UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES – GENERAL **'O'**

Case No.	2:16-cv-06097-CAS (AJWx)	Date	July 18, 2017
Title	ALBERT KIRAKOSIAN ET AL v. J&L SUNSET WHOLESALE & TOBACCO ET AL.		

Present: The Honorable	CHRISTINA A. SNYDER	
Catherine Jeang	Not Present	N/A
Deputy Clerk	Court Reporter / Recorder	Tape No.
Attorneys Present for Plaintiffs:	Attorneys Present for Defendants:	
Not Present	Not Present	

Proceedings: (IN CHAMBERS) - HEAVY HITTER'S MOTION TO DISMISS AND SEVER (Dkt. 102, filed June 2, 2017)

I. INTRODUCTION

On August 15, 2016, plaintiff Albert Kirakosian and his business, Kiraco, LLC, filed this action against seventeen hookah retailers and Does 1-100. Dkt. 1 ("Compl."). The gravamen of plaintiff's complaint is that the defendants infringed upon plaintiff's patent and trademark rights by selling or offering to sell counterfeit hookah products. Id. On April 28, 2017, plaintiff filed a first amended complaint against the following defendants: J&L D Sunset Wholesale & Tobacco[1]; Wholesale Palace, Inc.; Jack Haroun; Glenoaks House of Smokes; Glendale House of Smokes; Levon Vardanyan; Planet Tobacco; Hayk's Smoke Shop; The Heavy Hitter Group, Inc.; Vatche Kiwanian; US Batta; Mission Wine & Spirits; Zahrah Tobacco LLC; and Does 1-10. Dkt. 96 ("FAC"). Plaintiff alleges six claims against all of the named defendants, namely, (1) patent infringement; (2) trademark infringement; (3) trade dress infringement; (4) common law trademark infringement; (5) counterfeiting; and (6) false designation of origin. Id.

On May 12, 2017, defendant The Heavy Hitter Group, Inc. ("Heavy Hitter") filed an answer to the FAC. Dkt. 100. On May 30, 2017, Vatche Kiwanian and US Batta jointly filed an answer to the FAC. Dkt. 101. On June 2, 2017, Heavy Hitter filed the instant motion to dismiss and sever the claims against it. Dkt. 102 ("Mot."). On June 19,

[1] J&L D Sunset Wholesale & Tobacco is named twice on the cover sheet to plaintiff's first amended complaint.

2017, plaintiff filed an opposition. Dkt. 104 ("Opp'n"). On June 26, 2017, Heavy Hitter filed a reply. Dkt. 105 ("Reply").

Having carefully considered the parties' arguments, the Court finds and concludes as follows.

II. BACKGROUND

Plaintiff alleges the following facts.

Plaintiff Kirakosian developed a "small and sleek" hookah bowl that fits nearly all hookahs and delivers "the full smoking experience." FAC ¶ 25. Plaintiff branded the hookah accessory as Apple on Top ("AOT"). Id. The product is round like an apple and features "a single rubber green leaf" attached to the metal bowl for "easy handling of hot coals." Id. ¶ 27. Plaintiff registered the hookah bowl with the United States Patent and Trademark office and received Patent No. D726,366 (the "'366 Patent"). Id. ¶ 26. Plaintiff also registered the "AOT" word mark under Registration No. 4,717,006. Id. ¶ 30. In connection with its trademark registration and extensive use, plaintiff owns the AOT Trade Dress, which consists of the patented AOT product packaged in a small, clear plastic box with a red banner at the base that reads "AOT ®." Id. ¶ 32.

Plaintiff alleges that defendants are infringing or inducing other to infringe by making, using, offering to sell, and/or selling products that infringe the claims of the '366 Patent. Id. ¶ 33. The infringing products appear identical to AOT products in all material respects, including the word mark and packaging. Id. ¶ 35. Plaintiff alleges that defendants' infringement was willful and deliberate. Id. ¶ 36. Plaintiff further alleges that defendants' actions confuse and deceive consumers as to the source of the counterfeit products. Id. ¶ 37.

III. DISCUSSION

A. Motion to Dismiss and Sever

Defendant Heavy Hitter seeks to be dismissed and severed from this action because it has not been properly joined. Mot. at 2. In most civil actions, joinder of defendants is governed by a permissive rule, Federal Rule of Civil Procedure 20.

However, Rule 20 does not govern joinder in patent cases. "[E]ffective September 16, 2011, joinder in patent cases is governed by the America Invents Act." In re Nintendo Co., 544 F. App'x 934, 939 (Fed. Cir. 2013). The America Invents Act provides, in relevant part:

> (a) **Joinder of accused infringers.**—With respect to any civil action arising under any Act of Congress relating to patents, [except those subject to an exception that is not relevant here], parties that are accused infringers may be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, only if—
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> > (1) any right to relief is asserted against the parties jointly, severally, or in the alternative with respect to or arising out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing into the United States, offering for sale, or selling of the same accused product or process; and
> >
> > (2) questions of fact common to all defendants or counterclaim defendants will arise in the action.
>
> (b) **Allegations insufficient for joinder.**—For purposes of this subsection, accused infringers may not be joined in one action as defendants or counterclaim defendants, or have their actions consolidated for trial, based solely on allegations that they each have infringed the patent or patents in suit.

35 U.S.C. § 299. This joinder provision "is more stringent than Rule 20." In re Nintendo Co., 554 F. App'x at 939.

Under the same transaction-or-occurrence test, "the sameness of the accused products or processes is not sufficient" to join independent defendants in an infringement action unless the claims asserted against each defendant "share an aggregate of operative facts . . . and not just distinct, albeit coincidentally identical, facts." In re EMC Corp., 677 F.3d 1351, 1359 (Fed. Cir. 2012). The presence of multiple defendants competing at the same level of commerce, for example, two retailers selling an accused product but not acting in concert, results in misjoinder under 35 U.S.C. § 299. See Broadband iTV, Inc.

v. Hawaiian Telcom, Inc., No. 14-00169 ACK, 2014 U.S. Dist. LEXIS 154897 (D. Haw. Oct. 30, 2014); Digitech Image Techs., LLC v. Agfaphoto Holding GmbH, No. 8:12-cv-1153-ODW, 2012 U.S. Dist. LEXIS 142034, at *14-15 (C.D. Cal. Oct. 1, 2012) (finding that "[d]efendants should be severed based on their independent participation in commerce"); Golden Scorpio Corp. v. Steel Horse Bar & Grill, 596 F. Supp. 2d 1282, 1284 (D. Ariz. 2009) (granting motion to sever and dismiss defendant in an action where plaintiff had joined thirteen unrelated business entities based on allegations that each defendant independently violated plaintiff's trademark rights).

In this case, plaintiff alleges that defendants have each infringed on the '366 Patent by selling or offering to sell unauthorized or counterfeit products that infringe on the patent and bear the AOT trademark. FAC ¶ 33, 35. Heavy Hitter notes that plaintiff "does not allege any collusion or cooperation between Heavy Hitter and other Defendants with regard to the allegedly infringing products." Mot. at 4. Emad Hanna, the President of Heavy Hitter, asserts that "Heavy Hitter had never cooperated with [the other defendants] in any venture, never discussed or coordinated any activities, and never done business of any type with them." Dkt. 102, Hanna Decl. ¶ 6. "Each defendant maintains their own competing retail presence." Mot. at 3. Plaintiff does not oppose the severance of Heavy Hitter or dispute that Heavy Hitter is a retail competitor acting independently of the other defendants. See Opp'n at 1. Accordingly, the Court concludes that defendant Heavy Hitter has been misjoined in this action.

Plaintiff acknowledges that all of the defendants are not properly joined in one action. To resolve the misjoinder, plaintiff requests that the Court sever "each defendant who appeared in this case, in the current lawsuit, which the Court may do *sua sponte* in its discretion." Id. at 2. Heavy Hitter argues "the standard accepted practice for resolving misjoinder is to dismiss all misjoined defendants." Reply at 2.

Federal Rule of Civil Procedure 21 covers the misjoinder of parties and provides "on motion or on its own, the court may at any time, on just terms, add or drop a party. The court may also sever any claim against a party." Fed. R. Civ. P. 21. "The Court has considerable discretion in choosing among these options." Bravado Int'l Grp. Merch. Servs. v. Cha, Case No. 09-cv-9066-PSG, 2010 U.S. Dist. LEXIS 80361, *14–15 (C.D. Cal. June 30, 2010). "An accepted practice under Rule 21 is to dismiss all defendants except for the first defendant named in the complaint." Id. at *15. Courts in the Central

District of California routinely dismiss defendants for misjoinder in patent or trademark cases. See, e.g. Medsquire LLC v. Quest Diagnostics, Inc., Case No. 11-cv-04504-JHN, 2011 U.S. Dist. LEXIS 154917 (C.D. Cal. Dec. 1, 2011) (dismissing the action without prejudice as to all except the first defendant named because plaintiff's claims against defendants were not similar enough to satisfy the "same transaction" test); Joao Control & Monitoring Sys. of Cal. LLC v. Acti Corp., Case No. 10-cv-01909-DOC, 2011 U.S. Dist. LEXIS 45121, *8 (C.D. Cal. Apr. 19, 2011) (granting defendant's motion to dismiss where plaintiff's allegations were insufficient to show that defendants had acted in concert); Malibu Media LLC v. Doe, Case No. 12-cv-01642-RGK, 2012 U.S. Dist. LEXIS 152500, *14–15 (C.D. Cal. Oct. 10, 2012) (dismissing plaintiff's claims without prejudice against all defendants except the first defendant when the only commonality between defendants was that they had each allegedly downloaded the same copyrighted work).

In this case, there is no indication that dismissal will result in prejudice to the plaintiff other than any filing fees that should have been paid at the outset to initiate multiple actions against the different defendants. This action is still in the early stages. Plaintiff filed the First Amended Complaint on April 28, 2017, and since then, only three of the thirteen named defendants have filed answers, dkts. 100–101, including Heavy Hitter, the moving party here. The other two defendants who have filed an answer, US Batta and Vatche Kiwanian, appear to be related and might be properly joined in a single action. Indeed, plaintiff alleges that some of the defendants, though not all, are alter egos for one another. FAC ¶¶ 6, 22-24. Although the parties agreed to exchange initial disclosures by March 13, 2017, dkt. 84, the Court finds it appropriate to adopt the practice of other courts and dismiss claims against all but the first named defendant without prejudice. In accordance with the foregoing, the Court **GRANTS** Heavy Hitter's motion to dismiss and sever claims against it. Plaintiff's claims against all defendants except the first named defendant, J&L D Sunset Wholesale & Tobacco, are **DISMISSED without prejudice**.[2]

[2] Although the defendants are not properly joined in a single action, that does not mean that any infringement actions plaintiff elects to file will be unrelated. Should plaintiff elect to refile actions against all or some of the dismissed defendants, plaintiff shall evaluate whether any future actions are related to this one because they:

B. Whether an Award of Sanctions Is Warranted

Heavy Hitter asserts that plaintiff's participation in the Local Rule 7-3 conference was in bad faith and requests an award of sanctions. Reply at 5. Counsel to Heavy Hitter, Peter Sunukjian, avers that he wrote a letter to plaintiff's counsel outlining Heavy Hitter's position that it had been misjoined and should be severed or dismissed. Reply at 8, Sunukjian Decl. ¶ 3–5. Sunukjian states that plaintiff's counsel "strenuously disagreed and claimed that Defendant was a proper party." Id. As a result, Heavy Hitter "was forced to proceed with this adversarial motion at significant cost." Reply at 5.

Any attorney "who so multiplies the proceedings in any case unreasonably and vexatiously may be required by the court to satisfy personally the excess costs, expenses, and attorneys' fees reasonably incurred because of such conduct." 28 U.S.C. § 1927. "The imposition of sanctions under section 1927 requires a finding of recklessness or bad faith." United States v. Blodgett, 709 F.2d 608, 610 (9th Cir. 1983) (quotation marks omitted). "Bad faith is present when an attorney knowingly or recklessly raises a frivolous argument." Estate of Blas ex rel. Chargualaf v. Winkler, 792 F.2d 858, 860 (9th Cir. 1986). "For sanctions to apply, if a filing is submitted recklessly, it must be frivolous, while if it is not frivolous, it must be intended to harass." Moore v. Keegan Mgmt. Co. (In re Keegan Mgmt. Co., Sec. Litig.), 78 F.3d 431, 436 (9th Cir. 1996). In awarding sanctions, the Court must remain aware of "the balance between sanctioning improper behavior and chilling vigorous advocacy." Brown v. Baden (In re Yagman), 796 F.2d 1165, 1183 (9th Cir. 1986).

(a) arise from the same or a closely related transaction, happening, or event;
(b) call for determination of the same or substantially related or similar questions of law and fact; or
(c) for other reasons would entail substantial duplication of labor if heard by different judges.

L.R. 83-1.3.1. As stated in the local rule, "[t]hat cases may involve the same patent, trademark, or copyright does not, by itself, constitute a circumstance contemplated by (a), (b), or (c)." Id.

In this case, plaintiff's counsel appears to have abandoned its earlier position that Heavy Hitter had been properly joined as a defendant. Plaintiff's opposition brief does not continue to assert that Heavy Hitter was properly joined in this action. Instead, plaintiff asks the Court for a remedy other than dismissal, namely, to sever claims against each defendant. While the Court is not persuaded by plaintiff's argument for severance, the Court does not find that the abandonment of plaintiff's earlier position sufficient to support a finding of bad faith. Accordingly, the Court declines to award sanctions under § 1927.

IV. CONCLUSION

In accordance with the foregoing, the Court **GRANTS** Heavy Hitter's motion. The Court hereby **DISMISSES** without prejudice claims against all defendants except the first defendant named, J&L Sunset Wholesale & Tobacco.

The Court **DENIES** defendant's request for an award of sanctions.

IT IS SO ORDERED.

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