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**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA**

NAUTICAL BEAN COFFEE
COMPANY, INC.,

Plaintiff,

v.

NAUTICAL BEAN, INC.,

Defendant.

Case No. 12cv1199 BTM(WMc)

**ORDER DENYING WITHOUT
PREJUDICE MOTION FOR
SUMMARY JUDGMENT AND
GRANTING MOTION FOR
RULE 56(d) RELIEF**

On April 5, 2013, Defendant Nautical Bean, Inc., filed a motion for summary judgment. On May 31, 2013, Plaintiff filed an opposition as well as a motion to deny or continue the motion for summary judgment under Fed. R. Civ. P. 56(d). For the reasons discussed below, Plaintiff's motion for relief under Rule 56(d) is **GRANTED** and the Defendant's motion for summary judgment is **DENIED WITHOUT PREJUDICE**.

I. BACKGROUND

In 1994, John Alvarez opened Nautical Bean Café in Oceanside, California, and has continued to operate the business to this day. (Alvarez Decl. ¶ 5.) In or about 1999 or 2000, Alvarez began using the internet as a marketing tool for his café. (Id. at ¶ 7.) Alvarez registered the domain as

1 nauticalbeancoffee.com. (Id.) Eventually, Alvarez began using the webpage
2 to sell coffee. (Id. at ¶ 8.)

3 In 2003, Alvarez had his business incorporated under the name Nautical
4 Bean Coffee Company, Inc. (Id. at ¶ 9.)

5 In 2009, Alvarez obtained a trademark registration (U.S. Trademark
6 Registration No. 3622532) for the mark “NAUTICAL BEAN” in connection with
7 café and restaurant services. (Ex. A to Compl.) Ownership of the registration
8 was assigned to Nautical Bean Coffee Company, Inc., in 2012. (Ex. B to
9 Compl.)

10 Defendant owns a Nautical Bean Café in San Luis Obispo. In 2003,
11 Defendant purchased the business from a predecessor who obtained a San
12 Luis Obispo business license under the name “Nautical Bean” in May 1999.
13 (Jones Decl. ¶ 4.) In January 2003, Defendant incorporated in California under
14 the name Nautical Bean, Inc., and began operating the Nautical Bean Café in
15 San Luis Obispo on February 2, 2003. (Id. at ¶ 6.) It has operated
16 continuously since then. (Id.)

17 Beginning in 2004, Defendant began operating a webpage with the
18 domain name nauticalbean.com. (Jones Decl. ¶ 8.)

19 On May 17, 2012, Plaintiff commenced this action. Plaintiff’s Complaint
20 asserts claims for (1) trademark infringement under the Lanham Act, 15 U.S.C.
21 § 1114; (2) unfair competition under the Lanham Act, 15 U.S.C. § 1125(a);
22 (3) trademark infringement under California Law; and (4) violation of Cal. Bus.
23 & Prof. Code § 17200.

24 25 **II. DISCUSSION**

26 Defendant moves for summary judgment, arguing that Plaintiff cannot
27 present evidence establishing a likelihood of confusion from the use of the
28 “Nautical Bean” name in connection with a single café in San Luis Obispo,

1 which is more than 250 miles away from Plaintiff's Nautical Bean Café in
2 Oceanside. Plaintiff requests that the Court deny or continue Defendant's
3 motion for summary judgment so that Plaintiff can conduct discovery regarding
4 issues raised by the motion for summary judgment. As discussed below, the
5 Court finds that relief under Rule 56(d) is warranted.

6 Under Federal Rule of Civil Procedure 56(d), "If a nonmovant shows by
7 affidavit or declaration that, for specified reasons, it cannot present facts
8 essential to justify its opposition, the court may (1) defer considering the motion
9 or deny it; (2) allow time to obtain affidavits or declarations or to take discovery;
10 or (3) issue any other appropriate order." To prevail on a request for relief
11 under Rule 56(d), the party opposing the motion for summary judgment must
12 make "(a) a timely application which (b) specifically identifies (c) relevant
13 information, (d) where there is some basis for believing that the information
14 sought actually exists." VISA Int'l Serv. Ass'n v. Bankcard Holders of Am., 784
15 F.2d 1472, 1475 (9th Cir. 1986). The burden is on the party seeking additional
16 discovery to demonstrate Rule 56(d) applies. Blough v. Holland Realty, Inc.,
17 574 F.3d 1084, 1091 (9th Cir.2009).

18 Plaintiff has established by declarations the need for additional discovery
19 to oppose Defendant's motion. One critical issue that Plaintiff wishes to
20 investigate further concerns Defendant's knowledge of Plaintiff's prior use of
21 the "Nautical Bean" mark and Defendant's intent. As explained by John
22 Alvarez, in or about 1996, he became acquainted with Michael Brookins, a
23 regular customer who lived in North County and expressed interest in going into
24 the coffee business himself. (Alvarez Decl. ¶ 3.) Alvarez was happy to help,
25 and talked to Brookins about his experiences in the business. (Alvarez Decl.
26 ¶ 4.) Plaintiff learned through a document produced in discovery that Michael
27 Brookins was the predecessor-in-interest from whom Defendant purchased the
28 business. (Id.)

1 A scheduling order governing discovery in this case was issued on March
2 21, 2013. Defendant's motion for summary judgment was filed on April 5,
3 2013. The discovery cut-off date is not until November 22, 2013. Therefore,
4 much discovery remains to be done. With respect to the issue of knowledge
5 and intent, Plaintiff wishes to conduct further written discovery and deposition
6 discovery regarding Defendant's dealings with Brookins. (Gillaspey Decl. ¶ 5.)
7 Plaintiff is currently looking for Mr. Brookins, who may be out of state. (Id.)
8 Plaintiff also believes that there may be third-party witnesses who know
9 something about what Defendant knew. (Id.)

10 Knowledge and intent bear upon several issues that are central to this
11 case. In its motion, Defendant raises the innocent use defense under 15
12 U.S.C. § 1115(b)(5), which provides for a defense to an infringement claim
13 where "the mark whose use by a party is charged as an infringement was
14 *adopted without knowledge of the registrant's prior use* and has been
15 continuously used by such party or those in privity with him from a date prior to
16 [registration of the mark]." (Emphasis added.) If, however, Defendant knew of
17 Plaintiff's prior use of the "Nautical Bean" mark, this defense is unavailable to
18 Defendant.

19 Intent is also relevant to the extent Plaintiff asserts a common law
20 trademark claim for the period before registration. Under the Tea Rose-
21 Rectanus¹ doctrine, "priority of use in one geographic area within the United
22 States does not necessarily suffice to establish priority in another area." Grupo
23 Gigante S.A. de C.V. v. Dallo & Co, Inc., 391 F.3d 1088, 1096 (9th Cir. 2004).
24 This doctrine provides a defense to a junior user if (1) the junior user's first use
25 was in good faith; and (2) the junior user's first use was in a remote area.
26 Wood v. Apodaca, 375 F. Supp. 2d 942, 943 (N.D. Cal. 2005). If Defendant

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28 ¹ The name of the doctrine is derived from two Supreme Court cases, Hanover Star
Milling Co. v. Metcalf, 240 U.S. 403 (1916) (the "Tea Rose" case) and United Drug Co. v.
Theodore Rectanus Co., 248 U.S. 90 (1918).

1 knew about Plaintiff's prior use of the "Nautical Bean" mark and intentionally
2 used the mark anyway, Defendant would have acted in bad faith and would not
3 be able to avail itself of the Tea Rose-Rectanus defense.

4 Intent also plays a significant part in determining whether there has been
5 infringement under the Lanham Act. In determining whether there is likelihood
6 of confusion as a result of the defendant's use of the mark in question, the
7 following factors are relevant: (1) strength of the mark; (2) proximity of the
8 goods or services; (3) similarity of the marks; (4) evidence of actual confusion;
9 (5) marketing channels used; (6) type of goods or services and the degree of
10 care likely to be used by the purchaser; (7) defendant's intent in selecting the
11 mark; and (8) likelihood of expansion of the product lines. AMF Inc. v.
12 Sleekcraft Boats, 599 F.2d 341, 348-49 (9th Cir. 1979). With respect to the
13 factor of intent, "When the alleged infringer knowingly adopts a mark similar to
14 another's, reviewing courts presume that the defendant can accomplish his
15 purpose: that is, that the public will be deceived." Id. at 354. When there is
16 evidence of deliberate use of another's mark, "once can infer an intent to
17 confuse." Entrepreneur Media, Inc. v. Smith, 279 F.3d 1135, 1148 (9th Cir.
18 2002).²

19 Given the importance of knowledge and intent in this action, the Court
20 finds that Plaintiff should be given the opportunity to conduct further discovery
21 regarding these issues. Plaintiff has also demonstrated the need for additional
22 discovery on the other Sleekcraft factors, including the marketing channels
23 used and likelihood of expansion of the product lines. Therefore, the Court
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25 ² The Court notes that in Brennan's Inc. v. Brennan's Restaurant, LLC, 360 F.3d 125
26 (2d Cir. 2004) and Tana v. Dantanna's, 611 F.3d 767 (11th Cir. 2010), two cases upon which
27 Defendant heavily relies, there was no evidence of intentional misappropriation. See John
28 Allan Company v. Craig Allen Company, 540 F.3d 1133, 1140 (10th Cir. 2008)
(distinguishing Brennan's Inc. on the ground that Brennan's Inc. involved a junior user acting
in good faith - "[Defendant] fails to cite any precedent where a junior user was permitted to
use his given name in spite of an intent to benefit from the reputation and goodwill of the
senior user.").

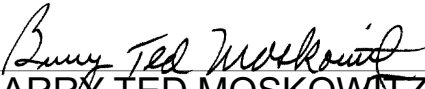
1 grants Plaintiff's motion for relief under Rule 56(d) and denies without prejudice
2 Defendant's motion for summary judgment.

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4 **III. CONCLUSION**

5 For the reasons discussed above, Plaintiff's motion for relief under Fed.
6 R. Civ. P. 56(d) is **GRANTED** and Defendant's motion for summary judgment
7 is **DENIED WITHOUT PREJUDICE**. Defendant may not file another motion for
8 summary judgment until the close of discovery.

9 **IT IS SO ORDERED.**

10 DATED: September 9, 2013

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12 **BARRY TED MOSKOWITZ**, Chief Judge
13 United States District Court
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