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UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF CALIFORNIA

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INFA-LAB, INC., a New Jersey  
corporation,

NO. CIV. 07-1270 WBS EFB

Plaintiff,

v.

MEMORANDUM AND ORDER RE:  
MOTION FOR ATTORNEY FEES

KDS NAIL INTERNATIONAL,  
alias KDS COMPANY, alias KDS  
LAB, alias KDS, an  
unincorporated association,  
form unknown; DAT V. MA, alias  
DAT VINH MA, alias VINH MA  
DAT, alias DANIEL V. MA, alias  
DANIEL MAR, individually and  
doing business as TEXCHEM CO.  
and/or TEXCHEM CHEMICAL AND  
PLASTIC COMPANY and/or KDS  
LAB; and DOES 1 through 10,  
INCLUSIVE,

Defendants.

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Plaintiff Infa-Lab Inc. sued defendant Daniel Ma dba  
KDS Nail International for violations of the Lanham Act, 15  
U.S.C. §§ 1051-1129; California's Unfair Competition Law ("UCL"),  
Cal. Bus. & Prof. Code §§ 17200-17210; and California's False

1 Advertising Law ("FAL"), id. §§ 17500-17594. Having prevailed on  
2 his motion for summary judgment (see Docket No. 32), defendant  
3 now moves for an award of attorney fees pursuant to section 35(a)  
4 of the Lanham Act, 15 U.S.C. 1117(a).<sup>1</sup>

5 I. Factual and Procedural Background

6 Plaintiff manufactures a line of cosmetic products  
7 under the trademark "Magic Touch." (Compl. ¶ 7.) One of these  
8 products is a liquid styptic product called "Skin Protector,"  
9 which is used by manicurists to treat minor nicks and cuts. (Id.  
10 ¶ 8.) Plaintiff markets this product with a "trade dress"  
11 consisting of a "nonfunctional stylized label, bottle  
12 configuration, and color scheme." (Id.)

13 Plaintiff filed its Complaint on June 27, 2007,  
14 alleging that defendant sold an imitation of this product called  
15 "Radical Touch." (Id. ¶ 10.) Plaintiff contended that the  
16 marketing of Radical Touch constituted trade dress infringement,  
17 false designation of origin, and false advertising under the  
18 Lanham Act, 15 U.S.C. § 1125(a), as well as violations of the UCL  
19 and FAL. (Id. ¶¶ 14-15, 21, 27.) Defendant's activities also  
20 allegedly violated the UCL and FAL because Radical Touch was  
21 "labeled falsely and unlawfully, in direct violation of federal  
22 regulations applicable to [over-the-counter] skin protectant  
23 astringent drug products." (Id. ¶ 11.) After alternative  
24 dispute resolution proved unsuccessful (see Joint Status Report  
25 (Docket No. 16) at 4), the parties completed discovery on October  
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27 <sup>1</sup> Although the Complaint named several defendants,  
28 subsequent filings indicate that defendant Daniel Ma dba KDS Nail  
International is the sole defendant in this action.

1 31, 2008.

2 Defendant subsequently moved for summary judgment  
3 pursuant to Federal Rule of Civil Procedure 56 and, in response,  
4 plaintiff filed a statement of non-opposition to summary judgment  
5 on its Lanham Act claims and requested leave to dismiss its  
6 remaining state law claims in order to re-file them in state  
7 court. The court denied plaintiff's request and granted summary  
8 judgment for defendant on all claims. Defendant now moves for an  
9 award of attorney fees pursuant to section 35(a) of the Lanham  
10 Act, 15 U.S.C. § 1117(a).

11 II. Discussion

12 Section 35(a) of the Lanham Act provides that "[t]he  
13 court in exceptional cases may award reasonable attorney fees to  
14 the prevailing party." 15 U.S.C. § 1117(a). This provision was  
15 intended to protect innocent defendants "against unfounded suits  
16 brought by trademark owners for harassment and the like." S.  
17 Rep. No. 93-1400 (1974), as reprinted in 1974 U.S.C.C.A.N. 7132,  
18 7136. Cases are "exceptional" where the prevailing defendant  
19 shows that the plaintiff's claims were "either 'groundless,  
20 unreasonable, vexatious, or pursued in bad faith.'" Cairns v.  
21 Franklin Mint Co., 292 F.3d 1139, 1156 (9th Cir. 2002) (quoting  
22 Avery Dennison Corp. v. Sumpton, 189 F.3d 868, 881 (9th Cir.  
23 1999)).

24 "The terms 'groundless' and 'unreasonable' reflect the  
25 objective merits of the case, and emphasize that it is not enough  
26 that the plaintiff does not prevail. Rather, to be an  
27 'exceptional' case within the meaning of the statute, the  
28 plaintiff's suit must lack any reasonable foundation." Nat'l

1 Ass'n of Prof'l Baseball Leagues, Inc. v. Very Minor Leagues,  
2 Inc., 223 F.3d 1143, 1147 (10th Cir. 2000); see CG Roxane LLC v.  
3 Fiji Water Co. LLC, No. 07-2258, 2008 WL 4542803, at \*2 (N.D.  
4 Cal. Oct. 10, 2008) ("[P]revailing on the merits alone does not  
5 create a presumption that the suit was vexatious or in bad  
6 faith."). "Not surprisingly, under this standard, defendants are  
7 'rarely' awarded attorney fees in trademark infringement cases."  
8 Yellow Cab Co. of Sacramento v. Yellow Cab Co. of Elk Grove,  
9 Inc., No. 02-704, 2007 WL 988054, at \*2 (E.D. Cal. Mar. 30, 2007)  
10 (Damrell, J.) (quoting Banff, Ltd. v. Colberts, Inc., 810 F.  
11 Supp. 79, 80 n.2 (S.D.N.Y. 1992)). Indeed, courts "must be  
12 cautious in identifying a time when a case becomes 'exceptional'  
13 . . . . Litigation has its vagaries, and the prosecution of  
14 trademark rights must be robust and unchilled by the prospect of  
15 fee-shifting in the ordinary unsuccessful case." J & J Snack  
16 Foods, Corp. v. Earthgrains Co., No. 00-6230, 2003 WL 21051711,  
17 at \*6 n.23 (D.N.J. May 9, 2003).

18           As an initial matter, the court observes that defendant  
19 does not contend that plaintiff brought this action in bad faith.  
20 Rather, defendant's motion is primarily based on plaintiff's  
21 "failure to provide evidence in support of its claims, and the  
22 fact that it did not challenge . . . [defendant's] motion for  
23 summary judgment." (Def.'s Mot. Att'y Fees 1:5-8.) Although  
24 plaintiff's lack of evidence and its non-opposition to  
25 defendant's motion for summary judgment may be indicative of an  
26 "unreasonable" case, these facts alone are not "compelling proof  
27 that this suit was groundless." CG Roxane LLC, 2008 WL 4542803,  
28 at \*2 (citing Applied Info. Scis. Corp. v. eBay, Inc., 511 F.3d

1 966, 973 (9th Cir. 2007)); see Kowalski v. Ocean Duke Corp., No.  
2 04-55, 2008 WL 903103, at \*2 (D. Haw. Apr. 2, 2008) (denying  
3 defendant's motion for attorney fees despite plaintiff's failure  
4 to conduct consumer surveys or provide sufficient evidence at  
5 trial for claims to reach the jury). Rather, to demonstrate that  
6 a case is sufficiently "groundless" as to merit attorney fees  
7 under the Lanham Act, courts often look to whether plaintiff  
8 "pursu[ed] . . . a legal theory that plaintiff either knew or  
9 should have known was untenable." Contractual Obligation Prods.,  
10 LLC v. AMC Networks, Inc., 546 F. Supp. 2d 120, 129 (S.D.N.Y.  
11 2008).

12           Decisions awarding attorney's fees under the Lanham Act  
13 also suggest that the filing of a statement of non-opposition  
14 should not be met with immediate reproach. Rather, a plaintiff  
15 who realizes that his or her claim lacks merit should be  
16 encouraged to concede this fact; doing so should not conclusively  
17 brand a plaintiff's claim as "unreasonable or groundless." See,  
18 e.g., Spalding Labs., Inc. v. Ariz. Biological Control, Inc., No.  
19 06-1157, 2008 WL 2227501, at \*1 (C.D. Cal. May 29, 2008)  
20 (awarding attorney fees where, "[i]nstead of acknowledging the  
21 flaws in its case, [plaintiff] pressed forward and required  
22 [defendant] to litigate for 10 days in front of a jury"); J & J  
23 Snack Foods, 2003 WL 21051711, at \*5 ("Plaintiff should have  
24 either made the necessary changes to its case to ensure that it  
25 would have merit, or should have withdrawn its action."); see  
26 also Love v. Mail on Sunday, No. 05-7798, 2007 WL 2709975, at \*6  
27 (C.D. Cal. Sept. 7, 2007) (awarding attorney fees where plaintiff  
28 had "unreasonably and vexatiously . . . lengthened or multiplied

1 both [d]efendants' and [the court's] work").

2 Here, after receiving defendant's motion for summary  
3 judgment, plaintiff asserts that it realized that its state law  
4 claims were preempted because they were based on violations of  
5 Food and Drug Administration regulations. (Peterson Decl. ¶  
6 34.)<sup>2</sup> Plaintiff originally had sought to prosecute these  
7 violations through California's UCL and FAL and the Lanham Act's  
8 prohibition against false advertising. (See Compl. ¶¶ 20, 25-  
9 27.) Plaintiff viewed its state law allegations as its strongest  
10 claims and thus elected to forego costly consumer surveys to  
11 support its trade dress infringement claim, relying instead on  
12 "'proof of intentional copying by the defendant.'" (See Peterson  
13 Decl. ¶¶ 13-14, 39-40, 42 (quoting Filipino Yellow Pages, Inc. v.  
14 Asian Journal Publ'ns, Inc., 198 F.3d 1143, 1151 (9th Cir.  
15 1999)).) However, when plaintiff discovered that its state law  
16 claims were preempted, it concluded that proceeding further was  
17 economically and legally unjustified. (Id. ¶¶ 39-40, 42.) As a

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19 <sup>2</sup> Defendant has lodged twenty-eight evidentiary  
20 objections to plaintiff's counsel's declaration and an exhibit  
21 attached thereto. (Def.'s Reply Attach. 2.) Defendant contends  
22 that the evidence provided by plaintiff's counsel is irrelevant,  
23 lacks foundation, and/or is inadmissible hearsay. These  
24 objections are structured as though plaintiff's counsel sought to  
25 offer this evidence against defendant on summary judgment or at  
26 trial; the court, however, views the declaration and exhibit as  
27 demonstrating what plaintiff's counsel perceived his evidence to  
28 be and explaining why he prosecuted this action the way he did.  
In this context, therefore, the contested portions of the  
declaration and exhibit are relevant, plaintiff's counsel has  
personal knowledge of the information contained therein, and  
certain out-of-court statements in these documents are not  
offered to prove what they assert. Similarly, the report of  
plaintiff's expert Jean Clark (Peterson Decl. Ex. D) need not  
satisfy the dictates of Federal Rule of Evidence 702 in order to  
apprise the court of plaintiff counsel's litigation strategy in  
this case. Accordingly, defendant's evidentiary objections are  
overruled.

1 result, plaintiff did not oppose summary judgment on the Lanham  
2 Act claims and sought leave to file its state law claims in state  
3 court "on the strength of amended allegations." (Pl.'s Stmt. of  
4 Non-Opp'n (Docket No. 29) at 2.)

5 Defendant argues that the proffered infringement theory  
6 was "groundless or unreasonable" because "proof of intentional  
7 copying" would only establish one of the three elements of trade  
8 dress infringement (secondary meaning); plaintiff would still  
9 need to demonstrate that its trade dress was non-functional and  
10 that there was a likelihood of confusion between the products.  
11 (Def.'s Reply 3-4 (citing Kendall-Jackson Winery, Ltd. v. E. & J.  
12 Gallo Winery, 150 F.3d 1042, 1046-47 (9th Cir. 1998).) Even if  
13 this shortcoming would render plaintiff's case "groundless or  
14 unreasonable," the alleged deficiency is not readily apparent;  
15 ample caselaw provides that product-labeling may be non-  
16 functional, see, e.g., Aromatique, Inc. v. Gold Seal, Inc., 28  
17 F.3d 863, 875 (8th Cir. 1994) (noting "features of the trade  
18 dress that may be considered distinctive and nonfunctional,  
19 namely the shape of the label"), and plaintiff indicates that it  
20 had anecdotal evidence of confusion between the products, (see  
21 Peterson Decl. ¶ 4); Nora Beverages, Inc. v. Perrier Group of  
22 Am., Inc., 269 F.3d 114, 124 (2d Cir. 2001) ("[A]necdotal  
23 evidence is admissible to establish actual consumer confusion.").  
24 Had plaintiff opposed summary judgment in this case, these issues  
25 could have at least raised debatable questions of fact. CG  
26 Roxane LLC, 2008 WL 4542803, at \*2 ("When a case raises debatable  
27 issues of fact, it is not groundless or unreasonable.").

28 In a declaration, defense counsel states that, in the

1 context of the court's voluntary dispute resolution program  
2 ("VDRP"), he told plaintiff's counsel that he "believed  
3 [plaintiff's] claim for false advertising was fatally defective"  
4 and "had found authorities holding that whether a product is  
5 properly labeled under FDA standards is not properly decided by a  
6 district court in a Lanham Act case." (Leonard Decl. ¶ 2; see  
7 Def.'s Reply Attach. 1.) Plaintiff's counsel similarly refers to  
8 VDRP negotiations, contending that "defendant proposed a new  
9 label for consideration" and "would not have [done so] had it  
10 truly believed plaintiff's claims were without support."  
11 (Peterson Decl. ¶ 42.)

12           Whether or not this evidence is properly before the  
13 court,<sup>3</sup> alleged statements and posturing in the context of  
14 settlement negotiations can hardly provide "compelling proof"  
15 that a plaintiff "acted capriciously, pursued litigation to  
16 harass the defendant, or intended to bring a meritless or  
17 unreasonable case." CG Roxane LLC, 2008 WL 4542803, at \*2  
18 (citing Applied Info. Scis. Corp., 511 F.3d at 973). Indeed,  
19 even where Supreme Court caselaw has rendered a plaintiff's claim  
20 "fruitless and perhaps groundless," courts have denied attorney  
21 fees absent any "direct evidence . . . that [p]laintiff's counsel  
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23           <sup>3</sup> Statements made during VDRP negotiations are typically  
24 considered privileged and confidential. See Eastern District  
25 Local Rule 16-271(m). Furthermore, although defense counsel  
26 offers his own statements from VDRP negotiations as evidence, he  
27 objects to plaintiff's counsel's proffer of the same pursuant  
28 Federal Rule of Evidence 408. (See Def.'s Reply Attach 1 Ex. A;  
id. Attach. 2 at 15); see also Fed. R. Evid. 408(a)(2) (barring  
"conduct or statements made in compromise negotiations" offered  
"to impeach through a . . . contradiction"). Because the court  
does not rely on this evidence to reach its decision, it declines  
to rule on these objections.

1 was aware" of this fact "and still proceeded in bad faith or  
2 vexatiously." Perlan Therapeutics, Inc. v. Nexbio, Inc., No. 05-  
3 1855, 2007 WL 935619, at \*4 (S.D. Cal. Mar. 19, 2007) (emphasis  
4 added); accord AMC Networks, Inc., 546 F. Supp. 2d at 131.

5           Ultimately, the circumstances of this case indicate  
6 that it is not so "exceptional" as to justify an award of  
7 attorney fees pursuant to section 35(a) of the Lanham Act.  
8 Accordingly, the court will deny plaintiff's motion.

9           IT IS THEREFORE ORDERED that defendant's motion for  
10 attorney fees be, and the same hereby is, DENIED.

11 DATED: April 1, 2009

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13 WILLIAM B. SHUBB  
14 UNITED STATES DISTRICT JUDGE  
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