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UNITED STATES DISTRICT COURT  
EASTERN DISTRICT OF CALIFORNIA

APPLIED UNDERWRITERS,  
INC., a Nebraska corporation,

Plaintiff,

v.

LARRY J. LICHTENEGGER, J. DALE  
DEBBER, both Individuals, and  
PROVIDENCE PUBLICATIONS, LLC, a  
California limited liability company,

Defendants.

No. 2:15-cv-02445-TLN-CKD

**ORDER**

This matter is before the Court on Defendants Providence Publications, LLC (“Providence”), Larry J. Lichtenegger, and J. Dale Debber’s (collectively, “Defendants”) Motion for Attorney Fees. (ECF No. 37.) Plaintiff Applied Underwriters, Inc. (“Plaintiff”) filed an Opposition on November 2, 2017. (ECF No. 45.) Defendants filed a Reply on November 9, 2017. (ECF No. 47.) For the reasons set forth below, the Motion is DENIED.

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1           **I.       FACTUAL AND PROCEDURAL BACKGROUND**

2           Defendant Providence is a local publisher that provides news, information, investigative  
3 journalism, and educational seminars to a market of insurance brokers and carriers interested in  
4 workers' compensation in California. (ECF No. 13 at 1.) One of Providence's educational  
5 seminars criticized Plaintiff's insurance program called "EquityComp." (Id.) Providence has  
6 extensively written about Plaintiff's program, including the multiple lawsuits brought against  
7 Plaintiff. (Id.) Providence's seminar was titled "Applied Underwriters' EquityComp® Program  
8 Like it, Leave it, or Let it be?" (Id.) The subtitle of the seminar was "Learn the best strategies for  
9 selling, competing with, or helping a prospect out of EquityComp® mid-term." (Id.)

10           By way of the above-captioned action, which is now a closed matter, Plaintiff alleged  
11 federal trademark infringement, violation of the Lanham Act, unfair competition, federal  
12 trademark dilution, and violation of California Business & Professional Code § 17200 against all  
13 Defendants. (ECF No. 1 at 7–10.) Plaintiff claimed its intent in filing the lawsuit was to protect  
14 its trademark rights and prevent public confusion over Defendants' wrongful use of Plaintiff's  
15 trademarks. (ECF No. 19 at 1.)

16           Plaintiff filed a Motion for a Temporary Restraining Order on November 25, 2015, the  
17 day before Thanksgiving, seeking to enjoin Defendants' use of Plaintiff's trademarks. (ECF No.  
18 5 at 2.) On November 30, 2015, the Court denied Plaintiff's Motion because Plaintiff failed to  
19 provide Defendants with notice. (ECF No. 7 at 1.)

20           On December 14, 2015, Defendants filed a Motion to Dismiss, asserting, inter alia, a  
21 nominative fair use defense. (ECF No. 13 at 7.) More specifically, Defendants argued Plaintiff's  
22 claims did not give rise to a cause of action because Defendants' use was nominative, i.e., used to  
23 identify or refer to a product or service, which use is permissible under trademark laws. (Id.)  
24 Defendants also asserted Plaintiff's false designation of origin claim was constitutionally-barred  
25 due to a lack of explicitly misleading statements. (Id. at 11.) Lastly, Defendants argued  
26 Plaintiff's federal dilution claim failed because Defendants' use of the trademarks fell within  
27 certain exceptions, including nominative fair use. (Id. at 13.)

28       ///

1 Plaintiff opposed Defendants' Motion, arguing the nominative fair use defense was  
2 inapplicable because Defendants' use failed the three-prong test articulated in *New Kids on the*  
3 *Block v. News Am. Publ 'g, Inc.*, 971 F.2d 302, 308 (9th Cir. 1992). (ECF No. 20 at 2.) Plaintiff  
4 asserted that Defendants' First Amendment argument should also be rejected because  
5 Defendants' advertising and marketing were at issue, not the content of their program. (Id. at 8.)  
6 Lastly, Plaintiff argued Defendants' advertising constituted commercial speech, and Plaintiff  
7 adequately alleged a trademark dilution claim. (Id. at 8, 13.)

8 On July 6, 2017, the Court granted Defendants' Motion to Dismiss, finding Defendants'  
9 use of the trademarks constituted nominative fair use. (ECF No. 31 at 12.) The Court granted  
10 Plaintiff leave to amend within thirty days. (Id. at 13.) Plaintiff did not file an amended  
11 complaint and on August 10, 2017, the Court dismissed the case. (ECF No. 32.) The Court  
12 issued a Judgment in favor of Defendants on August 25, 2017. (ECF No. 34 at 1.) On September  
13 6, 2017, Plaintiff filed a Notice of Appeal (ECF No. 35) and the next day, Defendants filed the  
14 present Motion for Attorney Fees, seeking fees pursuant to the fee-shifting provision of the  
15 Lanham Act. (ECF No. 37 at 5.)

16 On February 6, 2019, the Ninth Circuit affirmed the District Court's dismissal. (ECF No.  
17 50, USCA Opinion; ECF No. 51, USCA Mandate.) Although the panel concluded the District  
18 Court abused its discretion by ultimately dismissing Plaintiff's Complaint pursuant to Federal  
19 Rule of Civil Procedure ("Rule") 41(b), it held the Court's earlier dismissal under Rule 12(b)(6)  
20 was appropriate because Defendants' use of Plaintiff's marks clearly constituted nominative fair  
21 use. (ECF No. 50 at 25.)

## 22 II. STANDARD OF LAW

23 Rule 54(d)(2) provides that requests for attorney's fees shall be made by motion unless the  
24 substantive law governing the action requires those fees to be proven at trial. The rule itself does  
25 not provide authority for awarding fees, rather, there must be another source of authority for such  
26 an award. *MRO Communications, Inc. v. AT&T*, 197 F.3d 1276, 1281 (9th Cir. 1999).

27 To that end, the Lanham Act provides that in "exceptional cases" the court may award  
28 reasonable attorney's fees to the prevailing party. 15 U.S.C. § 1117(a). An exceptional case is

1 “one that stands out from others with respect to the substantive strength of a party’s litigating  
2 position (considering both the governing law and the facts of the case) or the unreasonable  
3 manner in which the case was litigated.” *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*,  
4 572 U.S. 545, 554 (2014). Under the Lanham Act, determination as to whether a case is  
5 “exceptional” requires an evaluation of the totality of the circumstances. *SunEarth, Inc. v. Sun*  
6 *Earth Solar Power Co., Ltd.*, 839 F.3d 1179, 1181 (9th Cir. 2016). Courts apply a preponderance  
7 of the evidence standard and exercise equitable discretion in light of the nonexclusive factors  
8 identified in *Octane Fitness*. *Id.* The nonexclusive factors include objective unreasonableness in  
9 the factual and legal components of the case, motivation, frivolousness, and the need in particular  
10 circumstances to advance considerations of compensation and deterrence. *Id.*

11 “[A]s a general matter, a prevailing party in a case involving Lanham Act and non-  
12 Lanham Act claims can recover attorneys’ fees only for work related to the Lanham Act claims.”  
13 *Gracie v. Gracie*, 217 F.3d 1060, 1069 (9th Cir. 2000). As a result, a court must apportion or at  
14 least attempt to apportion fees awarded in connection with the Lanham Act claims only, “unless  
15 the court finds the claims are so inextricably intertwined that even an estimated adjustment would  
16 be meaningless.” *Id.*

17 Procedurally, the Eastern District Local Rules require all motions for attorney fees be filed  
18 by “28 days after entry of final judgment.” E.D. Cal. L.R. 293(a). Local Rule 293(b) also  
19 requires the moving party to file an affidavit showing: “[1] that the moving party was a  
20 prevailing party; [(2)] that the moving party is eligible to receive an award of attorneys’ fees, and  
21 the basis of such eligibility; [(3)] the amount of attorneys’ fees sought; [(4)] the information  
22 pertaining to each of the criteria set forth in [Local Rule 293](c); and [(5)] such other matters as  
23 are required under the statute under which the fee award is claimed.” E.D. Cal. L.R. 293(b).

### 24 III. ANALYSIS

25 By way of the present motion, Defendants seek attorney’s fees under the fee-shifting  
26 provision of the Lanham Act. Specifically, Defendants argue this is an “exceptional case”  
27 because Plaintiff’s claims were objectively unreasonable, its motivation for pursuing the lawsuit  
28 was wrongful, and the need to deter similar actions justifies an award. (ECF Nos. 37, 47.)

1  
2 A. Objectively Unreasonable

3 In arguing that Plaintiff’s claims were objectively unreasonable, Defendants make much  
4 of the fact that the Court rejected every argument advanced by Plaintiff in its Opposition to  
5 Defendants’ Motion to Dismiss and found the nominative fair use defense warranted dismissal of  
6 all claims. (ECF No. 37 at 7.) More specifically, the Court found Defendants’ use of the  
7 trademarks in its promotional communications did not imply endorsement because the references  
8 were accompanied by repeated “unflattering” and critical references to the EquityComp insurance  
9 program. (Id.) The Court also found it “nearly impossible” for Defendants to have used a generic  
10 descriptor instead of the EquityComp name, and found Defendants used no more of the mark than  
11 necessary in the promotional materials. (Id.) Defendants point out that, finding nominative fair  
12 use applied, the Court found it unnecessary to address any of the other potentially applicable  
13 defenses. (Id. at 8.) Nonetheless, Defendants assert Plaintiff’s false designation of origin claim  
14 was objectively unreasonable and clearly barred under the two-part test set forth in *Rogers v.*  
15 *Grimaldi*, 875 F.2d 994 (2d Cir. 1989). (Id.) Finally, Defendants argue Plaintiff’s dilution claim  
16 was objectively unreasonable given the First Amendment protections for speech and because  
17 dilution only applies to commercial speech. (Id.)

18 In opposition, Plaintiff argues the case is not exceptional because Plaintiff reasonably  
19 litigated the cause of action. (ECF No. 45 at 4.) According to Plaintiff, it filed a Motion for  
20 Temporary Restraining Order and gave Defendants sufficient notice. (Id.) Although the Motion  
21 was denied, Plaintiff did not pursue any further request for expedited or preliminary relief. (Id. at  
22 4–5.) After Defendants filed a Motion to Dismiss, Plaintiff did nothing to increase Defendants’  
23 costs and attorney’s fees. (Id.) Additionally, Plaintiff argues the claim was not objectively  
24 unreasonable because Plaintiff owns a registered trademark, Defendants used the marks, and there  
25 is no claim that the marks are invalid; thus, the lawsuit was brought only to police and enforce  
26 Plaintiff’s trademark rights. (Id. at 5.) Finally, Plaintiff presented evidence showing actual  
27 confusion from one of its consumers, indicating the claim was not objectively unreasonable. (Id.  
28 at 6.)

1 In reply, Defendants argue nominative fair use and the First Amendment protect the type  
2 of speech underlying Plaintiff's Lanham Act claim, including speech critical of the mark holder's  
3 products or services. (ECF No. 47 at 2.) According to Defendants, it was clear Defendants were  
4 eschewing Plaintiff's mark, not attempting to mislead consumers over sponsorship of the seminar.  
5 (Id.) Defendants assert Plaintiff incorrectly relied on *Caiz v. Roberts*, CV No. 15-09044-RSWL-  
6 AGRx, 2017 WL 830386 (C.D. Cal. Mar. 2, 2017), because unlike *Caiz*, in which the court  
7 confronted a "close question," the issues here are not close. (ECF No. 47 at 3.) Moreover, case  
8 law makes clear that intellectual property owners are not free to ignore fair use defenses or the  
9 First Amendment. (Id. at 2 (citing *Lenz v. Universal Music Corp.*, 571 F. Supp. 2d 1150, 1154–  
10 55 (N.D. Cal. 2008)).) Defendants assert Plaintiff's evidence concerning a single confused  
11 customer does not change this analysis because consumer confusion focuses on the reasonable  
12 prudent consumer and a significant number of consumers, not present here. (Id. at 4.) The Court  
13 finds Plaintiff has the better argument.

14 Exceptional cases "stand out from others with respect to the substantive strength of a  
15 party's litigating position (considering both the governing law and the facts of the case) or the  
16 unreasonable manner in which the case was litigated." *SunEarth*, 839 F.3d at 1180  
17 (quoting *Octane Fitness*, 572 U.S. at 554). A case is not exceptional and does not support an  
18 award of attorney fees where Plaintiff had a registered trademark, his motivation in pursuing the  
19 lawsuit was to police and enforce his trademark rights, and the case was not objectively  
20 unreasonable both in the factual and legal components of the case. *Octane Fitness*, 572 U.S. at  
21 554 n.6 (quoting *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n.19 (1994)).

22 "[W]here a party has set forth some good faith argument in favor of its position, it will  
23 generally not be found to have advanced exceptionally meritless claims." *Deckers Outdoor Corp.*  
24 *v. Romeo & Juliette, Inc.*, No. 2:15-cv-02812-ODW (Cwx), 2016 WL 5842187, at \*3 (C.D. Cal.  
25 Oct. 5, 2016). Even where a plaintiff failed to produce any evidence in support of its claims, the  
26 Ninth Circuit upheld a finding that the case was not exceptional because the case was not  
27 frivolous and raised debatable issues. *Applied Information Sciences Corp. v. eBay, Inc.*, 511 F.3d  
28 966, 973 (9th Cir. 2007).

1 Here, the Court granted (and the Ninth Circuit affirmed) Defendants’ motion to dismiss  
2 because Defendants’ use of Plaintiff’s trademarks constituted nominative fair use. But the Court  
3 is not persuaded that Plaintiff lacked any reasonable basis to believe its claims were potentially  
4 viable. “In cases where the Ninth Circuit has affirmed the district court’s denial of attorneys’ fees  
5 based on a finding that [a Lanham Act] case was not exceptional, the key factor appears to be that  
6 the plaintiff raised ‘debatable issues’ and had a legitimate reason for bringing the lawsuit.” *Am.*  
7 *Optometric Soc., Inc. v. Am. Bd. of Optometry, Inc.*, No. CV10-03983 AHM (FFMx), 2012 WL  
8 6012861, at \*2 (C.D. Cal. 2012). The Court finds that whether Plaintiff was justified in bringing  
9 its claims in this case is at least debatable. Having valid, registered trademarks entitles Plaintiff  
10 to police its marks if Plaintiff reasonably believes its trademarks were infringed. *Caiz*, 2017 WL  
11 830386, at \*4. Plaintiff asserts it brought its lawsuit to police and enforce its trademark rights,  
12 and presented evidence showing actual confusion from one of its customers in support of its  
13 claims. Therefore, the Court is not convinced that Plaintiff’s lawsuit was entirely baseless.  
14 Rather, the Court finds Plaintiff’s claims were not objectively unreasonable and this factor weighs  
15 against an award of fees for Defendant.

16 B. Bad Faith

17 Defendants additionally argue Plaintiff pursued the case in bad faith. As evidence of bad  
18 faith, Defendants point to Plaintiff’s TRO — filed without warning and without a prior request to  
19 cease and desist — which sought to enjoin Defendants from disseminating a DVD program in  
20 violation of its First Amendment rights. (ECF No. 37 at 9.) Moreover, Defendants note Plaintiff  
21 did not amend its complaint when given the opportunity and instead appealed to the Ninth Circuit  
22 in an effort to deplete Defendants of financial resources and to punish Defendant Lichtenegger for  
23 providing representation to those adverse to Plaintiff. (*Id.*) Finally, Defendants stress that their  
24 criticism of Plaintiff proved true when the California Department of Insurance issued Plaintiff a  
25 cease and desist order, which was ultimately upheld, forcing Plaintiff to stop selling its program.  
26 (*Id.*) According to Defendants, there was a clear underlying motivation from Plaintiff seeking to  
27 chill Defendants’ First Amendment rights. (*Id.*)

28 In opposition, Plaintiff argues Defendants failed to present any evidence showing

1 malicious motive by Plaintiff. (ECF No. 45 at 6.) Plaintiff urges it was simply enforcing its  
2 rights as a trademark owner and did not exhibit nefarious behavior. (Id.)

3 In reply, Defendants reiterate that Plaintiff should have issued a cease and desist letter  
4 demanding that Defendants stop their use of the trademarks. (ECF No. 47 at 5.) Instead, Plaintiff  
5 filed a lawsuit on the eve of Thanksgiving in 2015 and served a notice of TRO hearing on  
6 November 27, 2015, for a hearing on November 30, 2015. (Id.) Plaintiff's litigation was  
7 allegedly in retaliation for Defendants' extensive reporting on Plaintiff's insurance program. (Id.)  
8 According to Defendants, Plaintiff's actions support the conclusion that its litigation conduct was  
9 aimed at chilling a valid exercise of protected speech by forcing a small publisher into expensive  
10 litigation. (Id.)

11 "When attorney's fees are awarded against a plaintiff, the court looks to the plaintiff's  
12 conduct in bringing the lawsuit and the manner in which it is prosecuted." Nat'l Ass'n of Prof'l  
13 Baseball Leagues, Inc. v. Very Minor Leagues, Inc., 223 F.3d 1143, 1148 (10th Cir. 2000) (cited  
14 in *Love v. Associated Newspapers, Ltd.*, 611 F.3d 601, 616 (9th Cir. 2010)). Here, Defendants  
15 argue Plaintiff's decision to file a lawsuit instead of first sending a cease and desist letter  
16 demonstrates bad faith. But Plaintiff's election to sue, without more, is not evidence that Plaintiff  
17 litigated the case in bad faith. *Strategic Partners, Inc. v. Vestagen Protective*, No. 2:16-cv-  
18 05900-RGK-PLA, 2018 WL 6174013, at \*2 (C.D. Cal. Jan. 17, 2018). And while the Court  
19 certainly frowns on the timing of Plaintiff's TRO, Defendants identify no authority in support of  
20 their contention that a poorly-timed filing renders an entire action as one brought in bad faith.

21 Moreover, even if Plaintiff's claims were not particularly strong, the undisputed fact that  
22 Plaintiff has registered trademarks and that Defendants used those trademarks supports a finding  
23 that Plaintiff had a legitimate reason for bringing the lawsuit. *Caiz*, 2017 WL 830386, at \*4.  
24 Despite Defendants' allegations that the litigation was retaliatory and/or aimed at chilling their  
25 protected speech, the Court declines to conclude that Plaintiff pursued the litigation in bad faith  
26 when it had a legitimate reason for filing a lawsuit and debatable issues were litigated.  
27 Accordingly, this factor weighs against an award of fees.

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1 C. Deterrence

2 As for deterrence, Defendants argue Plaintiff used state and federal unfair competition  
3 laws to chill Defendants' First Amendment protected speech, which conduct should be deterred.  
4 (ECF No. 37 at 10.) Defendants reason that the policies underlying the Lanham Act's fee  
5 provision are the same policies that underlie the mandatory fee-shifting provisions of the state's  
6 anti-SLAPP statute. (Id.) As a result, Defendants argue the need to deter others from utilizing  
7 anti-competition laws to stifle unfavorable speech on matters of public importance weighs in  
8 favor of awarding fees. (Id.)

9 In opposition, Plaintiff argues Defendants inappropriately rely on the California anti-  
10 SLAPP statute to again imply Plaintiff acted in bad faith, and that such contentions are baseless.  
11 (ECF No. 45 at 6.) Indeed, Plaintiff argues it did not intend to quash any speech, but merely  
12 wanted Defendants to present their webinar without using Plaintiff's federally-registered  
13 trademarks. (Id.) Plaintiff emphasizes that Defendants did not bring an anti-SLAPP motion  
14 during the litigation, and so deterrence is not an applicable basis upon which to award fees. (Id.)

15 In reply, Defendants argue they did not invoke the anti-SLAPP statute as a basis for  
16 recovering fees, but rather to show that this type of action is one which warrants deterrence  
17 through fee-shifting provisions. (ECF No. 47 at 6.) Defendants urge this factor should weigh  
18 heavily in favor of assessing fees under the totality of the circumstances test.

19 Although the anti-SLAPP statutes are not applicable here, in determining whether a case  
20 is "exceptional," deterrence of frivolous lawsuits is a factor the court may consider. SunEarth,  
21 839 F.3d at 1181. A court may also look to a party's conduct to determine whether it  
22 demonstrates the need for deterrence. Certified Nutraceuticals, Inc. v. Avicenna Nutraceutical,  
23 LLC, 3:16-CV-02810-BEN-BGS, 2018 WL 5840042, at \*4 (S.D. Cal. Nov. 7, 2018). Here,  
24 however, Defendants' argument rests heavily on the assumption that Plaintiff's lawsuit was  
25 baseless and motivated by a bad faith intent to chill speech. As discussed, the Court is not  
26 convinced of either. As such, the Court cannot say with any certainty that deterrence is needed in  
27 this case, and therefore finds this factor does not weigh in favor of awarding fees.

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**IV. CONCLUSION**

For the reasons set forth above, Defendants’ Motion for Attorney’s Fees brought under the fee-shifting provision of the Lanham Act (ECF No. 37) is DENIED.

IT IS SO ORDERED.

DATED: August 30, 2020



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Troy L. Nunley  
United States District Judge