

1 Craig S. Mende, admitted *pro hac vice*
 David A. Donahue, admitted *pro hac vice*
 2 Betsy Judelson Newman, admitted *pro hac vice*
 Grace W. Kang, admitted *pro hac vice*
 3 FROSS ZELNICK LEHRMAN & ZISSU, P.C.
 866 United Nations Plaza
 4 New York, New York 10017
 Telephone: (212) 813-5900
 5 Facsimile: (212) 813-5901

6 James H. Berry, Jr. (State Bar No. 075834)
 Kevin R. Lussier (State Bar No. 143821)
 7 BERRY & PERKINS
 A Professional Corporation
 8 2049 Century Park East, Suite 950
 Los Angeles, California 90067-3134
 9 Telephone: (310) 557-8989
 Facsimile: (310) 788-0080

10 Attorneys for Defendant Ernst & Young LLP

11 **THE UNITED STATES DISTRICT COURT**
 12 **FOR THE CENTRAL DISTRICT OF CALIFORNIA**

13 ENTREPRENEUR MEDIA, INC.,
 14
 15 Plaintiff,

16 vs.

17 EYGN Limited, ERNST & YOUNG
 LLP and ERNST & YOUNG
 18 ADVISORY INC.,
 19 Defendants.

Case No. SACV08-0608 DOC
 (MLGx)

**MEMORANDUM OF POINTS AND
 AUTHORITIES IN SUPPORT OF
 DEFENDANT ERNST & YOUNG
 LLP’S MOTION FOR JUDGMENT
 ON THE PLEADINGS OR, IN THE
 ALTERNATIVE, TO TRANSFER**

20 EYGN Limited and ERNST &
 21 YOUNG LLP,
 22 Counterclaim-Plaintiffs,

23 vs.

24 ENTREPRENEUR MEDIA, INC., a
 New York corporation,
 25
 26 Counterclaim-Defendant.

Date: December 22, 2008
 Time: 8:30 a.m.
 Courtroom: 9D
 Judge: Honorable David O. Carter

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TABLE OF CONTENTS

1		
2	Preliminary Statement	1
3	Statement of Facts.....	2
4	A. <i>The ENTREPRENEUR OF THE YEAR Mark and Contest</i>	2
5	B. <i>EYGN’s Trademark Dispute with EMI</i>	3
6	C. <i>EMI’s Anticipatory Filing of the California Action</i>	3
7	D. <i>The Parties’ Initial Settlement Negotiations</i>	4
8	E. <i>EYGN’s and Ernst & Young’s Filing of the New York Action</i>	4
9	F. <i>The Parties’ Second Round of Settlement Negotiations</i>	5
10	G. <i>The Parties’ Motions</i>	5
11	ARGUMENT.....	6
12	I. EMI’S INABILITY TO JOIN EYGN REQUIRES DISMISSAL	7
13	A. <i>EYGN is a Required Party</i>	7
14	1. EMI Cannot Obtain Complete Relief in EYGN’s Absence.....	8
15	2. A Judgment Rendered in EYGN’s Absence Could Impede Its	
16	Ability to Protect Its ENTREPRENEUR OF THE YEAR	
17	Mark.....	9
18	3. A Judgment Rendered in EYGN’s Absence Would Subject	
19	EMI to Multiple, Potentially Inconsistent Judgments.....	9
20	B. <i>EYGN Cannot Be Joined As a Party to This Action</i>	9
21	C. <i>This Action Cannot Proceeding “In Equity and Good Conscience”</i>	
22	<i>Without EYGN</i>	10
23	II. IN THE ALTERNATIVE, THE COURT SHOULD DECLINE	
24	JURISDICTION UNDER THE DECLARATORY JUDGMENT ACT	12
25	III. IN THE ALTERNATIVE, THIS ACTION SHOULD BE	
26	TRANSFERRED TO NEW YORK	13
27	A. <i>The Interest of Justice Weighs Heavily in Favor of Transfer</i>	13
28	B. <i>EMI’s Choice of This Forum Does Not Weigh Against Transfer</i>	15

1 CONCLUSION..... 18

2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

1 **TABLE OF AUTHORITIES**

2 **FEDERAL CASES**

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4 *American Greyhound Racing, Inc. v. Hull*, 305 F.3d 1015 (9th Cir. 2002)..... 8

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7 *Bryant v. Oxxford Express*, 181 F. Supp. 2d 1045 (C.D. Cal. 2000)17-18

8 *Cachil Dehe Bd. of Wintun Indians of the Colusa Indian Community v.*

9 *California*, No. 06 CV 16145, 2008 WL 4683214 (9th Cir. Oct. 24, 2008) 7

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11 *Continental Grain Co. v. Barge FBL-585*, 364 U.S. 19, 80 S. Ct. 1470,

12 4 L. Ed. 2d 1540 (1960) 14

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14 (S.D.N.Y. 2007) 14

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18 (S.D.N.Y. 1993) 14, 18

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1	<i>Massa v. Jiffy Products Co.</i> , 240 F.2d 702 (9th Cir. 1957).....	8
2	<i>May Apparel Group, Inc. v. Ava Import-Export, Inc.</i> , 902 F. Supp. 93	
3	(M.D.N.C. 1995)	8
4	<i>Multistate Legal Studies, Inc. v. Marino</i> , No. 96 CV 5118,	
5	1196 WL 786124 (C.D. Cal. Nov. 4, 1996).....	14-15
6	<i>Pacesetter Systems, Inc. v. Medtronic, Inc.</i> , 678 F.2d 93 (9th Cir. 1982).....	16
7	<i>Public Affairs Associates v. Rickover</i> , 369 U.S. 111, 82 S. Ct. 580,	
8	7 L. Ed. 3d 604 (1962)	12
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10	73 S. Ct. 236, 97 L. Ed. 291 (1952)	12
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12	<i>Suprex Corp. v. Lee Scientific, Inc.</i> , 660 F. Supp. 89 (E.D. Pa. 1987).....	11
13	<i>Technical Tape Corp. v. Minnesota Mining & Manufacturing Co.</i> ,	
14	135 F. Supp. 505 (S.D.N.Y. 1955).....	13
15	<i>Z-Line Designs, Inc. v. Bell'O International LLC</i> , 218 F.R.D. 663	
16	(N.D. Cal. 2003).....	16
17	<i>Zepada v. United States Immigration & Naturalization Service</i> ,	
18	753 F.2d 719 (9th Cir. 1985).....	6
19	FEDERAL STATUTES	
20	15 U.S.C. § 1119.....	3, 8
21	28 U.S.C. § 1404.....	1, 7, 13-14
22	FEDERAL RULES	
23	FED. R. CIV. P. 12(c)	1
24	FED. R. CIV. P. 19.....	6-11
25	STATE RULES	
26	N.Y. GEN. BUS. L. § 349.....	15
27	MISCELLANEOUS	
28		

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2 (3d ed. 2004)..... 11
3
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1 Defendant Ernst & Young LLP (“Ernst & Young”) submits this memorandum
2 of points and authorities and the accompanying declarations of Larry J. Haynes,
3 dated October 29, 2008 (“Haynes Decl.”), Victoria Cochrane, dated October 29,
4 2008 (“Cochrane Decl.”) and Craig Mende, dated November 12, 2008 (“Mende
5 Decl.”) in support of its motion for judgment on the pleadings pursuant to Rule
6 12(c) of the Federal Rules of Civil Procedure (“Fed. R. Civ. P.”) or, in the
7 alternative, to transfer pursuant to 28 U.S.C. § 1404(a).

8 **Preliminary Statement**

9 In anticipation of being sued in New York by EYGN Limited (“EYGN”) for
10 its unauthorized use of the ENTREPRENEUR OF THE YEAR mark, Plaintiff
11 Entrepreneur Media Inc. (“EMI”) commenced this declaratory relief action against
12 three entities: (i) EYGN, a Bahamian company that owns the registered
13 ENTREPRENEUR OF THE YEAR mark; (ii) Ernst & Young, EYGN’s United
14 States licensee; and (iii) Ernst & Young Advisory Services Inc. (“EYAI”), a
15 Canadian corporation with no connection to this dispute. EMI seeks declarations
16 that EYGN’s trademark registration should be cancelled, that the
17 ENTREPRENEUR OF THE YEAR mark is invalid and unenforceable, and that
18 EMI’s unauthorized use of the mark is non-infringing.

19 But for the reasons set forth in EYGN’s and EYAI’s respective motions for
20 dismissal (filed contemporaneously herewith), neither EYGN nor EYAI can be
21 joined as a party to this action. EYGN, a Bahamian company, is not subject to
22 personal jurisdiction in this Court; and there is no case or controversy—hence no
23 subject matter jurisdiction—with respect to EYAI. Thus, when the smoke clears,
24 the Court will be left with a declaratory judgment action by EMI *solely against*
25 *Ernst & Young* that nonetheless seeks a declaration that *EYGN’s* federal registration
26 should be cancelled and that EMI’s use of the ENTREPRENEUR OF THE YEAR
27 mark as part of a contest designation does not infringe *EYGN’s* federally registered
28

1 mark. As a matter of law, such a suit cannot and should not proceed against Ernst &
2 Young.

3 In the alternative, the Court should exercise its discretion to transfer the case
4 to New York, where there is a pending trademark infringement action filed by
5 EYGN and Ernst & Young in which all of EMI's claims are at issue and can be
6 litigated. Where, as here, there are serious questions as to the Court's jurisdiction
7 over a party, but no question as to jurisdiction in the transferee forum, the interests
8 of justice and judicial economy strongly weigh in favor of transfer.

9 **Statement of Facts**

10 **A. The ENTREPRENEUR OF THE YEAR Mark and Contest**

11 EYGN is the owner of incontestable United States Trademark Registration
12 No. 1,587,164, issued by the United States Patent and Trademark Office (the
13 "USPTO") for the mark ENTREPRENEUR OF THE YEAR in connection with
14 "Conducting an annual awards ceremony commemorating the recipient's
15 exceptional achievement in entrepreneurial business achievements" in International
16 Class 41 ("EYGN's Registration"). (Cochrane Decl. ¶ 6.)

17 Under license from EYGN, Ernst & Young has conducted an annual contest
18 and awards program in the United States under the ENTREPRENEUR OF THE
19 YEAR mark for more than two decades to commemorate the exceptional
20 achievement of business leaders. (*Id.* ¶ 7; Haynes Decl. ¶ 3.) Ernst & Young's
21 ENTREPRENEUR OF THE YEAR award is highly sought-after and is the most
22 prestigious business award of its kind, and award winners include some of the most
23 successful business people in the world, such as Michael Dell of Dell Computer
24 Corp. (1989), Howard Schultz of Starbucks Corp. (1991), Steve Case of America
25 Online (1994), Jeff Bezos of Amazon.com (1997), John P. Mackey of Whole Foods
26 Market, Inc. (2003) and Wayne Huizenga of Huizenga Holdings, Inc. (2004).
27 (Hayes Decl. ¶¶ 5-6.)
28

1 **B. EYGN’S Trademark Dispute with EMI**

2 During the spring of 2008, EMI began using the ENTREPRENEUR OF THE
3 YEAR mark in connection with a newly launched contest to honor selected business
4 people. (Compl. ¶ 11 and Ex. A.) EYGN’s counsel sent a demand letter on behalf
5 of EYGN to EMI’s offices advising that EYGN owns an incontestable federal
6 registration for the ENTREPRENEUR OF THE YEAR mark, that the mark has
7 been in use since 1986 in connection with honoring exemplary entrepreneurship,
8 and that EMI’s use of the identical mark for the same type of services violates
9 EYGN’s trademark rights “under Sections 32(1) and 43(a) of the Lanham Act, as
10 well as common law.” (Mende Decl. ¶ 2; *accord* Complaint ¶ 11.) The letter
11 demanded that a different name be used for the EMI program and required a written
12 response by May 12, 2008. (Compl. ¶ 11 and Ex. A.)

13 By letter dated May 8, 2008, counsel for EMI denied that the designation used
14 for EMI’s contest infringed any rights of EYGN. (Mende Decl. ¶ 3 and Ex. 1.)

15 In a follow-up email sent by EYGN’s counsel on May 16, 2008, EYGN
16 responded to EMI’s arguments, reiterated its demand that EMI “use a different
17 designation for its award program,” and set a June 2, 2008 deadline for EMI to
18 respond. (Complaint ¶ 12 and Ex. B.)

19 **C. EMI’s Anticipatory Filing of the California Action**

20 EYGN did not hear from EMI before the June 2 deadline. (Mende Decl. ¶ 5.)
21 Instead, the day its response was due, EMI filed its complaint for declaratory relief
22 in this Court (the “California Action”). EMI seeks (1) cancellation of EYGN’s
23 Registration pursuant to 15 U.S.C. § 1119, on the ground that EYGN’s mark has
24 become generic, (2) a declaration that EYGN’s ENTREPRENEUR OF THE YEAR
25 mark is “invalid and unenforceable,” and/or (3) a declaration that EMI’s use of the
26 designations “Entrepreneur Magazine’s 2008 Entrepreneur® OF THE YEAR” and
27 “Entrepreneur Magazine’s 2008 Emerging Entrepreneur® OF THE YEAR” in
28 connection with its “contest and awards program for successful entrepreneurs” does

1 not infringe EYGN’s mark, constitutes “fair use” or “nominative use” [sic] of the
2 mark, or is “an otherwise allowed use” of the mark. (Compl. ¶ 16 and Prayer For
3 Relief.)

4 **D. The Parties’ Initial Settlement Negotiations**

5 Soon after EMI filed its complaint, counsel for Defendants placed EMI on
6 notice that Defendants had drafted a complaint for filing in the United States District
7 Court for the Southern District of New York (“SDNY”) and planned to move to
8 dismiss or transfer this California action because it constituted an “anticipatory
9 filing.” (Mende Decl. ¶ 6 and Ex. 2.) Defendants agreed to hold off on taking such
10 actions, however, because it appeared that the parties would be able to settle the
11 case. (*Id.*) The parties held extensive settlement discussions and exchanged drafts
12 of a settlement agreement. (*Id.* ¶ 7.) However, the negotiations reached an impasse
13 when the parties were unable to agree on a number of key terms. (*Id.*)

14 **E. EYGN’s and Ernst & Young’s Filing of the New York Action**

15 When the parties’ first round of settlement discussions broke down in late-
16 July 2008, Defendants made good on their promise to seek relief from EMI’s
17 anticipatory filing of the California Action:

18 First, on July 28, 2008, Ernst & Young and EYGN filed their complaint
19 against EMI in the United States District Court for the Southern District of New
20 York, Case No. 08 CV 6734 (the “New York Action”), asserting claims for (1)
21 infringement of EYGN’s federally registered trademark under Section 32(1) of the
22 Lanham Act, 15 U.S.C. § 1114(1) (by EYGN only); (2) federal unfair competition
23 under Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a); (3) unfair competition
24 under New York common law; (4) violation of the New York Deceptive and Unfair
25 Trade Practices Act; and (5) cancellation of EMI’s registrations for various
26 ENTREPRENEUR-inclusive marks on the grounds that they are, when used on or in
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1 connection with EMI's goods or services, generic and/or merely descriptive and
2 lacking secondary meaning.¹ (Mende Decl. ¶ 8 and Ex. 3.)

3 Second, on July 29, 2008, Defendants' counsel formally requested that EMI's
4 counsel meet and confer regarding Defendants' intended motions for dismissal
5 and/or transfer of the California Action to the SDNY. (*Id.* ¶ 9 and Ex. 4.) Counsel
6 for the parties met and conferred on Friday, August 1, 2008 (*id.* ¶ 10), which meant
7 that Defendants would be eligible to file their motions no earlier than August 21,
8 2008. *See* L.R. 7-3.

9 **F. The Parties' Second Round of Settlement Negotiations**

10 During the August 1, 2008 conference, counsel discussed a possible
11 alternative route for settlement that was different from the proposals previously
12 incorporated into the parties' draft settlement agreements, and by letter dated August
13 1, 2008, EMI's principal asked his counterpart at Ernst & Young about arranging
14 direct business-to-business communications to try a settlement. (Mende Decl. ¶ 10.)
15 Defendants therefore agreed to hold off on filing their motions for dismissal and/or
16 transfer of the California action pending the parties' settlement negotiations, and
17 also consented to several requests by EMI to extend its deadline to respond to the
18 counterclaims in the California action and the Complaint in the New York Action.
19 (*Id.* ¶ 11.)

20 Despite more than two months of intense negotiations, however, the parties
21 were unable to consummate a formal written agreement incorporating the settlement
22 framework to which they had agreed in principle. (*Id.* ¶ 13.)

23 **G. The Parties' Motions**

24 On October 14, 2008, EMI filed a motion asking this Court to enjoin EYGN
25 and Ernst & Young from pursuing the New York Action (Dkt. No. 29), and at the

26 ¹ To avoid any possible waiver of counterclaims, and subject to EYGN's express
27 reservation of right to challenge jurisdiction, EYGN and E&Y also asserted
28 counterclaims against EMI that mirror their affirmative claims for relief in the New
York Action. (*See* Answer and Counterclaims at 7, n.1.)

1 same time filed a motion in the New York Action seeking a stay of those
2 proceedings pending this Court’s determination of the injunction motion.² (Mende
3 Decl. ¶ 15.)

4 Defendants are concurrently filing the following motions: (1) Ernst &
5 Young’s instant motion—in which EYGN and EYAI have joined—for judgment on
6 the pleadings or, in the alternative, transfer of the California Action; (2) EYGN’s
7 motion for judgment on the pleadings for lack of personal jurisdiction; and (3)
8 EYAI’s motion for judgment on the pleadings for lack of subject matter jurisdiction.

9 ARGUMENT

10 As set forth in EYGN’s Motion filed contemporaneously herewith, EYGN is
11 not subject to personal jurisdiction in this Court. As a consequence, this Court
12 cannot hear EMI’s claims against EYGN, and cannot enjoin EYGN from pursuing
13 its infringement claims against EMI in the New York Action. *Zepeda v. United*
14 *States Immigration and Naturalization Serv.*, 753 F.2d 719, 727 (9th Cir. 1985) (“A
15 federal court may issue an injunction [only] if it has personal jurisdiction over the
16 parties ...; it may not attempt to determine the rights of persons not before the
17 court.”). Thus, the question before the Court is whether it should permit EMI’s
18 declaratory judgment action to proceed against Ernst & Young in California while
19 EYGN pursues infringement claims against EMI in New York. As discussed below,
20 the answer is no.

21 First, EYGN, as the owner of the registered ENTREPRENEUR OF THE
22 YEAR trademark that EMI seeks to cancel, is a “required party” whose
23 unavailability in this forum mandates dismissal of the action pursuant to Federal
24 Rule of Civil Procedure 19(b) (**Pt. I**).

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28 ² EMI’s Memorandum of Points and Authorities in support of its motion is referred
to herein as “Pl. Inj. Mem.”

1 Second, even if the action could proceed in EYGN’s absence, principles of
2 judicial economy and avoidance of inconsistent judgments would militate against
3 exercising jurisdiction under the Declaratory Judgment Act (**Pt. II**).

4 Finally, even if the case were not dismissed on the foregoing bases—and even
5 if there were disputed issues concerning EYGN’s entitlement to dismissal for lack of
6 jurisdiction—the pertinent factors under 28 U.S.C. § 1404 overwhelmingly support
7 transferring this case to New York, where there is already a pending action and
8 where there is no question that all proper parties to this dispute are subject to
9 jurisdiction (**Pt. III**).

10 **I. EMI’S INABILITY TO JOIN EYGN REQUIRES DISMISSAL**

11 Under Federal Rule of Civil Procedure 19, the Court must dismiss this action
12 for failure to join a required party if the following three elements are met: (1)
13 EYGN is a “required party”; (2) EYGN’s joinder is not feasible; and (3) “in equity
14 and good conscience” the case should not proceed in EYGN’s absence.³ Fed. R.
15 Civ. P. 19; *see also EEOC v. Peabody W. Coal Co.*, 400 F.3d 774, 779 (9th Cir.
16 2005). Dismissal is mandated here because, as elaborated below, EYGN is not
17 subject to jurisdiction in California, and therefore all three elements are met in this
18 case.

19 **A. EYGN is a Required Party**

20 A party is a “required party” such that its joinder is mandated if *any* of the
21 following requisites is met:

22 (1) in the person’s absence complete relief cannot be
23 accorded among those already parties, *or*

24 (2) the person claims an interest relating to the subject of
25 the action and is so situated that the disposition of the
action in the person’s absence *may* as a practical matter

26 ³ Rule 19 was amended effective December 1, 2007. Under the revised rule,
27 “required party” replaced “necessary party” and all references to “indispensable
28 party” were deleted as “redundant.” Fed. R. Civ. P. 19 Advisory Committee’s note
(2007). “[T]hese changes are stylistic only” *id.*, and do not affect pre-amendment
precedent. *See Cachil Dehe Bd. of Wintun Indians of the Colusa Indian Cmty. v.*
California, No. 06 CV 16145, 2008 WL 4683214, at *4 n.6 (9th Cir. Oct. 24, 2008).

1 impair or impede “he person’s ability to protect that
2 interest,” *or*

3 (3) the person claims an interest relating to the subject of
4 the action and is so situated that disposition of the action
5 in the person’s absence *may* ... leave any person already a
6 party “subject to a substantial risk of incurring double,
7 multiple, or otherwise inconsistent obligations....”

8 *Am. Greyhound Racing, Inc. v. Hull*, 305 F.3d 1015, 1022 (9th Cir. 2002) (citing
9 Fed. R. Civ. P. 19(a)). As discussed below, EYGN qualifies as a required party
10 under any of the three prongs of this disjunctive test.

11 ***1. EMI Cannot Obtain Complete Relief in EYGN’s Absence***

12 EMI seeks, among other things, a declaration ordering the USPTO to cancel
13 EYGN’s Registration under Section 37 of the Lanham Act. (Compl. ¶ 29 and
14 Prayer for Relief ¶ 1.) But Section 37 of the Lanham Act permits a court to cancel a
15 trademark registration only of a “*party to the action.*” 15 U.S.C. § 1119 (emphasis
16 added). EYGN is a Bahamian entity that is not subject to jurisdiction in this Court
17 and, therefore, cannot be a party to this action. (*See* EYGN’s Mem. in Support of
18 Mot. for Judgment on the Pleadings (“EYGN Mem.”) at 6-13.) In EYGN’s absence,
19 EMI cannot obtain the complete relief it seeks, because the Court cannot order the
20 USPTO to cancel the registration of a nonparty. *Informix Software, Inc. v. Oracle*
21 *Corp.*, 927 F. Supp. 1283, 1286 (N.D. Cal. 1996) (dismissing claim seeking
22 cancellation of trademark registration where claim was brought against licensee, but
23 not owner of registration). Accordingly, EYGN qualifies as a required party under
24 Rule 19(a)(1)(A). *See, e.g., Massa v. Jiffy Prods. Co.*, 240 F.2d 702, 705 (9th Cir.
25 1957) (holding that owner of patent and registered trademark was required to be
26 joined where opposing party sought cancellation of patent and claimed to be rightful
27 owner of trademark registration); *May Apparel Group, Inc. v. Ava Import-Export,*
28 *Inc.*, 902 F. Supp. 93, 96 (M.D.N.C. 1995) (“Several courts have applied the [Rule
19] factors and have determined that trademark owners are [required] parties for
purposes of canceling a trademark”) (citations omitted); *Rheodyne, Inc. v. Ramin’*,

1 201 U.S.P.Q. 667, 670 (N.D. Cal. 1978) (*Poole, J.*) (registered patent owner is
2 required to be joined as party to suit seeking invalidation of patent).

3 **2. A Judgment Rendered in EYGN’s Absence Could Impede Its**
4 **Ability to Protect Its ENTREPRENEUR OF THE YEAR Mark**

5 In addition to seeking cancellation of EYGN’s trademark registration, EMI
6 seeks declarations that “Defendants’ (purported) common law trademark rights in
7 the phrase, ‘ENTREPRENEUR OF THE YEAR,’ are nonexistent, invalid and
8 unenforceable,” and that EMI’s use of the phrase as part of its contest designation
9 does not infringe Defendants’ rights in the ENTREPRENEUR OF THE YEAR
10 mark. (Compl. ¶ 29 and Prayer for Relief ¶¶ 1-3.) A decision concerning the
11 validity and enforceability of EYGN’s trademark would affect EYGN’s “ability to
12 protect [its] interest” in its trademark. Fed. R. Civ. P. 19(a)(1)(B)(i); *see Rheodyne,*
13 *Inc.*, 201 U.S.P.Q. at 670 (“Many cases [have held] that the patent owner is [a
14 required] party to an action seeking a declaratory judgment of patent invalidity and
15 non-infringement”) (citations omitted). As such, EYGN also qualifies as a required
16 party under Rule 19(a)(1)(B)(i).

17 **3. A Judgment Rendered in EYGN’s Absence Would Subject EMI**
18 **to Multiple, Potentially Inconsistent Judgments**

19 As noted at p. 6, *supra*, this Court cannot enjoin EYGN from pursuing the
20 New York Action because EYGN is not subject to personal jurisdiction here. If
21 EMI were permitted to pursue its declaratory judgment action against Ernst &
22 Young here, the parties would face “a substantial risk of incurring double, multiple,
23 or otherwise inconsistent obligations” in the parallel actions. Accordingly, EYGN
24 also qualifies as a required party under Rule 19(a)(1)(B)(ii).

25 **B. EYGN Cannot Be Joined As a Party to this Action**

26 Given that EYGN is not subject to personal jurisdiction in this Court, it
27 cannot be joined as a party to this action. *See, e.g., Rheodyne, Inc.*, 201 U.S.P.Q. at
28 670.

1 **C. This Action Cannot Proceed “In Equity and Good Conscience”**
2 **Without EYGN**

3 Finally, “in equity and good conscience” the action should not proceed in
4 EYGN’s absence. Fed. R. Civ. P. 19(b).

5 Rule 19(b) sets forth four factors that a court should consider in making this
6 determination:

7 (1) the extent to which a judgment rendered in the
8 person’s absence might prejudice that person or the
 existing parties;

9 (2) the extent to which any prejudice could be lessened or
10 avoided...;

11 (3) whether a judgment rendered in the person’s absence
 would be adequate; and

12 (4) whether the plaintiff would have an adequate remedy
13 if the action were dismissed for non-joinder.

14 Fed. R. Civ. P. 19(b). Each factor weighs heavily in favor of dismissal here.

15 First, EYGN unquestionably could be prejudiced by any decision concerning
16 the validity or enforceability of its ENTREPRENEUR OF THE YEAR mark.

17 Second, EMI’s claims strike directly at the heart of EYGN’s rights in its
18 registered trademark. As such, there are no “protective provisions” that could be
19 placed in the judgment, methods of “shaping relief,” or “other measures” that could
20 lessen or avoid the prejudice to EYGN. Fed. R. Civ. P. 19(b)(2)(A)-(C).

21 Third, as discussed above in Sections I.A.1 and I.A.3, respectively, any
22 judgment rendered in EYGN’s absence either would not give EMI the complete
23 relief it requests or could potentially lead to inconsistent judgments as a result of the
24 continuation of the New York Action.

25 Fourth, there is no question that EMI will have an adequate remedy if the
26 action is dismissed for non-joinder. Indeed, in its answer to the complaint filed by
27 EYGN and Ernst & Young in the New York Action, EMI did not contest
28 jurisdiction or venue (Mende Decl. ¶ 15 and Ex. 5 at ¶¶ 9-10) and pleaded

1 affirmative defenses that mirror its claims for declaratory relief in this action (*id.* at
2 p. 9 (Third, Fourth, Fifth & Sixth Affirmative Defenses).) Thus, EMI has an actual,
3 and not just theoretical, remedy, which it may continue to pursue even if this action
4 is dismissed. *See* 7 Charles A. Wright & Arthur R. Miller, *Fed. Prac. & Proc.* §
5 1608, at 119 (3d ed. 2004) (“Often dismissal is not a hardship because plaintiff will
6 be able to bring the action in another federal court....”).

7 * * *

8 The court’s decision in *Rheodyne, Inc.* is on point. In *Rheodyne, Inc.*, out-of-
9 state owners of a patent sent three demand letters to the plaintiff in California
10 threatening to commence a patent infringement action. *Rheodyne, Inc.*, 201
11 U.S.P.Q. at 668. In response, the plaintiff filed a declaratory judgment action in the
12 United States District Court for the Northern District of California against the
13 owners of the patent, as well as their licensees, seeking declarations of the patent’s
14 invalidity and of plaintiff’s non-infringement. *Id.*

15 The court first held that the individual defendants were not subject to
16 jurisdiction in California, citing the well-established rule that merely sending
17 demand letters into the forum state is not sufficient to justify the exercise of
18 jurisdiction over out-of-state intellectual property owners. *Id.* at 668-69. (*See also*
19 EYGN Mem. at 8-10 and cases cited therein.) The court then dismissed the
20 plaintiff’s claims against the patent licensees, citing the equally well-established rule
21 that a declaratory judgment action seeking a declaration of patent invalidity and
22 non-infringement cannot proceed in the patent owner’s absence. *Rheodyne, Inc.*,
23 201 U.S.P.Q. at 670; *see also Suprex Corp. v. Lee Scientific, Inc.*, 660 F. Supp. 89,
24 91-94 (E.D. Pa. 1987) (dismissing declaratory judgment action against patent owner
25 for lack of personal jurisdiction and dismissing patent invalidity and related claims
26 against patent licensee for failure to join patent owner as party).

27 The same result is warranted here. As in *Rheodyne, Inc.*, EYGN is a required
28 party whose joinder cannot be obtained in this action and proceeding without its

1 participation would cause great prejudice to EYGN and frustrate judicial economy.
2 Accordingly, the action should be dismissed.

3 **II. IN THE ALTERNATIVE, THE COURT SHOULD DECLINE**
4 **JURISDICTION UNDER THE DECLARATORY JUDGMENT ACT**

5 As the Ninth Circuit has explained, even if a declaratory judgment action
6 “passes constitutional and statutory muster, the district court must also be satisfied
7 that entertaining the action is appropriate.” *Gov’t Employees Ins. Co. v. Dizol*, 133
8 F.3d 1220, 1222-23 (9th Cir. 1998). This determination is discretionary, because
9 “the Declaratory Judgment Act is ‘deliberately cast in terms of permissive, rather
10 than mandatory, authority.’” *Id.* (quoting *Public Serv. Comm’n of Utah v. Wycoff*
11 *Co.*, 344 U.S. 237, 250, 73 S. Ct. 236, 243, 97 L. Ed. 291, 299 (1952) (*Reed, J.*
12 *concurring*)); *see also Gov’t Employees*, 133 F.3d at 1223 (“The Act ‘gave the
13 federal courts competence to make a declaration of rights; it did not impose a duty
14 to do so.’”) (quoting *Public Affairs Assocs. v. Rickover*, 369 U.S. 111, 112, 82 S. Ct.
15 580, 582, 7 L. Ed. 2d 604, 606 (1962)).

16 Accordingly, courts have substantial discretion whether to entertain an action
17 filed under the Declaratory Judgment Act. *See Charles Schwab & Co. v. Duffy*, 49
18 U.S.P.Q.2d 1862, 1864 (N.D. Cal. 1998). Courts generally exercise their discretion
19 to grant declaratory relief only “if doing so would (1) serve a useful purpose in
20 clarifying the legal relations at issue; or (2) terminate uncertainty, insecurity, and
21 controversy surrounding the parties’ relations.” *First Fishery Dev. Serv. v. Lane*
22 *Labs USA*, No. 97 CV 1069, 1997 U.S. Dist. LEXIS 11231, at *4 (S.D. Cal. July 22,
23 1997) (citation omitted). In this case, however, neither goal would be accomplished.

24 Because EYGN is not subject to jurisdiction in this Court, issuing a
25 declaratory judgment in this case would not clarify the legal relations of all the
26 parties: a decision of the Court would not be binding on EYGN, the owner of the
27 ENTREPRENEUR OF THE YEAR trademark at issue. Thus, regardless of this
28 Court’s declaration of EMI’s rights vis-à-vis Ernst & Young, there would continue

1 to be “uncertainty, insecurity and controversy” concerning EMI’s rights vis-à-vis
2 EYGN – that is, until the New York Action is resolved. *First Fishery*, 1997 U.S.
3 Dist. LEXIS 11231, at *4. As the Court explained in *Delno v. Mkt. St. Ry. Co.*,
4 “while such a judgment might terminate the issue between the parties now before it,
5 it would not finally settle the issue because the absent [parties] would have the right
6 to litigate the same question...” 124 F.2d 965, 968 (9th Cir. 1942). Under such
7 circumstances, “[e]ven if there were some doubt as to [EYGN’s] indispensability,
8 this is an appropriate situation for exercise of the court’s discretion not to entertain
9 suit in this district under the Declaratory Judgment Act.” *Technical Tape Corp. v.*
10 *Minnesota Mining & Mfg. Co.*, 135 F. Supp. 505, 508 (S.D.N.Y. 1955).

11 **III. IN THE ALTERNATIVE, THIS ACTION SHOULD BE**
12 **TRANSFERRED TO NEW YORK**

13 Under 28 U.S.C. § 1404(a), courts have wide discretion to transfer cases
14 “[f]or the convenience of the parties and witnesses [and] in the interest of justice ...
15 to any other district ... where it might have been brought.” Section 1404(a) thus
16 gives courts “discretion ‘to adjudicate motions for transfer according to an
17 individualized, case-by-case consideration of convenience and fairness.’” *Jones v.*
18 *GNC Franchising, Inc.*, 211 F.3d 495, 498 (9th Cir. 2000).

19 EMI does not contest that the SDNY is a proper venue for the parties’
20 trademark dispute. (Mende Decl. ¶ 15 and Ex. 5 at ¶ 10.) Accordingly, as a further,
21 independent ground for deferring to the SDNY, this Court can and should transfer
22 the case to the court in New York, where the parties’ parallel action is pending. As
23 discussed below, the interest of justice overwhelmingly favors transfer.

24 **A. The Interest of Justice Weighs Heavily in Favor of Transfer**

25 The “interest of justice” component of Section 1404(a) “encompasses the
26 private and public economy of avoiding multiple cases on the same issues.”
27 *Falconwood Fin. Corp. v. Griffin*, 838 F. Supp. 836, 842 (S.D.N.Y. 1993) (Leval,
28 *J.*). Where, as here, a court lacks jurisdiction over one party with an interest in the

1 dispute and is presented with the choice of either (i) keeping the case in its district
2 while parallel litigation proceeds before another court that would have jurisdiction
3 over all interested parties, or (ii) transferring its case to the court in which the
4 parallel litigation is pending, the interest of justice weighs heavily in favor of
5 transfer. *See id.* at 842-43 (transferring case from New York to Tennessee district
6 court to consolidate with parallel action involving interested party that could not be
7 joined as party to New York action); *see also Cont'l Grain Co. v. Barge FBL-585*,
8 364 U.S. 19, 26, 80 S. Ct. 1470, 1475, 4 L. Ed. 2d 1540, 1545 (1960) (“To permit a
9 situation in which two cases involving precisely the same issues are simultaneously
10 pending in different District Courts leads to the wastefulness of time, energy and
11 money that § 1404(a) was designed to prevent.”).

12 Moreover, even if the lack of personal jurisdiction over EYGN were not so
13 clear-cut, “[c]ourts have repeatedly held that a change of venue from a forum where
14 there is a difficult question of personal jurisdiction or venue to a district where there
15 are not such uncertainties serves the interest of justice.” *Multistate Legal Studies,*
16 *Inc. v. Marino*, No. 96 CV 5118, 1996 WL 786124, at *11 (C.D. Cal. Nov. 4, 1996)
17 (transferring copyright infringement case from California to New York where
18 jurisdiction over some defendants was questionable in California but not in New
19 York) (citing numerous cases) (citations omitted); *see also Credit Suisse Sec. (USA)*
20 *LLC v. Hilliard*, 469 F. Supp. 2d 103, 112 (S.D.N.Y. 2007) (“Transfer is often
21 appropriate in cases in which there is a serious question as to whether the court has
22 personal jurisdiction over defendants.”). Thus, even if there were uncertainty as to
23 whether the Court lacks jurisdiction over EYGN – which, in fact, there is not – the
24 interest of justice still weighs heavily in favor of transfer, since, at a minimum,
25 EYGN has raised a serious question concerning jurisdiction. *See Multistate Legal*
26 *Studies, Inc.*, 1996 WL 786124, at *11.

27 Finally, while EMI has not pleaded any claims under California law, EYGN
28 and Ernst & Young have pleaded counterclaims in this Action and affirmative

1 claims in the New York Action under New York State law – namely, for violation of
2 the New York Deceptive and Unfair Trade Practices Act, N.Y. Gen. Bus. L. § 349,
3 and for unfair competition under New York State common law. Thus, the New
4 York district court’s familiarity with New York law also weighs in favor of transfer.
5 *See Jones*, 211 F.3d at 498 (factors to be considered in transfer determination
6 include which forum “is the most familiar with the governing law”).⁴

7 **B. EMI’s Choice of this Forum Does Not Weigh Against Transfer**

8 EMI strenuously argues that under the “first-to-file” rule its choice of forum
9 should be entitled to great weight. (*See* Pl. Inj. Mem. at 5-7). As discussed below,
10 however, the first-to-file rule does not apply in this case.

11 In deciding whether the first-to-file rule is applicable, courts analyze the
12 following threshold factors: (1) which action was filed first, (2) whether the parties
13 to the first-filed and second-filed are the same, and (3) whether the issues presented
14 by the two cases are the same. *Guthy-Renker Fitness L.L.C. v. Icon Fitness Inc.*,
15 179 F.R.D. 264, 270 (C.D. Cal. 1998) (citing *Alltrade, Inc. v. Uniweld Prods., Inc.*,
16 946 F.2d 622, 625-26 (9th Cir. 1991)). Here, although EMI filed in this Court first,
17 the other two threshold factors are not met. Given that EYGN is not subject to
18 jurisdiction in this Court, the parties in this action (EMI and Ernst & Young) will
19 *not* be the same as the parties to the New York Action (EYGN, EMI and Ernst &
20 Young). *Cf. British Telecomm. v. PLC v. McConnell Douglas Corp.*, No. 93 CV
21 0677, 1993 U.S. Dist. LEXIS 6345 (N.D. Cal. May 3, 1993) (“If the court was sure
22 that ... [an entity in the second-filed suit was] a proper party and could not be joined
23 in the [first-filed] action, then it would be inclined to weigh this factor heavily
24 against applying the first-to-file rule.”). Moreover, because this Court cannot
25

26 ⁴ EMI likely will argue that California is a more appropriate forum because its
27 witnesses and documents are located here. But given that Ernst & Young’s
28 documents and witnesses are located outside California, including in New York
(Haynes Decl. ¶¶ 7-12), the convenience of the parties and witnesses factors either
weigh in favor of transfer or are neutral.

1 consider EMI’s claim seeking cancellation of EYGN’s trademark registration in this
2 action in EYGN’s absence (*see* Section I.A.1, *supra*), the issues in this case and in
3 the New York Action will differ in a substantial manner. Accordingly, the first-to-
4 file rule does not apply.

5 Further, even if the threshold factors for application of the first-to-file rule
6 were met, the Court still would have broad discretion to decline to apply the rule.
7 *Alltrade, Inc.*, 946 F.2d at 628 (“The most basic aspect of the first-to-file rule is that
8 it is discretionary.”); *Pacesetter Sys., Inc. v. Medtronic, Inc.*, 678 F.2d 93, 95 (9th
9 Cir. 1982) (“[T]he ‘first to file’ rule is not a rigid or inflexible rule to be
10 mechanically applied, but rather is to be applied with a view to the dictates of sound
11 judicial administration.”) (citation omitted). Courts regularly decline to apply the
12 rule in cases involving “anticipatory filings” – where, as here, a party who
13 anticipates being sued in one court rushes to file suit in another court to deprive the
14 putative plaintiff of its preferred choice of forum. *See, e.g., Z-Line Designs, Inc. v.*
15 *Bell’O Int’l LLC*, 218 F.R.D. 663, 665-66 (N.D. Cal 2003) (“[W]here as here a
16 declaratory judgment action has been triggered by a cease and desist letter, equity
17 militates in favor of allowing the second-filed action to proceed to judgment rather
18 than the first”) (citations omitted); *see also Alltrade*, 946 F.2d at 627 (recognizing
19 anticipatory filings as among “circumstances under which an exception to the first-
20 to-file rule typically will be made”).

21 EMI argues that its suit was not anticipatory; rather, according to its version
22 of events, EMI “was entitled to commence the present action for declaratory relief
23 rather than proceed under a cloud of claimed trademark infringement.” (Pl. Inj.
24 Mem. at 2.) But EMI fails to explain why it filed suit on June 2, 2008—the day its
25 response to EYGN’s follow-up demand letter was due—rather than simply wait
26 until the deadline passed and then sue if nothing happened. The answer is simple:
27 EMI *knew* that EYGN would file suit if EMI failed to comply with the terms of the
28

1 demand letter by June 2, so it filed suit to deprive EYGN of its choice of forum.⁵
2 Under these circumstances, EMI’s motives are unmistakable, and its attempt to
3 manipulate the Declaratory Judgment Act “to deprive [EYGN] of [its] traditional
4 choice of forum” should not be permitted. *See Gribin v. Hammer Galleries*, 793 F.
5 Supp. 233, 234-35 (C.D. Cal. 1992).

6 The two cases cited by EMI in support of its argument that its suit was not
7 anticipatory – (1) *Bryant v. Oxxford Express, Inc.*, 181 F. Supp. 2d 1045 (C.D. Cal.
8 2000) and (2) *Guthy-Renker Fitness LLC v. Icon Health*, 179 F.R.D. 264, 272 (C.D.
9 Cal 1998) (Pl. Inj. Mem. at 8-12) – are easily distinguishable. In *Bryant*, the
10 defendant merely stated that if the plaintiff did not comply with the terms of the
11 parties’ contract, it would “declare a breach” and “seek indemnification.” *Bryant*,
12 181 F. Supp. 2d at 1048. In finding that the letter did not create an imminent
13 anticipation of suit, the court cited the basic principles of contract law that declaring
14 a breach does not necessarily result in litigation and that indemnification cannot be
15 sought until the party seeking indemnification receives a claim from a third party.
16 *Id.* Such vague references to possible future contract remedies are not at issue here.

17 *Guthy-Renker Fitness* is even more inapposite. In that case, the demand letter
18 explicitly stated that it was giving notice of “potential patent infringements *in an*
19 *attempt to avoid litigation.*” 179 F.R.D. at 271 (emphasis added). Moreover, the
20

21
22 ⁵ EMI attempts to cast doubt on EYGN’s intention to file suit by noting that EYGN
23 and Ernst & Young did not file the New York Action until July 28, 2008. But as
24 EMI well knows, EYGN’s counsel put EMI on notice in early June of EYGN’s
25 belief that the filing was anticipatory and that EYGN intended to file suit in New
26 York. (*See Mende Decl.* ¶ 6.) The only reason EYGN held off on filing suit is that
27 EMI’s counsel suggested a possible framework for settlement that led to immediate,
28 substantive settlement negotiations – which EMI has stipulated were “extensive.”
(Dkt. No. 31 (Joint Report Rule 26(f) Discovery Plan), at 5; *see also* Pl. Inj. Mem. at
4-5.) When the parties reached an impasse, Ernst & Young and EYGN filed the
New York action without delay. (*See Mende Decl.* ¶ 8.)

1 defendant's President admitted in his declaration filed in support of the defendant's
2 transfer motion that the defendant "did not threaten suit in its ...letter" and that it
3 "had no intention [on the date the letter was sent] of bringing additional suits against
4 competitors." *Id.* EYGN has made no such admissions of an intention to avoid
5 litigation.

6 * * *


7 Because its filing of this action was anticipatory, EMI's choice of this forum
8 should be dismissed as nothing more than tactical forum shopping. In any event, a
9 party's choice of forum should not stand in the way where, as here, the interests of
10 justice and judicial economy clearly warrant transfer of this case to New York if it is
11 not dismissed. *Cf. Falconwood*, 838 F. Supp. at 841-42 (transferring action to
12 Tennessee, where interested third party could be joined as party to action,
13 notwithstanding plaintiff's and defendant's express, contractual selection of New
14 York forum).

15 **CONCLUSION**

16 For the foregoing reasons Ernst & Young respectfully requests that this Court
17 dismiss this action, or alternatively, transfer the action to the United States District
18 Court for the Southern District of New York.

19 DATED: November 12, 2008
20 BERRY & PERKINS,
21 A Professional Corporation

Respectfully submitted,
FROSS ZELNICK LEHRMAN & ZISSU, P.C.

22 By: 
23 Craig S. Mende
24 cmende@frosszelnick.com
25 David A. Donahue
26 ddonahue@frosszelnick.com
27 Betsy Judelson Newman
28 bnewman@frosszelnick.com
Grace W. Kang
gkang@frosszelnick.com
Phone: (212) 813-5900

Counsel for Defendant Ernst & Young LLP

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