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UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF CALIFORNIA

SIGN DESIGNS, INC., No. 2:11-cv-00313-MCE-KJN  
Plaintiff,

v.

**MEMORANDUM AND ORDER**

JOHNSON UNITED, INC., dba  
UNITED SIGN SYSTEMS; CHARLES  
GAY; ANDREW SOARES; BRIAN  
CAMPBELL; CALCRAFT  
CORPORATION,  
Defendants.

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Through this action, Plaintiff Sign Designs ("Plaintiff") seeks redress from Defendants pursuant to state law and the Lanham Act<sup>1</sup> for the alleged misappropriation of its trade secrets. Plaintiff originally filed the action in San Joaquin County Superior Court on June 3, 2008. On February 2, 2011, more than two and a half years later, Defendant Calcraft Corporation ("Calcraft"), citing federal question jurisdiction, removed the action to this Court.

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<sup>1</sup> Codified at 15 U.S.C. § 1125(a).

1 Presently before the Court is Plaintiff's Motion to Remand and  
2 For Attorney's Fees. (ECF No. 9.) In support of its motion,  
3 Plaintiff contends that removal was untimely. For the reasons  
4 set forth below, Plaintiff's motion is granted.<sup>2</sup>

5  
6 **BACKGROUND**<sup>3</sup>  
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8 Plaintiff is a California corporation in the business of  
9 designing, manufacturing, and selling signs. Plaintiff alleges  
10 that, while employed by Plaintiff, Defendants Charles Gay and  
11 Andrew Soares acquired design drawings and photographs belonging  
12 to Plaintiff. Defendant United Sign Systems ("USS") later hired  
13 Mr. Gay and Mr. Soares, thereby gaining access to the design  
14 drawings and photographs. According to Plaintiff, USS altered  
15 the design drawings and photographs to conceal their origin, and  
16 sold them to customers falsely representing them as its own.  
17 Calcraft also purportedly used the design drawings and  
18 photographs during the course of its business without proper  
19 attribution to Plaintiff.

20 On February 22, 2010, Plaintiff filed the First Amended  
21 Complaint ("FAC") in state court. The Third Cause of Action pled  
22 in the FAC specifically involves the Lanham Act and is captioned  
23 "Lanham Act: False Designation of Origin - 15 U.S.C. § 1125(a)."  
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25 <sup>2</sup> Because oral argument will not be of material assistance,  
26 the Court orders this matter submitted on the briefs. E.D. Cal.  
Local Rule 230(g).

27 <sup>3</sup> The factual assertions in this section are based on the  
28 allegations in Plaintiff's Second Amended Complaint unless  
otherwise specified.

1 Plaintiff's Lanham Act claim alleges so-called "reverse passing  
2 off" in claiming that Defendants wrongfully misappropriated  
3 Plaintiff's designs, altered them to conceal their true origin,  
4 then passed off the designs as their own. On March 23, 2010,  
5 Calcraft filed a demurrer to the FAC, specifically responding to  
6 the Lanham Act claim.

7 On May 27, 2010, Plaintiff filed the Second Amended  
8 Complaint ("SAC"), again expressly purporting to state a claim  
9 for reverse passing off pursuant to the Lanham Act. Like its  
10 predecessor, the SAC specifically captions its Third Cause of  
11 Action as being made under the Lanham Act. Moreover, the SAC  
12 reiterates that Defendants "wrongfully misappropriated ...  
13 Plaintiff's design drawings and photographs ... (a) altered them  
14 to conceal their true origin, (b) used them to unlawfully solicit  
15 Plaintiff's customers ... and (c) sold them to those customers  
16 falsely designating their origin."

17 On January 4, 2011, Plaintiff served Calcraft with an  
18 interrogatory response alleging that USS had bid on signage jobs  
19 using "design drawings and/or feature of those drawings ...  
20 copied with only slight modification from the design drawings  
21 prepared and/or photographs taken by [Plaintiff]." (Pl.'s  
22 Interrog. Resp. 4.) Despite the Lanham Act claim clearly  
23 articulated in both the FAC and the SAC, Calcraft contends that  
24 the interrogatory response provides the first notice to  
25 Defendants that Plaintiff was pursuing a federal claim: namely, a  
26 claim made pursuant to the Federal Copyright Act.

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1 On the basis of the January 4, 2011 interrogatory responses,  
2 which Calcraft contends triggered its right to remove this  
3 matter, Calcraft asserts that its subsequent February 2, 2011  
4 removal was timely.

## 6 ANALYSIS

### 7 A. Motion To Remand

8  
9 It is fundamental that federal courts are courts of limited  
10 jurisdiction. Vacek v. United States Postal Serv., 447 F.3d  
11 1141, 1145 (9th Cir. 2006). As a result, there is a "strong  
12 presumption" against removal jurisdiction, and the defendant  
13 bears the burden of establishing that removal is proper. Gaus v.  
14 Miles, Inc., 980 F.2d 564, 566 (9th Cir. 1992). Generally, a  
15 notice of removal must be filed within thirty days from the date  
16 the Defendant receives the initial complaint. 28 U.S.C.  
17 § 1446(b). However, if the case stated by the initial complaint  
18 is not removable, the notice of removal must be filed within  
19 thirty days of receipt of an amended pleading, notice, or other  
20 paper from which it can be ascertained that the case is  
21 removable. Id. Federal question jurisdiction is established if a  
22 plaintiff pleads a colorable claim arising under the Constitution  
23 or laws of the United States. Arbaugh v. Y&H Corp., 546 U.S.  
24 500, 513 (2006).

25 On February 22, 2010, Plaintiff filed the FAC. As its Third  
26 Cause of Action in the FAC, Plaintiff expressly asserts a Lanham  
27 Act claim. (Notice of Removal ¶ 5.) The SAC, filed May 27, 2010,  
28 also contains a claim made pursuant to the Lanham Act. Id.

1 A claim arising under the Lanham Act states a federal question.  
2 Duncan v. Stuetzle, 76 F.3d 1480, 1485 (9th Cir. 1996). Calcraft  
3 did not file its Notice of Removal until February 2, 2011.  
4 Because the Notice of Removal was filed more than thirty days  
5 after both the FAC and the SAC, removal is defective if either  
6 amended complaint contains a colorable claim arising under the  
7 Lanham Act. See 28 U.S.C. § 1446(b).

8 Calcraft contends that the SAC does not assert a claim  
9 arising under the Lanham Act because the Lanham Act is preempted  
10 by the California Uniform Trade Secrets Act ("CUTSA"). This  
11 argument is wholly unpersuasive and conflicts with fundamental  
12 precepts of constitutional law. Calcraft cites K.C. Multimedia,  
13 Inc. v. Bank of America Technology and Operations, Inc. for the  
14 proposition that CUTSA preempts all non-contractual claims  
15 arising out of the same nucleus of operative fact. 171 Cal. App.  
16 4th 939. However, it is fundamental that state law cannot  
17 preempt a federal statute. See Chapman v. Houston Welfare Rights  
18 Organization, 441 U.S. 600, 612 (1979). Further, K.C. Multimedia  
19 stands only for the proposition that CUTSA preempts California  
20 common law arising out of the same nucleus of operative fact as  
21 the misappropriation of trade secrets claim. 171 Cal. App. 4th  
22 at 957. There is absolutely no authority for Calcraft's  
23 erroneous contention that CUTSA in any way preempts federal law.

24 Calcraft next contends that removal was timely because  
25 Plaintiff's Lanham Act claim is clearly foreclosed by Supreme  
26 Court precedent, and is therefore not colorable.

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1 A claim is colorable unless it "is immaterial and made solely for  
2 the purpose of obtaining jurisdiction or is wholly insubstantial  
3 and frivolous." See Arbaugh v. Y&H Corp., 546 U.S. 500, 513 n.10  
4 (2006) (internal quotations omitted). Plaintiff asserts a  
5 "reverse passing off" claim pursuant to the Lanham Act arising  
6 out of the alleged theft, alteration, and resale of Plaintiff's  
7 design drawings and photographs by Defendants without properly  
8 attributing their origin to Plaintiff.

9 Plaintiff's ability to succeed on the merits of its Lanham  
10 Act claim may indeed ultimately be foreclosed by a recent Supreme  
11 Court decision. In Dastar Corp. v. Twentieth Century Fox Film  
12 Corp., Fox brought a reverse passing off claim pursuant to the  
13 Lanham Act after Dastar edited videotapes in the public domain,  
14 originally produced by Fox, and sold them without stating their  
15 origin. 539 U.S. 23 (2003). In concluding that Fox could not  
16 bring a Lanham Act claim, the Supreme Court held that a reverse  
17 passing off claim is limited to cases involving the failure to  
18 properly attribute the origin of tangible goods, as opposed to  
19 the origin of the ideas or communications the goods contain. Id.  
20 at 32. The Supreme Court nonetheless stated in dicta that a  
21 claim for reverse passing off "would undoubtedly be sustained if  
22 [defendant] had bought some of [plaintiff's] videotapes and  
23 merely repackaged them as its own." Id. at 31.

24 Although Dastar may limit Plaintiff's ability to ultimately  
25 succeed on the merits, Plaintiff's reverse passing off claim is  
26 colorable, as it is not wholly insubstantial and frivolous.  
27 Reading the Complaint in a light most favorable to Plaintiff,  
28 Dastar is distinguishable.

1 Plaintiff appears to be claiming that Defendants made no  
2 substantive change to the design drawings and photographs, merely  
3 altering them "to conceal their true origin." (SAC ¶ 33.) As a  
4 result, Defendants arguably repackaged Plaintiff's essentially  
5 unaltered tangible product, and sold it without attribution.  
6 This plausible reading of Plaintiff's Complaint brings the  
7 instant case within the purview of the dicta in Dastar.  
8 Consequently, despite some skepticism of Plaintiff's ability to  
9 ultimately succeed on the merits of its Lanham Act claim, the  
10 Court concludes that Plaintiff states a colorable claim arising  
11 under federal law in the FAC and the SAC.

12 Further, removal is defective irrespective of whether the  
13 SAC states a colorable Lanham Act claim because the Plaintiff's  
14 interrogatory response is not materially different from the  
15 allegations in the SAC. In the SAC, Plaintiff alleges that  
16 Defendants "wrongfully missappropriated" its design drawings and  
17 photographs. In its interrogatory response, Plaintiff alleges  
18 that Defendant "copied" Plaintiff's design drawings and  
19 photographs with slight modification. Use of the word 'copied'  
20 instead of the phrase 'wrongfully misappropriated' does not  
21 fundamentally alter the character of the allegations contained in  
22 the SAC. Therefore, even assuming, arguendo, that the  
23 interrogatory response, taken alone, establishes removal  
24 jurisdiction, both amended complaints necessarily do so as well.  
25 Consequently, Calcraft's removal is defective whether or not the  
26 interrogatory response is sufficient to establish federal  
27 question jurisdiction.

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1           **B.     Attorney's Fees**

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3           An order remanding a case "may require payment of just costs  
4 and actual expenses, including attorney's fees, incurred as a  
5 result of the removal." 28 U.S.C. § 1447(c). The decision to  
6 award attorney's fees is left to the discretion of the Court.  
7 See Martin v. Franklin Capital Corp., 546 U.S. 132, 141 (2005).  
8 Absent unusual circumstances, a court may not award attorney's  
9 fees pursuant to § 1447(c) unless "the removing party lacked an  
10 objectively reasonable basis for seeking removal." Id. In the  
11 instant case, Calcraft lacked an objectively reasonable basis for  
12 seeking removal. Both the FAC and SAC explicitly state, on the  
13 face of the complaint, a cause of action arising under the Lanham  
14 Act. As a result, Calcraft had notice on or before February 22,  
15 2010 that Plaintiff seeks relief pursuant to a claim arising  
16 under federal law. Further, Defendant filed a demurrer to the  
17 FAC challenging Plaintiff's Lanham Act claim on March 23, 2010.

18           Despite receiving notice of, and filing a demurrer to,  
19 Plaintiff's Lanham Act claim, Calcraft did not file notice of  
20 removal for almost a year. Calcraft finally gave notice of  
21 removal on February 2, 2011, which resulted in an April 25, 2011  
22 state court trial date being vacated. Calcraft removed the case  
23 at this point despite having already requested and received a  
24 continuance of the original January 4, 2011 trial date from state  
25 court. Further, as detailed above, Calcraft's central argument  
26 for the timeliness of its notice of removal, the preemption of  
27 the Lanham Act by CUTSA, is wholly without merit.

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1 Finally, although Calcraft's reliance on Dastar provides some  
2 support for the conclusion that Plaintiff may not be able to  
3 succeed on the merits of its Lanham Act claim, Plaintiff's  
4 interrogatory response clearly does not alter the factual  
5 allegations made by Plaintiff in both the FAC and the SAC.  
6 Because those allegations gave rise to a colorable federal claim,  
7 on the basis of either the FAC or the SAC, Calcraft's removal was  
8 clearly untimely.

9 Since Calcraft lacked an objectively reasonable basis for  
10 removal, an award of attorney's fees is proper. Plaintiff  
11 requests an hourly rate of \$250.00. That rate is commensurate  
12 with rates previously approved by this Court. In its breakdown  
13 of the total hours spent as a result of the removal, however,  
14 Plaintiff includes 2.5 hours for travel time to, and attendance  
15 at, the hearing on this matter. Because the Court did not hold a  
16 hearing, Plaintiff's request will be reduced by 2.5 hours to 24.7  
17 hours for a total of \$6,175.00 in attorney's fees.

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19 **CONCLUSION**  
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21 Based on the foregoing, Plaintiff's Motion to Remand and to  
22 Award Attorney's Fees (ECF No. 9) is hereby GRANTED pursuant to  
23 28 U.S.C. § 1447(c). The case is accordingly transferred to the  
24 originating state court, the Superior Court of California, County  
25 of San Joaquin, for final adjudication.

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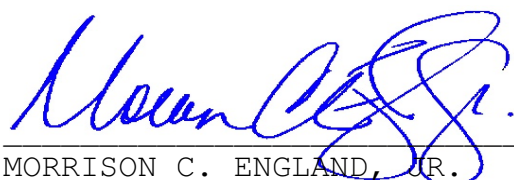
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1 Defendant Calcraft is ordered to pay Plaintiff's attorney the sum  
2 of \$6,175.00 not later than twenty (20) days following the date  
3 of this Memorandum and Order. The Clerk of Court is ordered to  
4 close the case, subject to the Court's continuing jurisdiction to  
5 ensure that the award of attorney's fees is properly satisfied.

6 IT IS SO ORDERED.

7 Dated: April 21, 2011

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10 MORRISON C. ENGLAND, JR.  
11 UNITED STATES DISTRICT JUDGE  
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