled that BBK’s requested relief may be granted, other circuits have held
4 as much in recent years. *See, e.g., M.Z. Berger & Co. v. Swatch AG*, 787 F.3d 1368, 1375
5 (Fed. Cir. 2015) (“Because this court has not previously done so, we first address the issue
6 of whether lack of a bona fide intent is proper statutory grounds on which to challenge a
7 trademark application. The PTO has long held that lack of such intent is a proper basis on
8 which an opposer can challenge an applicant’s registration. We agree.”); *Aktieselskabet AF*
9 *21. Nov. 2001 v. Fame Jeans Inc.*, 525 F.3d 8, 21 (D.C. Cir. 2008) (“A bona fide intent is
10 a statutory requirement of a valid trademark application under § 1(b), and the lack of such
11 intent is therefore a ground on which [plaintiff] may oppose [defendant’s] application.”);
12 *Kelly Servs., Inc. v. Creative Harbor, LLC*, 846 F.3d 857, 863–64 (6th Cir. 2017) (“We
13 therefore join the Federal and D.C. Circuits and hold that a lack of bona fide intent is a
14 proper ground on which to oppose an [intent-to-use] application.”).¹⁰

15 CCA attempts to distinguish these cases, noting that *M.Z. Berger & Co.* and
16 *Aktieselskabet AF 21. Nov. 200* were appeals from Trademark Trial and Appeals Board
17 decisions (first appealed to the relevant district court), and that the parties stipulated to the
18 district court’s review of the applications’ validity in *Kelly Services, Inc.* (Doc. 103 at 10.)
19 The cases’ holdings are not specifically limited to such circumstances, though. Further,
20 district courts in the Ninth Circuit appear to have awarded the relief that BBK seeks. *See,*
21 *e.g., Caesars World, Inc. v. Milanian*, 247 F. Supp. 2d 1171, 1193 (D. Nev. 2003) (“The
22 Court therefore finds that [defendant’s] intent to use applications for COLOSSEUM and
23 EMPIRE were not made with a bona fide intent to use and are void.”).

24 Accordingly, and without commenting on the likelihood that BBK will prevail on
25 the merits, the Court concludes that BBK has sufficiently stated the minimal requirements

26
27 ¹⁰ To the extent that BBK’s response invokes the “Revised Amended Complaint” (Doc. 79
28 at 15–16), those references, and that document, are disregarded as previously indicated.
The present order assesses only the substance of the operative Amended Complaint. (Doc.
60.)

1 to proceed on its claim to void CCA’s trademark applications. CCA’s motion to dismiss
2 Count 6 of the Amended Complaint is denied.

3 **b. False Advertising (Count 7)**

4 In Count 7, BBK asserts a false advertising claim against CCA under the Lanham
5 Act, 15 U.S.C. § 1125(a).¹¹ A false advertising claim under Section 43(a) of the Lanham
6 Act requires the following elements:

- 7 (1) a false statement of fact by the defendant in a commercial
8 advertisement about its own or another's product; (2) the
9 statement actually deceived or has the tendency to deceive a
10 substantial segment of its audience; (3) the deception is
11 material, in that it is likely to influence the purchasing decision;
12 (4) the defendant caused its false statement to enter interstate
13 commerce; and (5) the plaintiff has been or is likely to be
14 injured as a result of the false statement, either by direct
15 diversion of sales from itself to defendant or by a lessening of
16 the goodwill associated with its products.

17 *Southland Sod Farms v. Stover Seed Co.*, 108 F.3d 1134, 1139 (9th Cir. 1997). BBK alleges
18 that CCA has “made false statements in advertising that is used in interstate commerce;
19 that deceive or are likely to deceive consumers; that are likely to influence consumer
20 decisions; and that have injured or are likely to injure BBK.” (Doc. 60 ¶ 47.) Specifically,
21 BBK alleges that CCA has falsely advertised that it was founded in 2007, and that “Raw
22 Garden” branding began in 2007, 2008, or 2011, when in fact CCA formed in 2015 and
23 began using “Raw Garden” in 2016. (*Id.* ¶¶ 154–173.) BBK argues that “cannabis
24 consumers in California base their purchasing choices in part on the amount of time a
25 company and its products have been in existence and on the market.” (*Id.* ¶ 175) It asserts
26 that CCA’s statements have caused consumers to believe that CCA and BBK, which was
27 formed on an unspecified date, are “comparable and the companies who produced those
28 two product lines are likely to be the same or related,” which has resulted in consumer
confusion. (*Id.* ¶ 178–79.)

¹¹ The claim references “Defendants”; because the Court has already determined that the
Subsidiary Defendants are not subject to personal jurisdiction, the Court addresses this
claim only as to CCA. (Doc. 60 ¶ 230.)

1 CCA moves to dismiss on grounds that BBK does not have standing to assert a false
2 advertising claim under the Lanham Act. (Doc. 70 at 14.) In *Lexmark International, Inc.*,
3 the Supreme Court “determined that a plaintiff seeking to pursue a Lanham Act claim must
4 demonstrate standing beyond the typical Article III requirements.” *Bobbleheads.com, LLC*
5 *v. Wright Bros., Inc.*, 259 F. Supp. 3d 1087, 1097 (S.D. Cal. 2017) (citing *Lexmark Int’l,*
6 *Inc. v. Static Control Components, Inc.*, 572 U.S. 118, 131 (2014)). A false advertising
7 plaintiff must have an Article III injury falling within the Lanham Act’s “zone of interests.”
8 *Lexmark Int’l, Inc.*, 572 U.S. at 131. To “come within the zone of interests in a suit for
9 false advertising under § 1125(a), a plaintiff must allege an injury to a commercial interest
10 in reputation or sales.” *Id.* at 131–32. A false advertising plaintiff must also show an injury
11 that is “proximately caused by violations of the statute.” *Id.* at 132. In sum, “a plaintiff
12 suing under § 1125(a) ordinarily must show economic or reputational injury flowing
13 directly from the deception wrought by the defendant’s advertising; and that that occurs
14 when deception of consumers causes them to withhold trade from the plaintiff.” *Id.* at 133–
15 34.

16 BBK’s first failure, according to CCA, is its “inability to show that BBK and CCA
17 are competitive in any market.” (Doc. 70 at 15.) It points to BBK’s self-described sales of
18 “smoking products” and that CCA is a cannabis company that sells promotional
19 merchandise on its website. (Doc. 60 ¶¶ 35, 93, 96.) “There are simply no allegations that
20 plausibly support a claim that BBK and CCA compete in any market.” (Doc. 70 at 15–16.)
21 To the extent that CCA suggests that BBK’s claim fails because the two are not direct
22 competitors, the Court rejects that argument. *See Mitcheson v. El Antro LLC*, No. CV-19-
23 01598-PHX-GMS, 2020 WL 7075239, at *15 (D. Ariz. Dec. 3, 2020) (“ In establishing the
24 zone of interest analysis, the Court explicitly rejected bright line competition rules like the
25 ‘direct-competitor test.’”) (citing *Lexmark Int’l, Inc.*, 572 U.S. at 136); *see also ThermoLife*
26 *Int’l LLC v. Am. Fitness Wholesalers LLC*, No. CV-18-04189-PHX-JAT, 2019 WL
27 3840988, at *6 (D. Ariz. Aug. 15, 2019) (“However, a plaintiff does not have to be a direct
28 competitor of the defendant to be injured and, therefore, have standing to bring a false

1 advertising claim under the Lanham Act.”).

2 Nonetheless, the Court agrees that BBK has failed to state a claim because, at
3 minimum, it does not adequately allege that CCA’s purportedly false advertising
4 proximately caused any reputational or economic injury to BBK. Count 7 asserts that CCA
5 has made false statements that deceive or are likely to deceive consumers, that are likely
6 to influence consumer decisions, and therefore “have injured or are likely to injure BBK.”
7 (Doc. 60 ¶ 230.) The Court finds these allegations to be similar to those in
8 *Bobbleheads.com, LLC*, in which the complaint asserted that defendants engaged in false
9 advertising and “this has somehow caused Plaintiff to suffer damages. . . . There are no
10 more specific allegations of, at the very least, lost sales or damage to its reputation.” 259
11 F. Supp. 3d at 1097. The court found, as does this Court, that those allegations are
12 “insufficient to plead proximate causation to support a Lanham Act claim.” *Id.*

13 Further, to state a plausible reputational or competitive injury, a “plaintiff must
14 allege some factual support for its allegations.” *Thermolife Int’l, L.L.C. v. NeoGenis Labs,*
15 *Inc.*, No. 2:18-CV-2980-HRH, 2019 WL 1438293, at *6 (D. Ariz. Apr. 1, 2019). BBK does
16 not allege any such facts. “Because [BBK] does not allege any facts indicating how its
17 sales or reputation may have been or will be affected by [CCA’s] alleged conduct, the Court
18 finds that it does not allege a plausible competitive injury.” *Am. Fitness Wholesalers LLC*,
19 2019 WL 3840988, at *7. The Court finds that BBK’s conclusory allegations are not
20 sufficiently supported by alleged facts. It has failed to allege proximate cause and therefore
21 standing to assert a false advertising claim under the Lanham Act. CCA’s motion to dismiss
22 Count 7 pursuant to Rule 12(b)(6) is granted.¹²

23 * * *

24 In sum, the Court grants Defendants’ motion to the extent that BBK’s Amended
25 Complaint (Doc. 60) fails to assert personal jurisdiction over the Subsidiary Defendants—
26 CCA Farming, CCA Distribution, and CCA Products—in Arizona, and that Count 7, for

27 ¹² Because the Court finds that the Amended Complaint does not sufficiently allege
28 standing for BBK to bring its false advertising claim, the Court need not reach the parties’
other arguments related to this claim.

1 false advertising under the Lanham Act, fails to state a claim against CCA. It denies CCA’s
2 request to dismiss Count 6, for invalidation of trademark applications, under Rule 12(b)(6).

3 **B. BBK’s Motion (Doc. 77)**

4 In the second motion pending before the Court, BBK moves to dismiss Counts 1
5 and 2 of CCA’s counterclaims for failure to state a claim under Rule 12(b)(6). (Doc. 77.)
6 Both claims seek to cancel BBK’s trademarks due to their apparent connection to cannabis,
7 which is a prohibited controlled substance under the Controlled Substances Act. *See* 21
8 U.S.C. § 812.

9 **1. Cancellation of Marks—Fraud on the USPTO (Count 1)**

10 CCA’s first counterclaim is for cancellation of BBK’s specified marks for fraud on
11 the USPTO pursuant to 15 U.S.C. § 1064(3). CCA states that BBK filed applications with
12 the USPTO for its “RAW” (and related) marks,¹³ and obtained registrations for such marks,
13 as identified in paragraph 15 of its Counterclaim.¹⁴ (Doc. 71 ¶¶ 15, 63.) In connection with
14 these applications, BBK “affirmatively represented to the USPTO that the BBK Marks
15 would be used in connection with the BBK Products.” (*Id.* ¶ 65.) CCA claims that these
16 declarations were intentionally false because BBK knew when making them that the marks
17 “were not lawfully used in commerce because they are not traditionally intended for use
18 with tobacco products and are primarily intended or designed for use with cannabis.” (*Id.*
19 ¶ 66.) BBK’s statements to the USPTO were allegedly “false, deceptive and misleading
20 when made, made with the requisite intent to deceive the USPTO, and were relied upon by
21 the USPTO.” (*Id.* ¶ 67.)

22 An aggrieved party may “petition to cancel a registration of a mark . . . [a]t any time
23 if . . . its registration was obtained fraudulently.” 15 U.S.C. § 1064(3). Such fraud “occurs
24 when an applicant knowingly makes false, material representations of fact in connection

25 ¹³ As identified by CCA, these include Registration Nos. 2989221, 3422929, 4041076,
26 4074036, 4325822, 4412202, 4647824, 4766952, 4675473, 4921168, 5046495. (*Id.* at 20–
27 22.)

28 ¹⁴ Paragraph 63 of CCA’s Counterclaim states, “CCA filed applications with the USPTO
for the BBK Marks...” (*Id.* ¶ 63.) The Court understands the reference to “CCA,” as
opposed to “BBK,” to be a typographical error.

1 with an application.” *Quiksilver, Inc. v. Kymsta Corp.*, 466 F.3d 749, 755 (9th Cir. 2006).
2 A prima facie case of fraudulent procurement requires “(1) a false representation regarding
3 a material fact; (2) the registrant’s knowledge or belief that the representation is false; (3)
4 the registrant’s intent to induce reliance upon the misrepresentation; (4) actual, reasonable
5 reliance on the misrepresentation; and (5) damages proximately caused by that reliance.”
6 *Hokto Kinoko Co. v. Concord Farms, Inc.*, 738 F.3d 1085, 1097 (9th Cir. 2013) (citing
7 *Robi v. Five Platters, Inc.*, 918 F.2d 1439, 1444 (9th Cir. 1990)). The heightened pleading
8 standard of Rule 9(b) of the Federal Rules of Civil Procedure, requiring that fraud “be
9 stated with particularity,” applies to claims of fraud in the procurement of trademarks. *See*
10 *Aureflam Corp. v. Pho Hoa Phat I, Inc.*, 375 F.Supp.2d 950, 953 (N.D. Cal. 2005); Fed. R.
11 Civ. P. 9(b). In the Ninth Circuit, pleadings satisfy Rule 9(b) when they “identify ‘the who,
12 what, when, where, and how of the misconduct charged,’ as well as ‘what is false or
13 misleading about [the purportedly fraudulent] statement, and why it is false.’” *Cafasso,*
14 *U.S. ex rel. v. Gen. Dynamics C4 Sys., Inc.*, 637 F.3d 1047, 1055 (9th Cir. 2011) (alteration
15 in original) (citation omitted).

16 BBK argues that CCA’s Count 1 fails as a matter of law because it is based on the
17 “false presumption” that BBK had an “affirmative duty” to disclose “all uses of a product
18 when making any declaration of use of the trademark for the product.”¹⁵ (Doc. 77 at 13.) It
19 cites three USPTO disclosure rules—Trademark Manual of Examining Procedure § 818
20 and Trademark Rules 2.61 and 2.69—none of which, it argues, require voluntarily
21 disclosure of all potential product uses. (*Id.* at 14.) Because the USPTO could have asked
22 BBK for information about the potential uses of its products, but did not do so for 10 of
23 the 11 applications at issue, BBK argues that there is no legal basis to claim that BBK
24 knowingly made false statements or fraudulently concealed material facts. (*Id.* at 15.)

25 CCA responds that it does not contend that BBK had an affirmative duty to disclose
26 all potential uses of its products. Rather, CCA asserts that BBK knew that it made false

27 ¹⁵ BBK also argues that the products at issue fall under the “tobacco exemption” of 21
28 U.S.C. § 863(f)(2). (*Id.*) As discussed below, however, the Court is not persuaded by this
argument at the motion to dismiss stage.

1 statements to the USPTO when it stated that its products were in lawful use in commerce.
2 CCA identifies two specific representations to the USPTO: first, BBK’s filed declarations
3 representing that its products were “lawfully used in commerce,” and second, a statement
4 from BBK’s founder, Josh Kesselman, in response to a USPTO Office Action. (Doc. 89 at
5 15.)

6 Upon review, the Court finds that CCA has sufficiently explained the “who, what,
7 when, where, and how” of the alleged fraud, and why it was false. *Cafasso*, 637 F.3d at
8 1055. CCA has identified the relevant declarations of use, submitted to the USPTO on
9 specified dates, and signed by the relevant BBK representative. (Doc. 89 at 16; Doc. 71
10 ¶¶ 15, 28, 30.) CCA claims that the representations made therein were false because the
11 products at issue are illicit “drug paraphernalia,” and therefore the marks were not in a
12 lawful use in commerce. (Doc. 89 at 16; Doc. 71 ¶ 66.) CCA also identifies a September
13 25, 2015 declaration submitted to the USPTO by Mr. Kesselman, stating that BBK “is a
14 large company that has manufactured tobacco rolling papers, tubes and other related
15 tobacco accessories for nearly 20 years.” (Doc. 89 at 17; Doc. 71 ¶ 58.) CCA argues that
16 this statement “was knowingly false or, at the very least, it was a partial representation that
17 fraudulently concealed material facts relating to BBK making and selling non-exempt drug
18 paraphernalia.” (Doc. 71 ¶ 58.) BBK responds that Mr. Kesselman’s statement “is entirely
19 true, evident from public information.” (Doc. 77 at 16.) The Court will not resolve such
20 factual disputes upon a motion to dismiss. Rather, the Court agrees with CCA that these
21 “allegations of fraud are specific enough to give defendants notice of the particular
22 misconduct which is alleged to constitute the fraud charged so that they can defend against
23 the charge and not just deny that they have done anything wrong.” *BBK Tobacco & Foods*
24 *LLP v. Skunk Inc.*, No. CV-18-02332-PHX-JAT, 2019 WL 6050200, at *3 (D. Ariz. Nov.
25 15, 2019) (citing *Neubronner v. Milken*, 6 F.3d 666, 671 (9th Cir. 1993)). The Court will
26 deny BBK’s motion to dismiss Count 1 of CCA’s counterclaim.

27 **2. Cancellation of Marks—Unlawful Use (Count 2)**

28 For its second counterclaim, CCA moves to cancel BBK’s marks for unlawful use

1 pursuant to 15 U.S.C. § 1064(3). CCA claims that BBK’s products constitute unlawful
2 drug paraphernalia under 21 U.S.C. § 863 because they are primarily intended or designed
3 for use in preparing or inhaling cannabis. Doc. 71 ¶¶ 74.) CCA seeks cancellation of BBK’s
4 marks on this basis. (*Id.* ¶ 77.) The Court first addresses BBK’s request for judicial notice,
5 and then turns to the merits of BBK’s motion to dismiss.

6 **a. Judicial Notice**

7 As a preliminary matter, the Court addresses BBK’s request that the Court take
8 judicial notice of 23 exhibits largely comprised of “BBK’s catalog and certain public
9 advertising statements whose authenticity CCA cannot question.” (Doc. 77 at 3 n.2.; Docs.
10 27-1–27-9.) BBK asserts that these materials demonstrate that the products at are
11 “traditionally intended for use with the ‘RYO’ (‘roll-your-own’) tobacco cigarette products
12 that have existed for centuries,” as opposed to products used in connection with cannabis.
13 (Doc. 77 at 7.) CCA opposes the request. (Doc. 89 at 4.)

14 Generally, “a district court may not consider any material beyond the pleadings in
15 ruling on a Rule 12(b)(6) motion.” *Lee*, 250 F.3d at 688 (citation omitted). Rule 12(d)
16 expressly provides that when, upon a Rule 12(b)(6) motion, “matters outside the pleadings
17 are presented to and not excluded by the court, the motion must be treated as one for
18 summary judgment under Rule 56.” Fed. R. Civ. P. 12(d). There are two exceptions to this
19 rule. First, a court may consider “material which is properly submitted as part of the
20 complaint” without converting the motion to dismiss into a motion for summary judgment.
21 *Lee*, 250 F.3d at 688. If the documents are not physically attached to the complaint, they
22 may be considered if their “authenticity . . . is not contested” and “the plaintiff’s complaint
23 necessarily relies” on them. *Lee*, 250 F.3d at 688 (citing *Parrino v. FHP, Inc.*, 146 F.3d
24 699, 705–06 (9th Cir.1998)). Second, a court may take judicial notice of “matters of public
25 record” under Fed. R. Evid. 201. *Id.*

26 BBK asserts that the advertisements are “undisputed documentation” and that
27 CCA’s counterclaim references BBK’s advertisements “generally.” (Doc. 77 at 3 n.2.) It
28 claims that because the materials are “not subject to reasonable dispute, the Court may take

1 judicial notice of such materials without converting this motion to a Rule 56 motion.” (Doc.
2 77 at 9.) The Court generally does not agree. Rule 201 of the Federal Rules of Evidence
3 permits a court to notice an adjudicative fact if it is “not subject to reasonable dispute.”
4 *Khoja v. Orexigen Therapeutics, Inc.*, 899 F.3d 988, 999 (9th Cir. 2018) (citing Fed. R.
5 Evid. 201(b)). A fact is “not subject to reasonable dispute” if it is “generally known,” or
6 “can be accurately and readily determined from sources whose accuracy cannot reasonably
7 be questioned.” *Id.* (citing Fed. R. Evid. 201(b)(1)–(2)). The documents at issue are not
8 specifically referenced in CCA’s Counterclaim. CCA also disputes the accuracy of these
9 materials. (Doc. 89 at 6.) The Court accordingly will not take judicial notice of BBK’s
10 advertising and related materials, with two exceptions.

11 BBK’s Exhibits B and D are both public records. Exhibit B contains records in
12 connection with a USPTO application filed by CCA. (Docs. 27-2, 27-3.) The Court may
13 take judicial notice of USPTO records “only for the limited purpose of demonstrating that
14 the filings and actions described therein occurred on certain dates.” *Pinterest Inc. v.*
15 *Pintrips Inc.*, 15 F. Supp. 3d 992, 997 (N.D. Cal. 2014). Exhibit D is a U.S. Food and Drug
16 Administration (“FDA”) website regarding “Roll-Your-Own Tobacco” products. (Doc. 27-
17 4 at 8–11.) The Court may take judicial notice of the FDA’s website. *See Gustavson v.*
18 *Wrigley Sales Co.*, 961 F. Supp. 2d 1100, 1113 n.1 (N.D. Cal. 2013) (“The Court may take
19 judicial notice of materials available on government agency websites.”). The Court
20 ultimately is not persuaded by these materials. Nonetheless, the Court grants BBK’s
21 request for judicial notice as to Exhibits B and D, attached to BBK’s original motion to
22 dismiss (Docs. 27-2, 27-3, 27-4 at 8–11), and otherwise denies the request.

23 **b. Merits of Unlawful Use Claim**

24 To register a trademark, an applicant must show that the mark “is in use in
25 commerce” or that the applicant has a “bona fide intention to use the mark in commerce[.]”
26 15 U.S.C. §§ 1051(a)(3)(C), (b)(3)(B). “It has long been the policy of the [USPTO]’s
27 Trademark Trial and Appeal Board that use in commerce only creates trademark rights
28 when the use is *lawful*.” *CreAgri, Inc. v. USANA Health Scis., Inc.*, 474 F.3d 626, 630 (9th

1 Cir. 2007) (emphasis in original). The lawful use requirement is applicable to a claim for
2 cancellation of a registered mark. *See GoClear LLC v. Target Corp.*, No. C 08-2134 MMC,
3 2009 WL 160624, at *3 (N.D. Cal. Jan. 22, 2009).

4 As noted, Count 2 of CCA’s counterclaim seeks to cancel BBK’s specified marks
5 because they constitute unlawful, non-exempt drug paraphernalia that “are primarily
6 intended or designed for use in preparing and/or inhaling cannabis.” (Doc. 71 at 51.) BBK
7 moves to dismiss this counterclaim on grounds that the Controlled Substances Act exempts
8 from the definition of “drug paraphernalia . . . any item that, in the normal lawful course
9 of business, is imported, exported, transported, or sold through the mail or by any other
10 means, and traditionally intended for use with tobacco products, including any pipe, paper,
11 or accessory.” 21 U.S.C. § 863(f)(2). BBK relies in significant part on the aforementioned
12 exhibits, which it argues “require the conclusion that BBK’s products are ‘traditionally
13 intended for use with tobacco products’ and therefore expressly exempt under the
14 [Controlled Substances Act].” (Doc. 77 at 7.)

15 The Court construes the allegations in CCA’s counterclaim in the light most
16 favorable to CCA. *North Star Int’l*, 720 F.2d at 580. CCA has plausibly alleged that the
17 BBK products at issue are not, in fact, traditionally intended for use with tobacco products.
18 It cites, for example, an interview in which Mr. Kesselman stated that the “RAW” branded
19 rolling papers were developed “in order to match the new, incredibly high-end strains that
20 are so moist and so perfect and beautiful that we now have.” (Doc. 71 ¶ 55.) CCA asserts
21 that Mr. Kesselman was “clearly referring to cannabis.” (*Id.*; Doc. 89 at 10–11.) As another
22 example, BBK asserts that its “cone” products are “traditional tobacco products.” (Doc. 77
23 at 10.) But CCA points to a BBK advertisement of a “cone” product containing a green
24 substance and the text “who’s down to blaze?!” (Doc. 71 ¶ 60; Doc. 89 at 12.) CCA argues
25 that “at the very least, [BBK] posts photographs of its cones on social media that contain a
26 substance that is meant to appear to be cannabis.” (Doc. 89 at 12.) The Court agrees with
27 CCA that a motion to dismiss is not the appropriate stage at which to resolve these factual
28 disputes.

1 The Court also notes, in particular, that it is not persuaded by BBK’s invocation of
2 Judge Teilborg’s recent decision in *BBK Tobacco & Foods LLP v. Skunk Inc.*, No. CV-18-
3 02332-PHX-JAT (D. Ariz. Dec. 15, 2020) (Doc. 77 at 11). BBK cites this order for the
4 position that, “as a matter of law, cigarette rolling papers, lighters, cigarette tubes, cigarette
5 glass tips, hemp pre-rolled smoking tubes, and hemp cigarette rolling papers all ‘fall within
6 § 863(f)(2)’s traditional-tobacco-use exemption and are, therefore, not drug paraphernalia
7 under the CSA.” (Doc. 77 at 10.) In that order, upon a motion for summary judgment—as
8 opposed to a motion to dismiss—the court found that defendant Skunk, Inc. did “not even
9 attempt to specify which of the SKUNK and SKUNK BRAND products it believes are
10 within or excluded from the traditional-tobacco-use exemption.” (Doc. 77-1 at 39.) As
11 described above, the same is not true of CCA in this case. Accordingly, the Court does not
12 believe that this order stands for the universal proposition that BBK suggests.

13 For all of these reasons, BBK’s motion to dismiss Count 2 of CCA’s counterclaim
14 is denied.

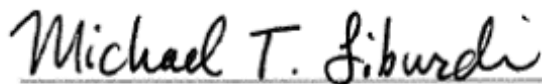
15 **IV. CONCLUSION**

16 Accordingly,

17 **IT IS ORDERED granting** Defendants’ Motion to Dismiss First Amended
18 Complaint (Doc. 70) to the extent that Defendants CCA Farming, CCA Distribution, and
19 CCA Products are dismissed for lack of personal jurisdiction and that Count 7 (false
20 advertising) is dismissed for failure to state a claim. The motion to dismiss Count 6
21 (invalidation of trademark applications) is **denied**.

22 **IT IS FURTHER ORDERED denying** Plaintiff BBK’s Motion to Dismiss
23 Counterclaimant’s Counterclaims. (Doc. 77.)

24 Dated this 4th day of May, 2021.

25
26 

27

Michael T. Liburdi
28 United States District Judge