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IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

FREECYCLESUNNYVALE, a California
unincorporated association,

No. C 06-00324 CW

Plaintiff/Counterclaim
Defendant,

ORDER GRANTING IN
PART AND DENYING
IN PART
PLAINTIFF'S
MOTION TO DISMISS
AND DENYING
MOTION TO STRIKE

v.

THE FREECYCLE NETWORK, INC., an
Arizona corporation,

Defendant/Counterclaimant.

_____ /

Plaintiff and Counterclaim-Defendant FreecycleSunnyvale moves to dismiss Defendant and Counterclaimant The Freecycle Network, Inc.'s federal counterclaims against it and to strike Defendant's State law counterclaim. Defendant opposes the motion. The matter was taken under submission on the papers. Having considered the papers filed by the parties, the Court grants the motion to dismiss in part and denies it in part, as described below, and denies the motion to strike without prejudice to renewal.

BACKGROUND

In this case, Plaintiff brings claims for declaratory judgment

1 of non-infringement of trademarks and tortious interference with
2 business relations. The Court denied Defendant's motion to dismiss
3 these claims, and granted Plaintiff leave to amend its complaint to
4 allege a factual basis for money damages. For a detailed summary
5 of Plaintiff's allegations, see the Court's April 4, 2006 Order.

6 The following facts are taken from Defendant's answer to
7 Plaintiff's amended complaint and related counterclaims. Plaintiff
8 is a non-profit organization with its principal place of business
9 in Sunnyvale, California. Defendant is an Arizona non-profit
10 organization with its principal place of business in Tucson,
11 Arizona. Its purpose is to promote recycling by providing support
12 and acting as a central organizing point for local community-based
13 recycling efforts throughout the United States and abroad.

14 Defendant alleges that it is "the sole owner of the
15 distinctive and famous trademarks 'FREECYCLE' and 'The Freecycle
16 Network,' and the distinctive 'The Freecycle Network' logo
17 (collectively referred to as the 'Marks'), which it has been using
18 exclusively and continuously since at least May 1, 2003." Answer
19 ¶ 67. Defendant has applied to register the Marks with the United
20 States Patent and Trademark Office (the PTO), and on December 28,
21 2005, the PTO issued a notice of publication of the Marks.
22 Plaintiff has filed an opposition to the registration. As a result
23 of its use and promotion of the Marks, Defendant has created and
24 owns valuable goodwill.

25 According to the Answer and Counterclaims, Plaintiff has used
26 the Marks without permission, despite being asked to cease and
27 desist. Plaintiff has used a new Yahoo! group with the name

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1 "SunnyvaleFree" to encourage others to use Defendant's Marks
2 without permission. Plaintiff's unauthorized use of the Marks is
3 "likely to cause confusion, to cause mistake, or to deceive as to
4 the origin, sponsorship, or approval of such products and services
5 as to the affiliation, connection, or association with
6 Counterdefendant and The Freecycle Network." Id. ¶ 74. Defendant
7 believes that this contributory trademark infringement is
8 deliberate and willful, and calculated to harm its reputation and
9 goodwill. Plaintiff's use of the Marks "in connection with their
10 own re-using, recycling, and gifting services misrepresents the
11 nature, characteristics, and qualities of [Plaintiff's] services
12 and product." Id. ¶ 79.

13 On the basis of these allegations, Defendant brings three
14 counterclaims: (1) direct and contributory trademark infringement
15 under §§ 32(1) and 43(a) of the Lanham Act, 15 U.S.C. §§ 1114 and
16 1125(a); (2) unfair competition under the Lanham Act; and
17 (3) unfair competition under California's Business and Professions
18 Code §§ 17200 and 17500.

19 II. Arizona Action

20 On April 4, 2006, Defendant filed a lawsuit against Tim Oey
21 (who is associated with Plaintiff) in U.S. District Court in
22 Arizona, The Freecycle Network, Inc. v. Tim Oey, No. CIV 06-00173-
23 TUC-RCC (D. Ariz) (hereinafter the Arizona action). Plaintiff asks
24 the Court to take judicial notice of the filings in the Arizona
25 action. Defendant does not oppose the request for judicial notice,
26 and asks the Court to take judicial notice of subsequent
27 proceedings in the Arizona action, including a May 11, 2006 Order
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1 granting Defendant's motion for a preliminary injunction against
2 Mr. Oey. These filings are matters of public record, and the Court
3 accordingly grants the parties' requests for judicial notice of the
4 Arizona proceedings.

5 In granting Defendant's motion for a preliminary injunction
6 against Mr. Oey, Judge Raner C. Collins found that Defendant had
7 showed a likelihood of success on its trademark infringement claim
8 against Mr. Oey on the basis of Defendant's establishment of a
9 recognizable logo and name through three years of use; Mr. Oey's
10 previous efforts, prior to his estrangement from Defendant, to
11 protect the Marks; and his later disparagement of the Marks.
12 Defendant's Req. for Judicial Notice, Ex. 1, The Freecycle Network,
13 May 11 Order at 3-4.

14 LEGAL STANDARD

15 A motion to dismiss for failure to state a claim will be
16 denied unless it is "clear that no relief could be granted under
17 any set of facts that could be proved consistent with the
18 allegations." Falkowski v. Imation Corp., 309 F.3d 1123, 1132 (9th
19 Cir. 2002), citing Swierkiewicz v. Sorema N.A., 534 U.S. 506
20 (2002). All material allegations in the complaint will be taken as
21 true and construed in the light most favorable to the plaintiff.
22 NL Indus., Inc. v. Kaplan, 792 F.2d 896, 898 (9th Cir. 1986).
23 Although the court is generally confined to consideration of the
24 allegations in the pleadings, when the complaint is accompanied by
25 attached documents, such documents are deemed part of the complaint
26 and may be considered in evaluating the merits of a Rule 12(b)(6)
27 motion. Durning v. First Boston Corp., 815 F.2d 1265, 1267 (9th
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1 Cir. 1987).

2 A complaint must contain a "short and plain statement of the
3 claim showing that the pleader is entitled to relief." Fed. R.
4 Civ. P. 8(a). "Each averment of a pleading shall be simple,
5 concise, and direct. No technical forms of pleading or motions are
6 required." Fed. R. Civ. P. 8(e). These rules "do not require a
7 claimant to set out in detail the facts upon which he bases his
8 claim. To the contrary, all the Rules require is 'a short and
9 plain statement of the claim' that will give the defendant fair
10 notice of what the plaintiff's claim is and the grounds on which it
11 rests." Conley v. Gibson, 355 U.S. 41, 47 (1957).

12 When granting a motion to dismiss, a court is generally
13 required to grant a plaintiff leave to amend, even if no request to
14 amend the pleading was made, unless amendment would be futile.
15 Cook, Perkiss & Liehe, Inc. v. N. Cal. Collection Serv. Inc., 911
16 F.2d 242, 246-47 (9th Cir. 1990). In determining whether amendment
17 would be futile, a court examines whether the complaint could be
18 amended to cure the defect requiring dismissal "without
19 contradicting any of the allegations of [the] original complaint."
20 Reddy v. Litton Indus., Inc., 912 F.2d 291, 296 (9th Cir. 1990).
21 Leave to amend should be liberally granted, but an amended
22 complaint cannot allege facts inconsistent with the challenged
23 pleading. Id. at 296-97.

24 DISCUSSION

25 I. Lanham Act: Infringement Counterclaim

26 Plaintiff moves to dismiss, under Federal Rule of Civil
27 Procedure 12(b)(6), Defendant's counterclaim for direct and
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1 contributory infringement of the Marks. Specifically, Plaintiff
2 argues that Defendant lacks standing to bring a claim under § 32(1)
3 of the Lanham Act for direct infringement, and that it has failed
4 to state a claim under § 43(a) for contributory infringement
5 because it has not alleged that a third party infringed or that
6 Plaintiff intended third parties to infringe. These issues are
7 addressed in turn.

8 A. Direct Infringement

9 Section 32(1) of the Lanham Act provides that one who uses in
10 commerce a "registered mark" "shall be liable in a civil action by
11 the registrant" for infringement. 15 U.S.C. § 1114(1). The
12 pleadings indicate, and the parties agree, that Defendant is not
13 yet a "registrant" of the Marks, because its application to the PTO
14 is still pending. The parties dispute whether Defendant may
15 nonetheless bring a claim for direct infringement of its
16 unregistered Marks.

17 On its face, § 32(1) limits standing to registrants. See
18 Brookfield Communications, Inc. v. West Coast Entm't Corp., 174
19 F.3d 1036, 1046 n.6 (noting that § 32(1) of the Lanham Act "applies
20 to federally registered marks" while the Lanham Act's § 43(a)(1)
21 "applies to both registered and unregistered trademarks"). The
22 cases cited by Defendants provide no binding or persuasive
23 authority to the contrary. For the most part they observe,
24 consistent with the Ninth Circuit in Brookfield, that holders of
25 unregistered trademarks may bring claims either under the Lanham
26 Act generally, and or under § 43(a) specifically. See Mario
27 Valente Collezioni, Ltd. v. AAK Ltd., 280 F. Supp. 2d 244, 259 n.16

1 (noting that "the Lanham Act" protects both registered and
2 unregistered trademarks) (citing Wal-Mart Stores, Inc. v. Samara
3 Bros., Inc., 529 U.S. 205, 208 (2000) (noting claim for
4 unregistered trade dress infringement under § 43(a) of the Lanham
5 Act)); Macia v. Microsoft Corp., 327 F. Supp. 2d 278, 283 (D. Vt.
6 2003) (noting that holders of unregistered marks may bring a claim
7 for reverse confusion under § 43(a) of the Lanham Act); Brown &
8 Bieglow v. B.B. Pen Co., 191 F.2d 939, 942 (8th Cir. 1951)
9 (explaining that registration of trademark confers procedural
10 advantages but does not enlarge the registrant's substantive
11 rights) (citing Best & Co. v. Miller, 167 F.2d 374, 376 (2nd Cir.
12 1948)). Although a Louisiana federal district court in Prudhomme
13 v. Proctor & Gamble Co., 800 F. Supp. 390, 395 (E.D. La. 1992) held
14 that a § 32(1) claim could be based on an arguably unregistered
15 trademark, the case on which it relied for that proposition, Lucien
16 Lelong, Inc. v. Dana Perfumes, Inc., 138 F. Supp. 575 (N.D. Ill.
17 1955), does not specifically address § 32(1) claims.

18 Therefore, to the extent Defendant's first counterclaim seeks
19 to bring a claim under § 32(1) of the Lanham Act, that counterclaim
20 is dismissed. The dismissal is without leave to amend because of
21 the Answer and Counterclaims' acknowledgment that the Marks are not
22 yet registered. The dismissal is without prejudice to renewal in
23 the event the PTO approves registration of the Marks. This
24 dismissal does not dispose of the first counterclaim in its
25 entirety because, as Defendant notes, its pleadings identify
26 § 43(a)(1) of the Lanham Act as a basis for liability for
27 contributory infringement. Defendant may, if it wishes, amend its
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1 first counterclaim to state a claim for direct infringement under §
2 43(a)(1).

3 B. Contributory Infringement

4 In its first counterclaim, Defendant also alleges that
5 Plaintiff's alleged inducement of third parties to use the Marks
6 "constitutes contributory trademark infringement in violation of
7 Section 43(a) of the Lanham Act, § 1125(a)." Answer ¶ 75.

8 A defendant may be held liable for contributory trademark
9 infringement if he or she "(1) intentionally induces another to
10 infringe on a trademark or (2) continues to supply a product
11 knowing that the recipient is using the product to engage in
12 trademark infringement." Fonovisa, Inc. v. Cherry Auction, Inc.,
13 76 F.3d 259, 264 (9th Cir. 1996) (citing Inwood Labs., Inc. v. Ives
14 Labs., Inc., 456 U.S. 844, 854-55 (1982)). The "supplies a
15 product" requirement for contributory infringement has been
16 expanded to include "[d]irect control and monitoring of the
17 instrumentality used by a third party to infringe the plaintiff's
18 mark." Lockheed Martin Corp. v. Network Solutions, Inc., 194 F.3d
19 980, 984 (9th Cir. 1999).

20 Defendant acknowledges that, in order to state a claim for
21 contributory infringement, it must allege that Plaintiff
22 "intentionally induced another to infringe its Marks." Def.'s Opp.
23 at 8. As Plaintiff notes, nowhere in the Answer and Counterclaims
24 does Defendant actually allege that Plaintiff induced infringement;
25 the allegations state only that Plaintiff induced others "to use"
26 the Marks. In its amended Answer and Counterclaims, therefore,
27 Defendant must, if it can do so truthfully and without
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1 contradicting its original pleading, allege either that Plaintiff
2 has intentionally induced a third party or parties to infringe the
3 Marks or that Plaintiff directly controls and monitors the
4 instrumentality used by others to infringe the Marks. Defendant
5 correctly notes that it need not plead each required element of its
6 counterclaim; it is enough that Defendant could prove a set of
7 facts consistent with its current allegations that would, if
8 proved, establish that Plaintiff contributed to others'
9 infringement.

10 II. Lanham Act: Unfair Competition Counterclaim

11 Plaintiff moves to dismiss Defendant's Lanham Act counterclaim
12 for unfair competition on the grounds that Defendant has failed
13 (1) to specify a cognizable legal claim and (2) to allege certain
14 essential elements of any unfair competition claim under the Lanham
15 Act.

16 A. Cognizable Legal Claim

17 Section 43(a) of the Lanham Act provides liability in a civil
18 action for

19 [a]ny person who, on or in connection with any goods or
20 services, or any container for goods, uses in commerce any
21 word, term, name, symbol, or device, or any combination
22 thereof, or any false designation of origin, false or
23 misleading description of fact, or false or misleading
24 representation of fact, which --

25 (A) is likely to cause confusion, or to cause mistake, or
26 to deceive as to the affiliation, connection, or association
27 of such person with another person, or as to the origin,
28 sponsorship, or approval of his or her goods, services, or
commercial activities by another person, or

(B) in commercial advertising or promotion, misrepresents
the nature, characteristics, qualities, or geographic origin
of his or her or another person's goods, services, or
commercial activities[.]

15 U.S.C. § 1125(a)(1).

1 Congress has recognized that § 43(a)(1) "has been widely
2 interpreted as creating, in essence, a federal law of unfair
3 competition." Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763,
4 n.18 (quoting S. Rep. No. 100-515, p. 40 (1988)). According to the
5 Ninth Circuit, however, "different causes of action alleged
6 pursuant to the different subsections of 15 U.S.C. § 1125(a) have
7 different standing requirements." Jack Russell Terrier Network of
8 N. Ca. v. Am. Kennel Club, Inc., 407 F.3d 1027, 1037 (9th Cir.
9 2005) (citing Barrus v. Sylvania, 55 F.3d 468, 469-70 (9th Cir.
10 1995)). The court contrasted claims brought under the "false
11 association" prong, § 43(a)(1)(A), under which a plaintiff need
12 only allege commercial injury based upon the deceptive use of a
13 trademark or its equivalent, without necessarily showing that the
14 parties are competitors, with claims brought under the "false
15 advertising" prong, § 43(a)(1)(B), under which a plaintiff must
16 show that the injury is "competitive." Id. In addition, at least
17 one court has recognized a claim for "trademark infringement under
18 section 43(a) of the Lanham Act." Sun Microsystems, Inc. v.
19 Microsoft Corp., 999 F. Supp. 1301, 1308 (N.D. Cal. 1998) (setting
20 forth elements of § 43(a) infringement, e.g. use of mark in
21 interstate commerce).

22 Defendant's allegations restate portions of § 43(a)(1), but do
23 not specify the particular prong or prongs that Plaintiff is
24 alleged to have violated. Also, as Plaintiff notes, there is
25 ambiguity in the pleading regarding whether Plaintiff and Defendant
26 are competitors. Compare Answer and Counterclaims ¶ 80 (alleging
27 that Plaintiff used the Marks "in connection with competing
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1 services") with ¶ 61 (alleging that Defendant's purpose is to
2 support local community-based recycling efforts). Defendant argues
3 that because false association and false advertising are merely
4 different "species" of unfair competition, it need not identify the
5 particular theory of liability on which its counterclaim is based.
6 However, this approach to pleading fails to give Plaintiff fair
7 notice of the ground on which Defendant's second counterclaim
8 rests, as required by Rule 8(a), because different § 43(a)(1)
9 claims for unfair competition may rest on different factual bases.
10 Moreover, if Defendant and Plaintiff are not competitors, then
11 Defendant may fail to state a claim for false advertising. The
12 Court cannot evaluate that argument without knowing the legal
13 theory or theories upon which Defendant's counterclaim is based.
14 Therefore, Defendant's second counterclaim is dismissed, with leave
15 to amend to identify the particular prong or prongs of § 43(a)(1)
16 which Plaintiff is alleged to have violated.

17 B. Failure to Plead Essential Elements

18 Plaintiff also moves to dismiss Defendant's second
19 counterclaim on the alternative ground that Defendant has failed to
20 allege facts showing certain necessary elements of any § 43(a)(1)
21 claim, e.g. that the Marks are inherently distinctive or have
22 acquired distinctiveness, and that Plaintiff's use of the term
23 "freecycle" is likely to confuse or mislead consumers of
24 Defendant's services.

25 To the extent that Plaintiff argues that Defendant must plead
26 facts sufficient to prove essential elements of its counterclaim,
27 such as confusion or distinctiveness, this is not the standard used
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1 to evaluate a motion to dismiss under Rule 12(b)(6). Defendant
2 could, consistent with the allegations, prove a set of facts that
3 showed both distinctiveness and consumer confusion. However,
4 because inherent and acquired distinctiveness are different legal
5 theories that potentially involve different factual bases,
6 Plaintiff is entitled to notice of whether the Marks are alleged to
7 possess inherent distinctiveness. Defendant states in its brief
8 that the Marks are "inherently distinctive and protectable," Opp.
9 at 11 (citing Answer and Counterclaims ¶ 67), but this assertion
10 overstates the specificity of the pleadings: the Answer and
11 Counterclaims allege only that the Marks are "distinctive and
12 famous." Answer and Counterclaims ¶ 67. Therefore, in filing its
13 amended pleading, Defendant must, if it can do so truthfully and
14 without contradicting its original Answer and Counterclaims,
15 specifically allege whether the Marks have inherent or acquired
16 distinctiveness.

17 III. State Law Unfair Competition Counterclaim

18 Finally, Plaintiff moves under California Code of Civil
19 Procedure § 425.16 to strike Defendant's State law counterclaim as
20 a "strategic lawsuit against public participation" (SLAPP).

21 California Code of Civil Procedure § 425.16(b)(1) provides,

22 A cause of action against a person arising from any act of
23 that person in furtherance of the person's right of petition
24 or free speech under the United States or California
25 Constitution in connection with a public issue shall be
subject to a special motion to strike, unless the court
determines that the plaintiff has established that there is a
probability that the plaintiff will prevail on the claim.

26 California anti-SLAPP motions are available to litigants proceeding
27 in federal court. Thomas v. Fry's Electronics, Inc., 400 F.3d

1 1206, 1206 (9th Cir. 2005).

2 A. Arising Out of Free Speech Acts

3 The California anti-SLAPP statute defines an "act in
4 furtherance of a person's right of petition or free speech under
5 the United States or California Constitution in connection with a
6 public issue" to include:

7 (1) any written or oral statement or writing made before a
8 legislative, executive, or judicial proceeding, or any other
9 official proceeding authorized by law; (2) any written or oral
10 statement or writing made in connection with an issue under
11 consideration or review by a legislative, executive, or
12 judicial body, or any other official proceeding authorized by
13 law; (3) any written or oral statement or writing made in a
14 place open to the public or a public forum in connection with
15 an issue of public interest; (4) or any other conduct in
16 furtherance of the exercise of the constitutional right of
17 petition or the constitutional right of free speech in
18 connection with a public issue or an issue of public interest.

19 Cal. Code Civ. P. § 425.16(e). A movant need not show that its
20 speech is constitutionally protected under the First Amendment or
21 that the plaintiff or counter-claimant had a subjective intent to
22 chill speech. Navellier v. Sletten, 29 Cal. 4th 82, 94-95 (2002)
23 (quoting Fox Searchlight Pictures, Inc. v. Paladino, 89 Cal. App.
24 4th 294, 305 (2001)); Equilon Enter. v. Consumer Cause, Inc., 29
25 Cal. 4th 53, 67 (2002).

26 Plaintiff argues that Defendant's third counterclaim arises
27 out of the third and fourth categories in § 425.16(e). As evidence
28 of the factual basis for Defendant's counterclaim, Plaintiff cites
to exhibits that Defendant attached to its complaint in the Arizona
action, which show emails sent by Mr. Oey to a Yahoo! group
listserv. However, Defendant disclaims any reliance on these acts
by Mr. Oey in bringing its California unfair competition

1 counterclaim. Therefore, the Court will not consider the acts
2 cited in Defendant's Arizona filings in determining whether the
3 basis for its counterclaim arises out of acts protected by
4 § 425.16(e).

5 Counsel for Defendant has submitted postings attributed to
6 Plaintiff or its members¹ which "encourage others to use the
7 trademarks at issue in this case in a manner that infringes upon
8 [Defendant's] rights." Bandyopadhyay Decl. ¶ 7. Because
9 Defendant's third counterclaim incorporates by reference each
10 previous allegation in the Answer and Counterclaims, including
11 allegations of infringement, the postings submitted by Defendant
12 are part of the acts out of which its California unfair competition
13 counterclaim arises. These include an email from Mr. Oey addressed
14 to the Yahoo! group "freecyclenext," stating,

15 The best way to keep freecycle in the public domain is for as
16 many people and groups as possible to continue to use the term
generically.

17 If you feel that the term freecycle is generic, you can
let the USPTO know by sending a letter to:

18 Commissioner Of Trademarks
P.O. Box 1451

19 . . .
20 Yahoo listens to its customers, so if folks complain
about groups being deleted for use of the term 'freecycling'
21 than [sic] members/moderators of those groups should complain
to Yahoo at:

22 http://add.yahoo.com/fast/help/us/groups/cgi_abuse

23 Bandyopadhyay Decl., Ex. 5. In another email message, Mr. Oey
24 wrote to the "freecyclesunnyvale" Yahoo! group and to Deron Beal, a

25 ¹Defendant's argument, on page 14 of its opposition, that it
26 has not attributed the acts of Mr. Oey to Plaintiff is belied by
27 the fact that each of the allegedly infringing emails attached to
the Bandyopadhyay Declaration appear to be written by Mr. Oey and
at least one was also attached to the Arizona complaint against
him.

1 official of Defendant,

2 I have encouraged people to use the term freecycle as a
3 generic term which would block [Defendant], and all others,
4 from holding a trademark on the term in the area of
5 freecycling services offered on the web.

6 Id., Ex. 6, Sept. 20, 2005 Email from Tim Oey to Chandan Mishra,
7 Deron Beal and <freecyclesunnyvale-owner@yahoogroups.com>. Mr. Oey
8 went on to criticize Mr. Beal for refusing to allow discussion or
9 voting.

10 Plaintiff's argument that the acts by Mr. Oey alleged in the
11 Arizona action are protected under § 425.16(e) applies to the
12 postings cited by Defendant in support of its counterclaims in this
13 California action. The statements were published to Yahoo! groups,
14 and encourage group members to contact the PTO with their concerns.
15 Neither party provides any evidence regarding the size or
16 accessibility of the particular Yahoo! groups involved, or the
17 extent of republication of Mr. Oey's statements. On their face,
18 the postings do not appear to be, as Defendant suggests, "a private
19 commercial dispute," but rather Mr. Oey's expression of his opinion
20 about the Marks' protectability. Furthermore, Defendant's own
21 submissions to the Court tend to confirm that this debate is not
22 simply a private matter; the declaration of Ashley L. Kirk,
23 submitted by Defendant as Exhibit 3 to the Bandyopadhyay
24 Declaration, shows extensive Google results for the term
25 "freecycle," and states that Ms. Kirk found magazine articles and
26 discussion groups critical of Defendant (Defendant does not include
27 all of the Kirk Declaration's exhibits). Cf. Troy Group, Inc. v.
28 Tilson, 264 F. Supp. 2d 1149, 1153 (C.D. Cal. 2005) (noting that

1 courts have held that the conduct of a publicly traded company is a
2 public issue). Therefore, the Court finds that Plaintiff has met
3 its burden to show that Defendant's third counterclaim arises out
4 of speech acts "in connection with an issue of public interest"
5 under § 425.16(e)(3).

6 B. Probability of Success

7 Because Plaintiff has made a showing that the third
8 counterclaim arises out of acts protected by § 425.16(e), the
9 burden shifts to Defendant. In order to defeat Plaintiff's special
10 motion to strike, Defendant

11 need only have stated and substantiated a legally sufficient
12 claim. Put another way, the plaintiff [here, Defendant and
13 Counterclaimant] must demonstrate that a complaint is legally
14 sufficient and supported by a sufficient prima facie showing
15 of facts to sustain a favorable judgment if the evidence
16 submitted by the plaintiff is credited.

17 Navallier, 29 Cal. 4th at 88-89 (internal citations and quotation
18 marks omitted).

19 In order to state a claim for unfair competition under
20 California Business and Professions Code § 17200, a plaintiff must
21 establish that the defendant's business practice is "either
22 unlawful (i.e., is forbidden by law), unfair (i.e., harm to victim
23 outweighs any benefit) or fraudulent (i.e., is likely to deceive
24 members of the public)." Albillo v. Intermodal Container Servs.,
25 Inc., 114 Cal. App. 4th 190, 206 (2003) (citations omitted).

26 As described in Section II above, Defendant's pleadings are
27 ambiguous as to the particular type of legal claim it alleges.
28 Defendant claims that Plaintiff has engaged in "unauthorized and
improper activities" which infringe the unregistered Marks.

1 However, Defendant does not specify, either in its pleading or by
2 affidavit, facts showing what those "unauthorized and improper
3 activities" are, apart from an allegation that Plaintiff has
4 violated Defendant's usage guidelines. Similarly, Defendant has
5 not plead or provided affidavits with facts supporting its
6 assertion that it has suffered harm due to loss of distinctiveness,
7 or to support its (new) claim of fraud. See Def.'s Opp. at 16.
8 Without knowing how Plaintiff's violation of the usage guidelines
9 is alleged to have infringed the Marks, and in view of the Arizona
10 court's granting of a preliminary injunction in Defendant's favor
11 against Mr. Oey, the Court is reluctant to grant Plaintiff's
12 special motion to strike on the basis of the record before it.
13 Therefore, the Court orders Defendant to file amended pleadings
14 which, in addition to specifying the specific legal basis or bases
15 for the § 17200 claim, allege facts sufficient, if proved, to
16 substantiate the underlying claim of an illegal, unfair or
17 fraudulent practice. Plaintiff may then, if it chooses, file a
18 renewed special motion to strike.

19 CONCLUSION

20 For the foregoing reasons, the Court DENIES in part
21 Plaintiff's motion to dismiss (Docket No. 24) under Rule 12(b)(6),
22 and GRANTS it in part, with leave to amend in accordance with the
23 instructions above. Defendant must file its amended Answer and
24 Counterclaims within two weeks of the date of this order.
25 Plaintiff's special motion to strike is DENIED without prejudice to
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1 renewal. The Court GRANTS the parties' requests for judicial
2 notice (Docket Nos. 27 and 31).

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4 IT IS SO ORDERED.

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6 Dated: 7/25/06



CLAUDIA WILKEN
United States District Judge

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