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**United States District Court  
Central District of California**

MIGHTY ENTERPRISES, INC.,  
Plaintiff /Counter-Defendant,  
v.  
SHE HONG INDUSTRIAL CO. LTD.;  
DOES 1 through 10,  
Defendants/Counterclaimant,

Case No. 2:14-cv-06516-ODW(RZx)  
**ORDER GRANTING COUNTER-  
DEFENDANT’S MOTION TO  
DISMISS COUNTERCLAIMS [24]**

**I. INTRODUCTION**

Defendant and Counterclaimant She Hong Industrial Co. Ltd. (“She Hong”) brings two permissive counterclaims against Plaintiff and Counter-Defendant Mighty Enterprises, Inc. (“Mighty”). (ECF No. 22 [“CC”].) Pending before the Court is Mighty’s Motion to Dismiss Counterclaims. (ECF No. 24.) She Hong’s counterclaims arise out of the allegedly unlawful advertising by Mighty following a contract dispute. For the reasons discussed below, the Court **GRANTS** Mighty’s Motion to Dismiss.<sup>1</sup>

**II. FACTUAL BACKGROUND**

Mighty is a California corporation that specializes in the distribution and

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<sup>1</sup> After carefully considering the papers filed related to the Motion, the Court deems the matter appropriate for decision without oral argument. Fed. R. Civ. P. 78; L.R. 7-15.

1 service of heavy machinery. (CC ¶ 4.) She Hong is a Taiwanese manufacturer of  
2 heavy machinery which it sells under the name “Hartford.” (*Id.* ¶¶ 3, 8.) On August  
3 19, 2014, Mighty initiated this lawsuit by filing the Complaint against She Hong  
4 alleging breach of contract, breach of implied contract, restitution, breach of good  
5 faith and fair dealing, and fraud. (ECF. No. 1 [“Compl.”].) The basis for Mighty’s  
6 Complaint is an alleged breach of an oral contract that granted Mighty the exclusive  
7 rights to distribute and service She Hong’s Hartford machinery in the U.S. (*Id.* ¶ 1.)  
8 Mighty alleges that in spring 2014 She Hong breached the oral contract by selling  
9 Hartford machinery directly to Mighty’s U.S. dealers. (*Id.* ¶ 21.)

10 In response to the Complaint, She Hong filed an Answer which brings two  
11 permissive counterclaims against Mighty: (1) false advertising under the Lanham Act,  
12 15 U.S.C. § 1125(a), and (2) unfair competition under California’s Unfair  
13 Competition Law (“UCL”), Cal. Bus. & Prof. Code §§ 17200, *et seq.* (CC ¶¶ 32–54.)  
14 She Hong alleges that it began manufacturing its machinery under the Hartford name  
15 in 1970 and began selling its Hartford machinery in the U.S. in 1982. (*Id.* ¶¶ 8–10.)  
16 In April 2014, Mighty allegedly filed an application for the trademark “Hartford” with  
17 the U.S. Patent and Trademark Office (“USPTO”). (*Id.* ¶12.) Mighty allegedly  
18 attached pictures of She Hong’s machinery to its trademark application, and She Hong  
19 claims that Mighty knew the picture “it provided to the USPTO was from a brochure  
20 produced and published by She Hong.” (*Id.* ¶¶ 17–19.) The USPTO then allegedly  
21 approved Mighty’s application and issued Trademark Serial Number 86245625 to  
22 Mighty for the Hartford trademark used in association with heavy machinery. (*Id.*  
23 ¶ 15, Ex. B.) She Hong alleges that Mighty “wrongfully” applied for the trademark  
24 “without the knowledge and permission of She Hong.” (*Id.* ¶ 22.)

25 Mighty’s conduct after obtaining the trademark—and not the application  
26 process itself—forms the factual basis for both of She Hong’s counterclaims:

27 Mighty has used and continues to use She Hong’s  
28 “Hartford” trademark and She Hong’s Promotional

1 Materials in [Mighty's] advertising, attempting to attract  
2 consumers of Hartford Machines, the same consumers She  
3 Hong targets with its Promotional Materials. In so doing,  
4 Mighty is including in its commercial advertising, among  
5 other things, photos and descriptions of She Hong's  
6 "Hartford" goods. These advertisements are false because  
7 they suggest to the consuming public that Mighty and/or  
8 Mighty's goods or services are affiliated, connected or  
9 associated with She Hong, and/or Mighty is the  
10 manufacturer of "Hartford" branded products.

11 (CC ¶ 39.) She Hong alleges that Mighty now "advertises its goods under the  
12 trademark 'Hartford' and represents to the consuming public on at least two third-  
13 party websites . . . that it is the source or origin of good bearing the 'Hartford'  
14 trademark. This representation is false." (CC ¶ 29.)

### 15 III. LEGAL STANDARD

16 Pursuant to Rule 12(b)(6), a defendant may move to dismiss an action for  
17 failure to allege "enough facts to state a claim to relief that is plausible on its face."  
18 *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007). "A claim has facial plausibility  
19 when the plaintiff pleads factual content that allows the court to draw the reasonable  
20 inference that the defendant is liable for the misconduct alleged. The plausibility  
21 standard is not akin to a 'probability requirement,' but it asks for more than a sheer  
22 possibility that a defendant has acted unlawfully." *Ashcroft v. Iqbal*, 556 U.S. 662,  
23 678 (2009) (internal citations omitted). For purposes of ruling on a Rule 12(b)(6)  
24 motion, the Court "accept[s] factual allegations in the complaint as true and  
25 construe[s] the pleading in the light most favorable to the non-moving party."  
26 *Manzarek v. St. Paul Fire & Marine Ins. Co.*, 519 F.3d 1025, 1031 (9th Cir. 2008).

27 Nonetheless, the Court need not accept as true allegations contradicted by  
28 judicially noticeable facts, and the "court may look beyond the plaintiff's complaint to

1 matters of public record” without converting the Rule 12(b)(6) motion into one of  
2 summary judgment. *Shaw v. Hahn*, 56 F.3d 1128, 1129 n.1 (9th Cir. 1995). The  
3 Court is not required to “assume the truth of legal conclusions merely because they are  
4 cast in the form of factual allegations.” *Fayer v. Vaughn*, 649 F.3d 1061, 1064 (9th  
5 Cir. 2011) (internal quotation marks and citations omitted). Mere “conclusory  
6 allegations of law and unwarranted inferences are insufficient to defeat a motion to  
7 dismiss.” *Adams v. Johnson*, 355 F.3d 1179, 1183 (9th Cir. 2004) (internal quotation  
8 marks and citations omitted).

9 If the Court grants a motion to dismiss, it must determine whether to allow the  
10 plaintiff leave to amend. Although leave to amend “shall be freely given when justice  
11 so requires,” Fed. R. Civ. P. 15(a), leave to amend may be denied if the moving party  
12 has acted in bad faith, or if allowing amendment would unduly prejudice the opposing  
13 party, cause undue delay, or be futile. *Leadsinger, Inc. v. BMG Music Publ’g*, 512  
14 F.3d 522, 532 (9th Cir. 2008). Amendment would be futile if “the pleading could not  
15 possibly be cured by the allegation of other facts.” *Lopez v. Smith*, 203 F.3d 1122,  
16 1130 (9th Cir. 2000) (en banc) (internal quotation marks and citations omitted).

#### 17 IV. DISCUSSION

18 In its Motion to Dismiss Counterclaims, Mighty argues that both of She Hong’s  
19 counterclaims fail under both Rules 12(b)(6) and 9(b). (ECF No. 24 at 1.) The Court  
20 does not need to reach the Rule 9(b) issue because She Hong’s counterclaims both fail  
21 under Rule 12(b)(6).

##### 22 A. She Hong’s Legal Theory

23 She Hong’s legal theory—as alleged in the Counterclaim and in its Opposition  
24 Brief—is untenable because She Hong does not presently own the rights to the  
25 Hartford trademark. Obtaining a registered federal trademark “constitutes prima facie  
26 evidence of the validity of the registered mark and of [the registrant’s] exclusive right  
27 to use the mark” in commerce. *Brookfield Commc’ns, Inc. v. West Coast Entm’t*  
28 *Corp.*, 174 F.3d 1036, 1047 (9th Cir. 1999) (internal citations omitted). In its

1 Counterclaim, She Hong admits that Mighty owns the registered trademark to the  
2 Hartford name (CC ¶ 15), and thus Mighty enjoys the statutory presumption of  
3 ownership and exclusive right to use the Hartford trademark. *See* 15 U.S.C.  
4 §§ 1057(b), 1115(a). Despite this admitted ownership, She Hong’s sole legal theory is  
5 that Mighty’s use of the Hartford trademark is false advertising. She Hong argues that  
6 “by utilizing the ‘Hartford’ mark in advertisements and marketing materials Mighty is  
7 falsely representing it . . . has the right to utilize the mark[.]” (ECF No. 26 at 3.) She  
8 Hong put the cart before the horse—there can be no claim for false advertising against  
9 a company that advertises with a registered trademark it owns.

10 She Hong is clearly not enthused by Mighty’s decision to trademark the name  
11 of one of She Hong’s products, and based on the allegations in the Counterclaim, She  
12 Hong’s position is understandable. However, She Hong’s legal theory is dependent  
13 on owning the trademark rights to a trademark it does not own. Based on the  
14 pleadings and arguments, this not a cognizable cause of action for false advertising  
15 under the Lanham Act or UCL. *See Clearly v. News Corp.*, 30 F.3d 1255, 1262–63  
16 (9th Cir. 1994) (“[S]tate common law claims of unfair competition and actions  
17 pursuant to California Business and Professions Code § 17200 are ‘substantially  
18 congruent’ to the claims made under the Lanham Act.”).

19 **B. Leave to Amend**

20 The alleged violations under the Lanham Act and UCL involve conduct that is  
21 separate and distinct from the alleged conduct in Mighty’s Complaint. Not only did  
22 the alleged Lanham Act violations occur at a separate time, but involve different facts,  
23 subject matter, and law. The Court finds that She Hong’s Counterclaims are  
24 permissive and unrelated to the claims asserted by Mighty, and therefore a separate  
25 case and trial for She Hong’s counterclaims will not involve duplication of effort. The  
26 permissive nature of these counterclaims means that justice does not require leave to  
27 amend. Fed. R. Civ. P. 15(a). The Court also notes that She Hong amended its  
28 Answer and Counterclaim once. (ECF Nos. 17, 22.) The Court will consider a

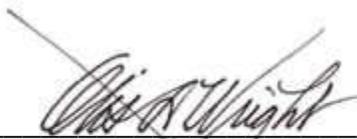
1 motion for leave to amend, but will expect an exceedingly persuasive argument from  
2 She Hong so as to not delay this litigation any further.

3 **V. CONCLUSION**

4 For the reasons discussed above, the Court hereby **GRANTS** Mighty's Motion  
5 to Dismiss Counterclaims. She Hong's Counterclaims are **DISMISSED WITHOUT**  
6 **PREJUDICE.**

7 **IT IS SO ORDERED.**

8  
9 January 22, 2015

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12 **OTIS D. WRIGHT, II**  
13 **UNITED STATES DISTRICT JUDGE**