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UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF CALIFORNIA

CYTOSPORT, INC., a California corporation,)	Case No. 2:08-CV-02632-JAM-GGH
)	
Plaintiff,)	<u>ORDER DENYING PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT ON ITS CLAIMS, GRANTING PLAINTIFF'S MOTION FOR SUMMARY JUDGMENT ON DEFENDANT'S COUNTER-CLAIMS, AND DENYING DEFENDANT'S MOTION FOR EMERGENCY STAY</u>
v.)	
VITAL PHARMACEUTICALS, INC. a Florida corporation,)	
)	
Defendant.)	

This matter is before the Court on two motions for summary judgment filed by Plaintiff CytoSport, Inc. ("CytoSport") against Defendant Vital Pharmaceuticals, Inc. ("VPX"). The first motion is for judgment on counter-claims raised by VPX in its Amended Answer, Affirmative Defenses, and Counterclaim (Doc. # 115-1). VPX opposes the motion (Doc. # 199). The second motion is for judgment on CytoSport's fifth through eighth causes of action in its Third Amended Complaint ("TAC") (Doc. # 195). VPX also opposes this motion (Doc. # 201). VPX also filed a motion seeking an emergency stay of these proceedings pending final agency action by the Food and Drug Administration ("FDA") (Doc. # 203), which CytoSport

1 opposes (Doc. # 207).

2 I. BACKGROUND

3 This case originated in 2008 when VPX released a product
4 called Muscle Power, a ready-to-drink protein shake. CytoSport
5 already marketed a competing product, Muscle Milk. Muscle Power
6 used the same base packaging and similar graphics including layout
7 and font in the label design for its product. CytoSport sued VPX
8 claiming that the Muscle Power product infringed on its trademark
9 and trade dress for Muscle Milk. CytoSport also claims that VPX
10 created comparative advertisements that constitute false
11 advertising.¹

12 Muscle Power and Muscle Milk are both marketed in octagonal
13 tetra-packs, one of the few available FDA approved packages
14 available for ready to drink protein drinks. The drinks retail
15 from \$3-\$5 in the same retail establishments, and are targeted
16 toward people with active lifestyles like athletes and
17 bodybuilders.

18 During the short time that Muscle Milk and Muscle Power were
19 both on the market and in direct competition, VPX ran ads that are
20 relevant to the parties' claims. First, Muscle Power ran an ad
21 that depicted a woman nursing a child with the caption, "MILK IS
22 FOR BABIES, MUSCLE POWER IS FOR MEN!" prominently displayed across
23 the ad. VPX also ran ads that claimed Muscle Power contained 600%
24 less sugar and 183% less fat than Muscle Milk.

25 _____
26 ¹ A more comprehensive discussion of the factual background in this
27 case is available in the Order Granting CytoSport's Motion for
28 Preliminary Injunction (Doc. # 72). To avoid duplication, the
factual summary in this order is brief.

1 This case was previously assigned to Judge Damrell who issued
2 a preliminary injunction in CytoSport's favor on May 6, 2009 (Doc.
3 # 72), finding that CytoSport was likely to prevail on the merits
4 of its infringement claims. VPX subsequently withdrew Muscle Power
5 from the market and introduced a new product that did not resemble
6 Muscle Milk.

7 The parties submitted expert reports and testimony to support
8 their respective positions. VPX submitted a survey conducted by
9 Robert Klein that shows, under the circumstances of his survey,
10 that 4.1% of consumer respondents mistake Muscle Power for Muscle
11 Milk or as a product produced by CytoSport. CytoSport submitted a
12 survey conducted by Hal Poret that shows, under the circumstances
13 of his survey, that 25.4% of consumer respondents conflate Muscle
14 Power and CytoSport products. There is also evidence in the record
15 consisting of CytoSport employee declarations that CytoSport
16 customers were confused as to the source of the Muscle Milk
17 product.

18 On December 7, 2009, VPX filed counter-claims against
19 CytoSport (Doc. 115). VPX claims that the use of the word "milk"
20 on Muscle Milk, a product that contains no liquid dairy milk, is
21 deceptive. VPX submitted a survey conducted by Gabriel Gelb that
22 shows a mistaken belief amongst consumers, under the conditions of
23 that survey, as to whether or not Muscle Milk contains milk. VPX
24 also relies heavily on an FDA warning letter dated June 29, 2011
25 wherein the FDA preliminarily determined that the mark "Muscle
26 Milk" as used by CytoSport is deceptive because CytoSport's product
27 contains no milk. This warning letter, along with other documents,
28 was submitted by VPX in a Request for Judicial Notice (Doc. # 199-

1 2). The theory underlying VPX's counter-claim is also central to
2 its defense on CytoSport's claims because VPX seeks to invalidate
3 CytoSport's mark, thereby making it unenforceable. As of the date
4 of this order, the FDA has not followed up on its 2011 warning
5 letter with a final determination about CytoSport's compliance with
6 applicable FDA regulations.

7 CystoSport seeks entry of judgment on five claims in its
8 complaint: Claim Five, Trademark Infringement, Violation of 15
9 U.S.C. § 1114(a); Claim Six, Trademark Infringement, Violation of
10 Cal. Bus. & Prof. Code § 14245; Claim Seven, False Advertising,
11 Violation of 15 U.S.C. § 1125(a) and Cal. Bus. & Prof. Code §§
12 17200, 17500; and Claim Eight, Cancellation of U.S. Trademark Reg.
13 Nos. 3,551,076 and 3,547,541 Pursuant to 15 U.S.C. § 1119.

14 CytoSport does not move for judgment on its first through fourth
15 claims.

16 CytoSport also seeks entry of judgment in its favor on the
17 five counter-claims raised by VPX in its Answer to the TAC: 1)
18 False Advertising, Violation of 15 U.S.C. § 1125(a); 2) False
19 Advertising, Violation of Cal. Bus. & Prof. Code § 17500; 3)
20 Unlawful Trade Practice, Violation of Cal. Bus. & Prof. Code §
21 17200; 4) Cancellation of Trademark Registrations Pursuant to 15
22 U.S.C. § 1119 for Violation of 15 U.S.C. § 1052(a); and 5)
23 Declaratory Judgment Pursuant to 28 U.S.C. § 2201.

24 A hearing on these matters was held on August 8, 2012. At
25 that hearing, the Court ordered additional briefing on two issues:
26 1) the effect of a recent Ninth Circuit decision, Pom Wonderful LLC
27 v. Coca-Cola Co., 679 F.3d 1170, 1176 (9th Cir. 2012), on VPX's FDA
28 warning letter based counter claims, and 2) the potential impact of

1 a final FDA decision determining that CytoSport's use of the Muscle
2 Milk mark on a product that contains no milk is deceptive. The
3 Court also granted CytoSport's motion to exclude the Gelb survey
4 and denied the motion to exclude the Klein survey for the reasons
5 discussed below in this order.

6 In sum, the following motions have been presented to the Court
7 for decision and are discussed below: 1) CytoSport's Motion for
8 Summary Judgment on Claims Five, Six, Seven and Eight; 2)
9 CytoSport's Motion for Summary Judgment on VPX's Counter-Claims; 3)
10 CytoSport's Motions to Exclude the Expert Testimony of Gelb and
11 Klein; 4) VPX's Request for Judicial Notice; and 5) VPX's Emergency
12 Motion to Stay.

14 II. OPINION

15 A. Evidentiary Motions

16 CytoSport filed two motions to exclude VPX's expert witnesses.
17 The first motion is to exclude the testimony of Robert L. Klein
18 (Doc. # 196) who conducted a survey about customer confusion
19 between the Muscle Power and Muscle Milk marks. The second is to
20 exclude the testimony of Gabriel M. Gelb (Doc. # 194) who conducted
21 a survey about consumer confusion created by the use of the Muscle
22 Milk mark on a product that contains no milk.

23 Under Federal Rule of Evidence 702, the district court is the
24 "gatekeeper" in order to "ensur[e] that an expert's testimony both
25 rests on a reliable foundation and is relevant to the task at
26 hand." Daubert v. Merrell Dow Pharm., Inc., 509 U.S. 579, 597
27 (1993). A district court must exclude evidence that is either not
28 "relevant," or not conducted according to accepted principles.

1 Wendt v. Host Int'l, Inc., 125 F.3d 806, 814 (9th Cir. 1997)
2 (citing E. & J. Gallo Winery v. Gallo Cattle Co., 967 F.2d 1280,
3 1292 (9th Cir. 1992)). In the Ninth Circuit, surveys are to be
4 admitted in trademark cases so long as they are conducted according
5 to accepted principles. Gallo, 967 F.2d at 1292. "Technical
6 unreliability goes to the weight accorded a survey, not its
7 admissibility." Prudential Ins. Co. of Am. v. Gibraltar Fin. Corp.
8 of Cal., 694 F.2d 1150, 1156 (9th Cir. 1982).

9 Under Federal Rule of Evidence 403, relevant and
10 otherwise admissible evidence may be excluded when the danger of
11 unfair prejudice substantially outweighs its probative value.

12 1. Gelb Survey

13 At the August 8, 2012 hearing, the Court granted CytoSport's
14 motion to exclude evidence of a survey conducted by Gabriel Gelb
15 which was done to test confusion created by the Muscle Milk mark,
16 i.e., the use of Muscle Milk on a product that contains no milk
17 causes consumers to mistakenly believe that the product contains
18 milk. The basis for the Court's decision is as follows.

19 The Gelb survey was a series of three questions where
20 respondents were presented three brand names without accompanying
21 trade dress or images of the products: Muscle Milk, ProMan-X, and
22 Lean Body. They were then asked if each product contained a lot,
23 some, or no protein, creatine, and milk. Consumers did not have an
24 "I don't know" option or another means to indicate lack of
25 knowledge. Lean Body and Muscle Milk are protein drinks, ProMan-X
26 is a herbal male enhancement supplement. The respondent's answers
27 indicate that a high level of guessing occurred. For instance, for
28 ProMan-X, 98% said it contains protein, 92% creatine, and 68% milk.

1 ProMan-X does not contain any of these ingredients. For Muscle
2 Milk, 80% responded that it contained milk. Gelb admitted in his
3 deposition that respondents were guessing. Gelb Dep. 221:14-18.

4 CytoSport cites two cases to support its contention that the
5 Gelb survey was not conducted according to accepted principles.
6 Pharmacia Corp. v. GlaxoSmithKline Consumer Healthcare, L.P., 292
7 F. Supp. 2d 594, 603 (D.N.J. 2003) (discrediting a survey that does
8 not control for respondents' preexisting beliefs); Procter & Gamble
9 Co. v. Ultreo, Inc., 574 F. Supp. 2d 339, 351 (S.D.N.Y. 2008)
10 (same). VPX responds with general arguments about the adequacy of
11 the survey, but cites no authority that shows that the methods used
12 by Gelb are generally acceptable. VPX bears the burden of showing
13 the admissibility of its survey, Keith v. Volpe, 858 F.2d 467, 480
14 (9th Cir. 1988), and it has not met its burden. Accordingly, the
15 Gelb survey is excluded.

16 2. Klein Survey

17 CytoSport's motion to exclude a survey conducted by VPX's
18 expert, Robert Klein was denied by the Court at the August 8, 2012
19 hearing for the following reasons.

20 The Klein survey was conducted under the guidelines
21 established by Union Carbide Corp. v. Ever-Ready Inc., 531 F.2d 366
22 (7th Cir. 1976) (superseded on other grounds). Klein asked
23 respondents to examine a container of Muscle Power and determine
24 who made the product. 4.1% of respondents, a number that tends not
25 to show consumer confusion, indicated that CytoSport or Muscle Milk
26 made the product. CytoSport argues that Klein's survey failed to
27 replicate market conditions, failed to determine whether or not
28 respondents were aware of CytoSport or Muscle Milk before asking

1 them questions, and failed to distinguish respondents who believed
2 that the Muscle Power product was actually Muscle Milk.

3 All of CytoSport's arguments go to the technical reliability
4 of Klein's survey. CytoSport does cite case law that finds that
5 Ever-Ready surveys are to be accorded diminished weight under
6 similar circumstances, but that is not an issue related to the
7 initial admissibility of the survey. Further, the Court is bound
8 by the Gallo decision, and CytoSport only cites district court
9 cases from other circuits to support excluding the survey.

10 CytoSport does not dispute that the Ever-Ready format is a proper
11 format under some circumstances, and the survey should be admitted
12 because it is relevant to the task at hand and was conducted
13 according to accepted principles. Gallo, 967 F.2d at 1292.

14 CytoSport's technical reliability arguments are meritorious, but
15 they go to the issue of weight rather than admissibility.

16 CytoSport's argument under Rule 403 also fails because the
17 danger of unfair prejudice does not substantially outweigh the
18 probative value of the survey. While CytoSport's arguments about
19 the technical reliability of the survey are persuasive, there is
20 little danger of unfair prejudice because CytoSport can attack the
21 survey at trial and convince the jury that the survey is to be
22 accorded little weight.

23 3. VPX's Request for Judicial Notice

24 The Court also considered and granted, in part, VPX's Request
25 for Judicial Notice at the August 8, 2012 hearing. The documents
26 consist of preliminary findings of governmental entities, previous
27 filings of the parties, and a document from the National
28 Advertising Division.

1 Generally, the Court may not consider material beyond the
2 pleadings in ruling on a motion to dismiss for failure to state a
3 claim. The exceptions are material attached to, or relied on by,
4 the complaint so long as authenticity is not disputed, or matters
5 of public record, provided that they are not subject to reasonable
6 dispute. E.g., Sherman v. Stryker Corp., 2009 WL 2241664 at *2
7 (C.D. Cal. Mar. 30, 2009) (citing Lee v. City of Los Angeles, 250
8 F.3d 668, 688 (9th Cir. 2001) and Fed. R. Evid. 201).

9 The documents submitted from governmental entities are subject
10 to judicial notice for the fact that they exist. No party disputes
11 that the governmental entities issued the documents, nor could
12 they. The legal conclusions and other findings in the documents,
13 however, are subject to dispute and the Court does not take
14 judicial notice of the contents of the materials. The same goes
15 for the other documents submitted. The Court may take notice that
16 the documents exist, but not attribute any weight to their contents
17 so long as they are disputed by either party. VPX's motion is
18 therefore granted in part and denied in part.

19 B. Legal Standard for Summary Judgment

20 Summary judgment is proper "if the pleadings, depositions,
21 answers to interrogatories, and admissions on file, together with
22 affidavits, if any, show that there is no genuine issue of material
23 fact and that the moving party is entitled to judgment as a matter
24 of law." Fed. R. Civ. P. 56(c). The purpose of summary judgment
25 "is to isolate and dispose of factually unsupported claims or
26 defenses." Celotex v. Catrett, 477 U.S. 317, 323-324 (1986).

27 The moving party bears the initial burden of demonstrating the
28 absence of a genuine issue of material fact for trial. Anderson v.

1 Liberty Lobby, Inc., 477 U.S. 242, 248-49 (1986). If the moving
2 party meets its burden, the burden of production then shifts so
3 that "the non-moving party must set forth, by affidavit or as
4 otherwise provided in Rule 56, 'specific facts showing that there
5 is a genuine issue for trial.'" T.W. Electrical Services, Inc. v.
6 Pacific Electric Contractors Ass'n, 809 F.2d 626, 630 (9th Cir.
7 1987) (quoting Fed. R. Civ. P. 56(e)). The Court must view the
8 facts and draw inferences in the manner most favorable to the non-
9 moving party. United States v. Diebold, Inc., 369 U.S. 654, 655
10 (1962). "[M]ere disagreement or bald assertion that a genuine
11 issue of material fact exists will not preclude the grant of
12 summary judgment". Harper v. Wallingford, 877 F. 2d 728, 731 (9th
13 Cir. 1987).

14 The mere existence of a scintilla of evidence in support of
15 the non-moving party's position is insufficient: "There must be
16 evidence on which the jury could reasonably find for [the non-
17 moving party]." Anderson, 477 U.S. at 252. This Court thus
18 applies to either a defendant's or plaintiff's motion for summary
19 judgment the same standard as for a motion for directed verdict,
20 which is "whether the evidence presents a sufficient disagreement
21 to require submission to a jury or whether it is so one-sided that
22 one party must prevail as a matter of law." Id.

23 Federal Rule of Civil Procedure 56(d) permits a court, upon a
24 sufficient showing of specific reasons why a nonmovant cannot
25 present facts essential to its opposition, to defer consideration
26 of or deny a pending motion for summary judgment.

27 C. VPX's Counter-claims

28 1. Claims Barred By Deference to the FDA

1 VPX's first and fourth counter-claims are for alleged
2 violations of the Lanham Act by CytoSport. VPX claims that
3 CytoSport's use of the term "Milk" to refer to a product that
4 contains no milk, as defined by FDA regulations, is deceptive. VPX
5 therefore contends that CytoSport's trademark "Muscle Milk" is
6 invalid because it violates 15 U.S.C. § 1125(a)'s proscription of
7 deceptive marks and should therefore be cancelled. VPX points
8 primarily to the warning letter sent from the FDA to CytoSport
9 describing the FDA's position that CytoSport's use of "Muscle Milk"
10 violates 21 U.S.C. § 343(a)(1) because it is false or misleading,
11 and asks the Court to accept the FDA's analysis. VPX RJN Ex. 1.

12 Preliminary, the Court must consider whether or not VPX's
13 Lanham Act claims are barred. Under the Food, Drug, and Cosmetics
14 Act ("FDCA"), 21 U.S.C. § 301 et seq., the FDA regulates and
15 enforces food labeling requirements. 21 U.S.C. § 343. The FDA
16 regulates the definition of certain foods, including milk. 21 CFR
17 § 131.110. When the FDA extensively regulates a certain area and
18 does not act to enforce its regulations, the Lanham Act may not be
19 used by a private party to "usurp, preempt, or undermine FDA
20 authority." Pom Wonderful LLC v. Coca-Cola Co., 679 F.3d 1170,
21 1176 (9th Cir. 2012). Whether or not a Lanham Act claim is barred
22 by FDA authority is dependent on the facts of a particular case.
23 Id.

24 In Pom, Pom sought to challenge Coca-Cola's use of the term
25 "Pomegranate Blueberry Flavored Blend of 5 Juices" under the Lanham
26 act contending that the name misled consumers. Id. at 1172-73. Pom
27 argued that since the Coke product only contained .3% pomegranate
28 juice and .2% blueberry juice, it was misleading for the product to

1 prominently display pomegranate and blueberry on its label when it
2 primarily consisted of other cheaper juices. The Pom court held
3 that the Lanham Act claim was barred because the labeling did not
4 obviously violate FDA regulations. Id. at 1178. The Pom court
5 did not hold that the label conformed to FDA regulations or that it
6 was not misleading, but instead deferred to the FDA's ability to
7 act against Coca-Cola if and when it determined that the Coke label
8 violated FDA regulations. Id.

9 This case is nearly indistinguishable from the situation
10 presented in Pom. Here, the FDA regulates the use of the term
11 "milk" on food labels. The FDA is aware of CytoSport's labeling
12 and has not acted. If the FDA determines that CytoSport's use of
13 the term "Muscle Milk" is misleading to consumers, despite the
14 "Contains No Milk" disclaimer on the label, it will act to enforce
15 the labeling requirement. The fact that the FDA sent a warning
16 letter to CytoSport concerning its labeling does not require a
17 different finding. FDA warning letters are informal and advisory,
18 and do not amount to an FDA action. Summit Tech., Inc. v. High-
19 Line Med. Instruments Co., 922 F. Supp. 299, 306 (C.D. Cal. 1996)
20 (holding that FDA warning letters do not amount to an FDA position
21 on a matter because the FDA can change its final determination
22 based on further investigation).

23 VPX's first and fourth counter-claims require a finding that
24 CytoSport's Muscle Milk label is deceptive or misleading under the
25 FDCA and the associated regulations. The Court finds that the
26 claims are barred by the holding in Pom as the FDA is the entity
27 that must make that determination in the first instance. Pom, 679
28 F.3d at 1178 ("[W]e must keep in mind that we lack the FDA's

1 expertise in guarding against deception in the context of . . .
2 beverage labeling.”). VPX argues that the Court should defer
3 granting judgment until the FDA issues a final decision on
4 CytoSport’s use of “Muscle Milk,” but the FDA’s eventual decision
5 may support CytoSport, VPX, or fall somewhere in the middle.
6 Deferring consideration of the present motion based on what the FDA
7 may or may not do is inappropriate for two reasons. First, as
8 discussed below CytoSport is entitled to judgment on the merits of
9 VPX’s counter-claims for other reasons. Second, the Pom holding is
10 clear that the claims are barred until the FDA issues its decision,
11 not that they are stayed or deferred. CytoSport is accordingly
12 entitled to judgment as a matter of law on VPX’s first and fourth
13 counter-claims.

14 VPX also brings two state law claims which reference the FDA
15 regulations to show that CytoSport’s use of the term “Milk” is
16 inconsistent with FDA regulations. These claims are not barred by
17 the ruling in Pom because the FDA specifically permits states to
18 create labeling requirements that are identical to the FDA’s and
19 establish independent causes of actions for those claims. Delacruz
20 v. Cytosport, Inc., No. C 11-3532 CW, 2012 WL 2563857, 7, Slip Copy
21 (N.D. Cal. June 28, 2012) (citing 21 U.S.C. § 343-1).

22 2. Statute of Limitations

23 CytoSport argues that VPX’s state law claims for False
24 Advertising and Unfair Competition are barred by their statutes of
25 limitations. VPX brings both its False Advertising Law (“FAL”) and
26 UCL claims under the UCL, which has a four year statute of
27 limitations. Cal. Bus. & Prof. Code § 17208; Yumul v. Smart
28 Balance, Inc., 733 F. Supp. 2d 1117, 1130 (C.D. Cal. 2010). To

1 have standing to sue under the UCL, "a plaintiff must . . . have
2 suffered injury and lost money or property." Anunziato v.
3 eMachines, Inc., 402 F. Supp. 2d 1133, 1136 (C.D. Cal. 2005).

4 In this case, VPX did not have standing to pursue its FAL and
5 UCL claims against CytoSport until it suffered an injury. Since
6 VPX did introduce its competing Muscle Power product, its cause of
7 action only accrued at that time because it could not previously
8 show that it suffered an injury and lost money or property due to
9 CytoSport's practices. VPX's 2009 FAL and UCL counter-claims were
10 therefore filed well within the four year statute of limitations.²

11 3. CytoSport's Arguments Regarding the Remaining State Law
12 Claims

13 CytoSport also argues that it is entitled to summary judgment
14 on all of VPX's counter-claims, including the remaining FAL and UCL
15 state law claims, because VPX failed to produce sufficient evidence
16 to support its claims. VPX responds by citing the FDA warning
17 letter discussed above as well as preliminary actions taken by
18 other federal agencies, non-governmental organizations, and
19 Canadian intellectual property authorities.

20 In order to survive summary judgment on a Lanham Act false

21 ² CytoSport raises a similar argument based on laches with respect
22 to VPX's federal claims, arguing that they too are time barred.
23 Although these claims are barred by the Pom holding, they are not
24 barred by laches for the same reasons that VPX's state law counter-
25 claims were filed within the statute of limitations. See Barrus v.
26 Sylvania, 55 F.3d 468, 470 (9th Cir. 1995) (citing Halicki v.
27 United Artists Communications, Inc., 812 F.2d 1213, 1214 (9th
28 Cir.1987)) (holding that a party has standing under the Lanham act
when it suffers a "commercial injury based upon a misrepresentation
about a product, and also that the injury was 'competitive,' i.e.,
harmful to the plaintiff's ability to compete with the
defendant.").

1 advertising claim, a claimant must show:

- 2 (1) Defendants made a false or misleading statement of
3 fact in commercial advertising or promotion about
4 their own or another's goods or services;
- 5 (2) that the statement actually deceives or is likely
6 to deceive a substantial segment of the intended
7 audience;
- 8 (3) that the deception is material in that it is
9 likely to influence purchasing decisions;
- 10 (4) that Defendant caused the statement to enter
11 interstate commerce; and
- 12 (5) that the statement results in actual or probable
13 injury to Plaintiff.

14 Brosnan v. Tradeline Solutions, Inc., 681 F. Supp. 2d 1094, 1099
15 (N.D. Cal. 2010). "In the Ninth Circuit, claims of unfair
16 competition and false advertising under [the FAL and UCL] are
17 substantially congruent to claims made under the Lanham Act[,]” and
18 the analyses of VPX’s federal and state law claims are consolidated
19 for the purposes of this order. Walker & Zanger, Inc. v. Paragon
20 Indus., Inc., 549 F. Supp. 2d 1168, 1182 (N.D. Cal. 2007) (internal
21 quotations omitted).

22 a. False or Misleading Statement of Fact

23 In order to survive summary judgment, VPX must produce
24 evidence that CytoSport’s use of the Muscle Milk mark was either
25 literally false or actually misled a substantial segment of the
26 intended audience. William H. Morris Co. v. Group W, Inc., 66 F.3d
27 255, 258 (9th Cir. 1995). In order to show that a statement is
28 literally false, it must be unambiguously false. Novartis Consumer
Health, Inc. v. Johnson & Johnson-Merck Consumer Pharm. Co., 290
F.3d 578, 586-87 (3d Cir. 2002).

Here, VPX contends that the following evidence shows that
CytoSport’s use of the mark “Muscle Milk” is false:

- 1 1. The FDA Warning Letter;
- 2 2. CytoSport's decision to add the disclaimer "Contains No
3 Milk" to its Muscle Milk labels;
- 4 3. The US Patent and Trademark Offices's Initial Rejection
5 of CytoSport's attempt to register the mark "MUSCLE MILK ACTIVE;"
- 6 4. CytoSport's registration of "MUSCLE MILK CONTAINS NO
7 MILK;"
- 8 5. The National Advertising Division's ("NAD") decision to
9 refer CytoSport to the FDA and FTC after CytoSport failed to
10 participate in proceedings with Nestle USA related to the accuracy
11 of the "MUSCLE MILK" mark; and
- 12 6. A challenge to CytoSport's mark in Canada.

13 First, as discussed above, the FDA warning letter is not a
14 final decision by the FDA and its position may change after further
15 investigation. Thus, there is no evidence in the record that the
16 FDA has determined or will determine that CytoSport's mark is
17 deceptive. Likewise, the material submitted by VPX from the USPTO
18 is a preliminary review of CytoSport's application for "MUSCLE MILK
19 ACTIVE" wherein the USPTO requests more information, but does not
20 come to any conclusion concerning the use the term "MILK." The
21 NAD's decision to refer CytoSport to the FTC and FDA does not
22 constitute a decision by either agency that CytoSport's product is
23 deceptively mislabeled. Canada's pending decision on CytoSport's
24 mark in Canada is also a pending decision and does not constitute
25 evidence that the mark is deceptive.

26 VPX next argues that CytoSport's decision to add a disclaimer,
27 "Contains No Milk" to the front of it its Muscle Milk labels
28

1 constitutes an admission that its previous label, which did not
2 display the disclaimer, was deceptive. VPX does not cite any
3 authority to support this conclusion, however, and one of the cases
4 it does cite indicates that a disclaimer may be sufficient to cure
5 a misleading label. Novartis, 290 F.3d at 599.

6 In any event, none of the proffered evidence shows that the
7 use of the term "Muscle Milk" along with the other content on the
8 label, including the accurate ingredient list, is unambiguously
9 false. In the alternative, VPX attempts to rely on evidence that a
10 substantial segment of the intended audience was deceived by
11 CytoSport. On this point, both parties produced expert opinions
12 based on consumer surveys to support their contentions/positions.
13 Since the Court excluded VPX's expert report, the Gelb Survey,
14 CytoSport's expert report by Kent D. Van Liere (Doc. # 193-7), Ex.
15 A, is uncontradicted. The Van Liere report tends to show that
16 consumers were no more confused by the Muscle Milk label than by a
17 generic control bottle label. Accordingly, VPX is left without
18 evidence to support its position, and no material dispute exists
19 with regard to this element.

20 b. The Statement Deceived or is Likely to Deceive

21 For the same reasons discussed in the preceding section,
22 CytoSport establishes that no material dispute exists as to this
23 element.

24 c. The Deception Was Material

25 CytoSport argues that there is a complete lack of evidence to
26 support this element. VPX does not respond to the substance of
27 CytoSport's argument, instead contending that the preliminary
28 injunction issued previously in this case gives VPX standing to

1 bring this claim because it was damaged when Muscle Power was
2 ordered off the market.

3 "In order to withstand a summary judgment motion, there must
4 also be evidence that the injury was 'competitive' i.e., that the
5 plaintiff's ability to compete with the defendant was actually
6 harmed." Brosnan v. Tradeline Solutions, Inc., 681 F. Supp. 2d
7 1094, 1099 (N.D. Cal. 2010) (citing Halicki v. United Artists
8 Communications Inc., 812 F.2d 1213 (9th Cir.1987)). A deception is
9 material if it is likely to influence purchasing decisions. Id.

10 The evidence before the Court, at best, only has a tendency to
11 show that consumers will believe that Muscle Milk contains liquid
12 dairy milk. The pending FDA decision on the use of the Muscle Milk
13 mark, if it does end up supporting VPX's position, will only stand
14 for the proposition that the mark causes consumers to believe that
15 Muscle Milk contains milk. There is no evidence that such a
16 mistaken belief actually causes consumers to choose Muscle Milk
17 over a competing product such as VPX's protein shakes, or that the
18 presence of milk in a protein shake matters to consumers at all.
19 Even if the Gelb study were admissible, that report only speaks to
20 the likelihood of consumer confusion, not that the confusion was
21 material to purchasing decisions. The lack of evidence on this
22 element is fatal to VPX's counter-claims, accordingly, there is no
23 genuine dispute as to this element, and VPX fails to meet its
24 burden.

25 d. CytoSport Caused the Statement to Enter Interstate
26 Commerce

27 It is undisputed that CytoSport caused the statement to enter
28 interstate commerce.

1 e. The Statement Resulted in Actual or Probably Injury
2 to VPX

3 For the same reason that the third element is not in genuine
4 dispute, this element is also not genuinely disputed. VPX has not
5 produced evidence that customers will be induced to purchase
6 CytoSport's product over its own if they mistakenly believe that
7 Muscle Milk contains liquid dairy milk.

8 f. Summary of VPX's Counter-claims

9 Because VPX failed to support its counter-claims with
10 admissible evidence, there is no genuine dispute of material fact.
11 CytoSport is entitled to judgment as a matter of law because VPX
12 has not shown that consumers are likely to be confused by
13 CytoSport's use of the Muscle Milk mark and that, if they are
14 actually confused, that they will be more likely to purchase Muscle
15 Milk as a result.³ There is simply no evidence, viewing the entire
16 record in a light favorable to VPX, from which a reasonable jury
17 could find in VPX's favor. VPX's counter-claims for Unlawful Trade
18 Practice and Cancellation of Trademark are dependent on VPX's
19 counter-claims for false advertising and a finding that CytoSport's
20 use of the Muscle Milk mark is deceptive. Since VPX's false
21 advertising counter-claims fail, so do VPX's remaining counter-
22 claims. Accordingly, CytoSport's motion for summary judgment on
23 VPX's five counter-claims is granted in its entirety.⁴

24 _____
25 ³ The analysis applies equally to VPX's Lanham Act, UCL, and FAL
26 counter-claims. Thus, CytoSport would be entitled to judgment on
27 VPX's Lanham Act Claims even if they were not barred by the Pom
28 holding.

⁴ CytoSport is also entitled to judgment on VPX's fifth counter-
claim for Declaratory Judgment. That claim, which is based on the
other counter-claims, fails because there is no genuine dispute as

1 D. CytoSport's Motion for Summary Judgment on the Third Amended
2 Complaint

3 1. CytoSport's Infringement and Cancellation Claims

4 CytoSport moves for judgment on its federal and state
5 trademark infringement and cancellation claims (Claims Five, Six
6 and Eight). To prevail on a claim of trademark infringement under
7 15 U.S.C. § 1114, CytoSport must establish that: 1) the Muscle Milk
8 mark is valid, 2) CytoSport is the senior mark holder, and 3) VPX's
9 use of the Muscle Power mark is likely to cause confusion in the
10 marketplace. Conversive, Inc. v. Conversagent, Inc., 433 F. Supp.
11 2d 1079, 1087 (C.D. Cal. 2006) (citing Brookfield Commc'ns, Inc. v.
12 W. Coast Entm't Corp., 174 F.3d 1036, 1046 (9th Cir. 1999)).

13 Generally, "trial courts disfavor deciding trademark cases in
14 summary judgments because the ultimate issue is so inherently
15 factual Additionally, the question of likelihood of
16 confusion is routinely submitted for jury determination as a
17 question of fact." Clicks Billiards, Inc. v. Sixshooters, Inc.,
18 251 F.3d 1252, 1265 (9th Cir. 2001). CytoSport seeks cancellation
19 of VPX's mark because it infringes on the Muscle Milk mark, meaning
20 that CytoSport is only entitled to judgment on its cancellation
21 claim if it is entitled to judgment on its infringement claims.

22 a. Validity of Muscle Milk Mark & CytoSport is
23 Senior Holder

24 VPX contests the validity of CytoSport's Muscle Milk mark on
25 the same grounds raised in its counter-claims, raising the validity
26 of the mark as a defense rather than affirmative claim.

27
28 to the materiality of CytoSport's alleged misrepresentations.

1 A valid defense to a claim of infringement is that the mark is
2 invalid. Pursuant to 15 U.S.C. § 1065, a mark becomes
3 "incontestable" after five years of continuous post-registration
4 use. Once a mark is incontestable, the only grounds upon which it
5 can be canceled are found in 15 U.S.C. §§ 1064(3) and 1064(5).
6 Further, a party may raise the defenses listed in 15 U.S.C. 1115(b)
7 to an infringement claim. 15 U.S.C. § 1064(3) in turn indicates
8 that any mark obtained in violation of 15 U.S.C. 1052 may be
9 cancelled after it becomes incontestable. 15 U.S.C. § 1052(a)
10 prohibits registration of a deceptive mark.

11 Based on the applicable statutes, VPX may raise the
12 deceptiveness of the Muscle Milk mark as a defense. See KP
13 Permanent Make-Up, Inc. v. Lasting Impression I, Inc., 408 F.3d
14 596, 603 (9th Cir. 2005) ("An incontestable registration is still
15 subject to certain defenses or defects"). This finding is
16 also supported by general principles of equity that limit the
17 enforceability of trademarks that deceptively describe the product
18 being sold. Fuddruckers, Inc. v. Doc's B.R. Others, Inc., 826 F.2d
19 837, 847 (9th Cir. 1987); Clinton E. Worden & Co. v. Cal. Fig Syrup
20 Co., 187 U.S. 516, 539-540 (1903) (holding that a mark for a
21 product "Syrup of Figs" that did not contain figs was unenforceable
22 because it was fraudulent). Even though VPX cannot maintain its
23 counter-claims because it lacks sufficient evidence, it may raise
24 its arguments as a defense to CytoSport's affirmative claims. A
25 material dispute therefore exists with regard to this element,
26 making summary judgment inappropriate.

27 b. Likelihood of Confusion

28 CytoSport moves for judgment on this element arguing that the

1 legal factors used to evaluate the likelihood of confusion weigh in
2 favor of CytoSport's position. VPX does not address the majority
3 of the factors, but does argue that material disputes exist with
4 regard to the similarity of the marks, the likelihood of confusion
5 between the marks, and VPX's intent in selecting its Muscle Power
6 mark.

7 Courts use eight factors to determine whether or not an
8 allegedly infringing mark is likely to cause consumer confusion in
9 the marketplace:

- 10 (1) strength of the allegedly infringed mark;
- 11 (2) proximity or relatedness of the goods;
- 12 (3) similarity of the sight, sound, and meaning of the marks;
- 13 (4) evidence of actual confusion;
- 14 (5) degree to which the marketing channels converge;
- 15 (6) type of the goods and degree of care consumers are likely
16 to exercise in purchasing them;
- 17 (7) intent of the defendant in selecting the allegedly
18 infringing mark; and
- 19 (8) likelihood that the parties will expand their product
20 lines.

21 E. & J. Gallo Winery v. Gallo Cattle Co., 967 F.2d 1280, 1290 (9th
22 Cir. 1992) (citing AMF Inc. v. Sleekcraft Boats, 599 F.2d 341, 348-
23 54 (9th Cir. 1979)). "This list of factors, while perhaps
24 exhausting, is neither exhaustive nor exclusive. Rather, the
25 factors are intended to guide the court in assessing the basic
26 question of likelihood of confusion." Id. (internal citations
27 omitted).

28 VPX opposes CytoSport's motion with regard to 1) the

1 similarity of the marks; 2) evidence of actual confusion; and 3)
2 the intent of VPX in selecting its Muscle Power mark, and those
3 factors are analyzed below. For the purposes of this motion,
4 CytoSport's arguments with respect to the other five Sleekcraft
5 factors are unopposed and those factors therefore favor granting
6 judgment.

7 i. Similarity of the Sight, Sound, and Meaning of
8 the Marks

9 CytoSport contends that the marks are similar and that this
10 factor weighs in its favor. VPX responds that the marks are two
11 distinct marks with little similarity. VPX points out that there
12 are many products on the market that contain the word "muscle,"
13 particularly within the protein supplement market. VPX also relies
14 on the USPTO's determination that the registered "Muscle Power"
15 mark is not likely to cause confusion with another mark.

16 "In analyzing the similarity of the marks, the court is to
17 view the marks as a whole, as they appear in the marketplace."
18 Gallo, 967 F.2d at 1291.

19 In this case, the evidence shows that Muscle Power and Muscle
20 Milk appeared on nearly identical products in the same stores.
21 Muscle Power used the same font that Muscle Milk used, the
22 packaging was identical, and the placement of the marks was also
23 identical. Further, the determination by the USPTO was not
24 dispositive because it did not have all of the available evidence
25 in front of it, such as how the products were presented in the
26 marketplace. Carter-Wallace, Inc. v. Procter & Gamble Co., 434
27 F.2d 794, 801-802 (9th Cir. 1970) (finding that the USPTO
28 determination is inconclusive because it is made at the lowest

1 administrative level and without all of the available evidence).

2 VPX's argument, however, is sufficient to raise a genuine
3 dispute. VPX's CEO testified that many products in the nutrition
4 supplement and protein shake milieu contain the word muscle.
5 Further, VPX argues that the marks are dissimilar enough for a
6 reasonable jury to conclude that the marks are not similar because
7 they consist of different secondary words, power and muscle. See
8 Thane Int'l, Inc. v. Trek Bicycle Corp., 305 F.3d 894, 903 (9th
9 Cir. 2002) (overruled by statute on other grounds) (finding that a
10 reasonable jury could determine that "TREK" and "ObiTrek" are not
11 similar marks). Additionally, CytoSport's argument rests at least
12 partially on the trade dress of both parties' products, and
13 CytoSport does not seek judgment on its trade dress claims. While
14 trade dress is relevant to this element insofar as trade dress
15 creates the context for comparison, what confusion stems from the
16 similarity of the marks and what confusion stems from trade dress
17 is primarily a question for a jury to answer. Accordingly, this
18 factor cannot be resolved through the present motion because it
19 requires the determination of disputed factual issues.

20 ii. Evidence of Actual Confusion

21 CytoSport submits evidence of actual confusion consisting of
22 declarations made by its employees describing customers who were
23 confused by Muscle Power and Muscle Milk during the short time that
24 the two products were on the market. VPX contends that this
25 evidence is inadmissible and should therefore not be considered and
26 that it is insufficient to show actual confusion. CytoSport also
27 relies on its expert's survey, and VPX responds with the Klein
28 survey. Finally, CytoSport contends without citation to authority

1 that a judicial finding that the marks are similar gives rise to an
2 inference of confusion.

3 VPX's hearsay objection fails because statements of consumer
4 confusion are admissible under the "state of mind" hearsay
5 exception. Lahoti v. Vericheck, Inc., 636 F.3d 501, 509 (9th Cir.
6 2011). Evidence of actual confusion, however, may be found by a
7 jury to be de minimis, thus making summary judgment inappropriate
8 on this issue. Thane, 305 F.3d at 903 (citing Entrepreneur Media,
9 Inc. v. Smith, 279 F.3d 1135, 1150 (9th Cir. 2002)). Similarly,
10 the two conflicting expert opinions create a material issue of
11 fact. While CytoSport cites Gable v. Nat'l Broad. Co., 727 F.
12 Supp. 2d 815, 836-37 (C.D. Cal. 2010), for the proposition that
13 dueling expert opinions do not necessarily create a triable issue
14 of fact, that case is distinguishable. Gable dealt with relatively
15 simple literary works that the trial court analyzed on its own,
16 finding that the expert comparisons were largely superfluous.
17 Here, the experts offer competing surveys which require some
18 technical expertise and familiarity with accepted principles.
19 Accordingly, VPX raises material disputes with regard to this
20 factor, and it weighs against granting judgment.

21 iii. Intent of the Defendant in Selecting the
22 Allegedly Infringing Mark

23 For this factor, CytoSport cites deposition testimony that
24 VPX's CEO John H. Owoc compared every Tetra-Pak packaged protein
25 shake before choosing the design used for Muscle Power. Thus,
26 CytoSport argues, Mr. Owoc must have considered Muscle Milk, giving
27 rise to an inference that he considered Muscle Milk and intended to
28 copy its design. VPX, however, points to comparative advertisements

1 run by VPX that disparage Muscle Milk and proclaim the superiority
2 of Muscle Power as compared to Muscle Milk. VPX argues that these
3 advertisements show intent to distinguish between the products, not
4 pass off its Muscle Power shake as a CytoSport product.

5 This factor weighs against granting summary judgment because a
6 reasonable jury could interpret the evidence in either CytoSport's
7 or VPX's favor. CytoSport's evidence of intentional infringement
8 is contradicted by VPX's evidence of the comparative advertisements
9 directly contrasting the two products. Further, Mr. Owoc's
10 testimony is that he considered the packaging of every protein
11 shake on the market, which does not necessarily lead to an
12 inference that he intended to copy CytoSport's mark. He may have
13 intended to create a package that was an amalgamation of many
14 competitors' designs or merely a design that met existing industry
15 expectations. This element, therefore, hinges on the weight
16 assigned to the evidence, and different reasonable interpretations
17 of that evidence, meaning that a jury must determine if it is met.

18 Based on the foregoing analysis, CytoSport is not entitled to
19 summary judgment on its infringement or cancellation claims. The
20 similarity of the marks, evidence of actual confusion, and the
21 intent of VPX in selecting its Muscle Power mark are crucial
22 factors in the analysis. Based on material issues of fact raised
23 by VPX with regard to these three factors, it cannot be said that
24 as a matter of law CytoSport is entitled to judgment. This outcome
25 is also consistent with the fact-heavy standard applied in
26 trademark infringement cases. Clicks Billiards, Inc. v.
27 Sixshooters, Inc., 251 F.3d 1252, 1265 (9th Cir. 2001).

28 CytoSport's motion for judgment on claims five, six, and eight is

1 therefore denied.

2 2. CytoSport's False Advertising Claims (Claim Seven)

3 CytoSport also seeks summary judgment on its seventh claim for
4 violation of federal and state false advertising law. CytoSport
5 contends that VPX's comparative advertisements which claimed that
6 Muscle Power had 600% less sugar and 183% less fat than Muscle Milk
7 were literally false because they described mathematical
8 impossibilities. VPX responds that a reasonable jury could find
9 that VPX's advertisements conveyed a colloquial message that Muscle
10 Power contained 1/6th the sugar and 100/183rds the fat of Muscle
11 Milk. VPX responds that the 600% and 183% claims are commonly
12 understood to mean that Muscle Milk has six times more sugar and
13 183% more fat than Muscle Power. Further, since the 600% and 183%
14 less claims are mathematically nonsensical, they are not literally
15 false or misleading. The parties agree that Muscle Milk contained
16 six times more sugar and 1.83 times more fat than Muscle Power.

17 The elements of CytoSport's false advertising claim are the
18 same as discussed for VPX's counter-claims. "To demonstrate
19 falsity within the meaning of the Lanham Act, a plaintiff may show
20 that the statement was literally false, either on its face or by
21 necessary implication, or that the statement was literally true but
22 likely to mislead or confuse consumers." Southland Sod Farms v.
23 Stover Seed Co., 108 F.3d 1134, 1139 (9th Cir. 1997). When a
24 statement is literally false, a rebuttable presumption is created
25 that consumer deceit and reliance occurred, thereby satisfying the
26 second and third elements of a false advertising claim. U-Haul
27 Int'l, Inc. v. Jartran, Inc., 793 F.2d 1034, 1041 (9th Cir. 1986).

1 CytoSport's position faces an internal contradiction in that
2 VPX's claims must be literally false because they are nonsensical
3 in order for CytoSport to prevail on this claim. CytoSport cites
4 no authority that supports its position that nonsensical or
5 impossible claims are "literally false" as a matter of law. A
6 reasonable jury could also find that the commonly understood
7 meanings of VPX's claims accord with the reality of the two
8 products' contents. Accordingly, VPX has a raised a genuine issue
9 of fact on this claim and CytoSport's motion is denied.

10 E. VPX's Emergency Motion to Stay

11 The final matter before the Court is VPX's motion to stay
12 proceedings pursuant to Federal Rule of Civil Procedure 56(d)
13 pending a final FDA ruling on the propriety of CytoSport's labeling
14 practices. As discussed above, CytoSport is entitled to judgment
15 on VPX's counter-claims because there is no evidence that consumers
16 make purchasing decisions based on the dairy milk content of
17 protein shakes. Thus, the Court declines to stay consideration of
18 CytoSport's motion with respect to VPX's counter-claims because a
19 pending FDA decision will not impact that necessary element or
20 resuscitate VPX's claims.

21 The analysis with respect to CytoSport's claims and the
22 pending trial is quite different. As discussed in the section on
23 the validity of the Muscle Milk mark, VPX may be able to raise the
24 alleged deceptiveness of CytoSport's mark as a defense. The
25 remaining question is whether or not a pending FDA decision
26 pursuant to FDA regulations justifies granting a stay pursuant to
27 Rule 56(d). Clearly it does not. CytoSport is not entitled to
28 judgment on its claims in either case, making a stay unnecessary

1 because VPX will not be prejudiced if a stay is denied. Further, a
2 final FDA decision will not be particularly helpful to VPX. The
3 FDA's reasoning is already laid out in its initial warning letter,
4 and for purposes of the Lanham Act, a determination under FDA
5 regulations is not dispositive. At best, a final FDA decision is
6 evidence that the FDA finds CytoSport's use of the Muscle Milk mark
7 to be deceptive, which is already shown by the warning letter. In
8 order to use the alleged invalidity of the Muscle Milk mark as a
9 defense to CytoSport's claims, VPX must do so under the Lanham act,
10 which it admits requires a different standard than that applied by
11 the FDA. A stay is therefore unnecessary, and VPX's motion is
12 denied.

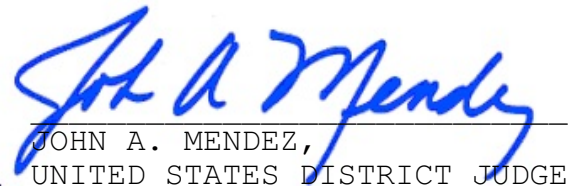
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14 III. ORDER

15 For the foregoing reasons the Court issues the following
16 order:

- 17 1. CytoSport's Motion for Summary Judgment on VPX's Counter-
18 Claims is GRANTED;
- 19 2. CytoSport's Motion for Summary Judgment on Claims Five through
20 Eight is DENIED;
- 21 3. CytoSport's Motion to Exclude the Testimony of Gabriel Gelb is
22 GRANTED;
- 23 4. CytoSport's Motion to Exclude the Testimony of Robert Klein is
24 DENIED; and
- 25 5. VPX's Motion for Emergency Stay is DENIED.

26 IT IS SO ORDERED.

27 Dated: September 6, 2012

28 
JOHN A. MENDEZ,
UNITED STATES DISTRICT JUDGE