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

HALO COUTURE, LLC,

Plaintiff,

vs.

MIRACLE 7, INC.,

Defendant.

CASE NO. 13cv1780-MMA (BGS)

**ORDER GRANTING MIRACLE 7,
INC.'S MOTION TO DISMISS**

[Doc. No. 5]

On July 30, 2013, Miracle 7, Inc. (“M7”) filed suit against Halo Couture, LLC (“Halo”) in the Southern District of Florida alleging trademark infringement. *See* Civil Case No. 0:13-cv-61643-RSR (“the Florida action”). On August 1, 2013, Halo filed this mirror image suit seeking a declaration of non-infringement of the subject mark. *See* Doc. No. 1. M7 now moves to dismiss this action pursuant to the “first to file” rule. *See* Doc. No. 5. Halo opposes the motion on grounds that M7 filed the Florida action in bad faith. *See* Doc. No. 6. For the reasons set forth below, the Court **GRANTS** M7’s motion to dismiss.

BACKGROUND

M7 and Halo both operate in the beauty industry. Halo provides high-end hair extensions, while M7 produces a line of hair care products. This action arises out of Halo’s purported infringement of M7’s common law mark **Miracle 7 for Heavenly Hair (plus wing and halo design)** (“M7’s mark”). On July 1, 2013, M7 served a cease and desist letter upon Halo, demanding that Halo immediately stop using its

1 mark **Halo Couture for Heavenly Hair in an Instant** (“Halo’s mark”). M7
2 requested confirmation of Halo’s compliance with its demands within seven days of
3 receipt of the letter:

4 **Miracle 7 would prefer to settle this amicably without intervention of**
5 **the court, but our client is prepared to take all action deemed**
6 **necessary to protect its valuable trademark rights if we do not receive**
7 **confirmation that Halo Couture has complied with the foregoing**
8 **demands within seven (7) days.**

9 *See Biggerstaff Decl’n ISO Motion*, Ex. B (bold in original).

10 On July 17, 2013, Halo filed an application to trademark its own mark with
11 the United States Patent and Trademark Office (“USPTO”). *Id.*, Ex. C. On Friday,
12 July 26, 2013, M7 sent Halo a second cease and desist letter containing the
13 following admonishment:

14 If we do not received [sic] a response by end of business **Monday, July**
15 **29, 2013**, we will assume that the parties cannot resolve this matter on
16 their own and shall take all action necessary to protect our client’s
17 trademark rights. All offers to negotiate a resolution will be removed as
18 of July 29.

19 *Id.*, Ex. D (bold underline in original). On that same date, counsel for both parties
20 participated in a telephone conference. Counsel discussed possible settlement of the
21 dispute but did not agree upon terms. According to counsel for M7, “no resolution
22 was achieved” and counsel for Halo indicated that his client would not cease and
23 desist its use of Halo’s mark. *Id.* ¶ 8. According to counsel for Halo, a “tentative
24 settlement” was reached based upon Halo’s offer to remove the word “heavenly”
25 from its website, advertising, and packaging; however, Halo would not stop using its
26 logo.¹ *Becker Decl’n ISO Opp’n*, ¶ 7. Counsel for Halo communicated his client’s
27 position that M7 has no valid trademark rights in the wing and halo design elements
28 of M7’s mark. *Biggerstaff Decl’n* ¶ 7.

On July 30, 2013, M7 filed the Florida action, alleging causes of action for
statutory and common law trademark infringement, false designation of origin and

¹ Halo’s mark includes a logo consisting of wings and a halo design. *Complaint*
¶ 8.

1 false advertising, and unfair trade practices under Florida law. *Id.* ¶ 8; Ex. A.
2 Counsel for the parties participated in a telephone conference on July 31, 2013. *Id.* ¶
3 9; *Becker Decl'n* ¶ 9; *Kelly Decl'n* ¶ 3. The parties dispute both the tenor and
4 substance of the conversation, but are consistent in their reporting of the result –
5 there was no settlement.

6 On August 1, 2013, Halo filed this action. M7 seeks dismissal pursuant to the
7 “first to file” rule, which by its nature favors the Florida action. Halo argues this
8 action should be excepted from the rule based on M7’s bad faith settlement
9 negotiations.

10 DISCUSSION

11 *1. Legal Standard*

12 “There is a generally recognized doctrine of federal comity which permits a
13 district court to decline jurisdiction over an action when a complaint involving the
14 same parties and issues has already been filed in another district.” *Pacesetter*
15 *Systems, Inc. v. Medtronic, Inc.*, 678 F.2d 93, 94-5 (9th Cir. 1982). This “first to
16 file” rule normally promotes efficiency and “should not be disregarded lightly.”
17 *Church of Scientology of Cal. v. U.S. Dep’t. of the Army*, 611 F.2d 738, 750 (9th Cir.
18 1979). “The doctrine is designed to avoid placing an unnecessary burden on the
19 federal judiciary, and to avoid the embarrassment of conflicting judgments.” *Id.*

20 In applying the “first to file” rule, a court looks to three threshold factors: “(1)
21 the chronology of the two actions; (2) the similarity of the parties, and (3) the
22 similarity of the issues.” *Z-Line Designs, Inc. v. Bell’O Int’l LLC*, 218 F.R.D. 663,
23 665 (N.D. Cal. 2003). Exceptions to the rule include bad faith, anticipatory suit, and
24 forum shopping. *Alltrade, Inc. v. Uniweld Products, Inc.*, 946 F.2d 622, 628 (9th
25 Cir. 1991) (internal citations omitted).

26 *2. Analysis*

27 The threshold factors are not in dispute. M7 filed the Florida action first; the
28 parties in both actions are identical; the claims involved in each action are mirror

1 images of one another. The “first to file” rule applies. At issue is whether the bad
2 faith exception provides an equitable reason to disregard the rule in this case.

3 Halo argues that M7 filed the Florida action in bad faith. Halo suggests that it
4 was involved in “tentative” settlement negotiations with M7, such that Halo’s
5 counsel was “blind-sided and shocked” when settlement could not be reached and
6 M7 instead chose to litigate. *Becker Decl’n* ¶ 9. However, this assertion stretches
7 the limits of credibility for two reasons. First, M7 placed Halo on notice of possible
8 litigation in its first cease and desist letter, unequivocally advising Halo of M7’s
9 intent to seek court intervention if Halo did not meet M7’s demands. Several weeks
10 later, and prior to engaging in settlement discussions, Halo filed its application with
11 the USPTO to protect its own trademark rights. If there was any doubt remaining as
12 to the possibility of imminent litigation, M7’s second cease and desist letter plainly
13 stated that Halo’s failure to meet its demands within one business day would result
14 in taking “all action necessary” to protect its trademark rights. *See Biggerstaff*
15 *Decl’n*, Ex. D.

16 Second, Halo’s counsel concedes that any settlement negotiations were
17 “tentative.” *Becker Decl’n* ¶ 7. According to Halo’s counsel, the tentative
18 settlement consisted of Halo’s promise to stop using the term “heavenly.” *Id.* But
19 Halo refused to stop using its logo with the purportedly infringing wings and halo
20 design elements. *Id.* Settlement negotiations understandably stalled based on
21 Halo’s position; M7’s cease and desist letters expressly demanded that Halo stop
22 using its mark with the wings and halo design. When the July 29, 2013 deadline set
23 forth in the second cease and desist letter passed without an agreement on the issue,
24 Halo’s counsel could not have been “shocked” that M7 filed suit.

25 Aside from the rancor and rhetoric of Halo’s counsel, there is nothing in the
26 record before the Court to suggest that M7 “acted in bad faith simply by declining to
27 continue with the negotiations.” *Barnes & Noble, Inc. v. LSI Corp.*, 823 F. Supp. 2d
28 980, 991 (N.D. Cal. 2011). M7 is the “natural plaintiff” in this litigation. *Xoxide*,

1 *Inc. v. Ford Motor Co.*, 448 F. Supp. 2d 1188 (C.D. Cal. 2006). By filing this mirror
2 image declaratory judgment action, Halo attempts to deprive M7 of its choice of
3 Florida as a forum for pursuing its claims. *Id.*, citing *Tempco Elec. Heater Corp. v.*
4 *Omega Eng'g*, 819 F.2d 746, 749 (7th Cir. 1987) and *Kerotest Mfg. Co. v. C-O-Two*
5 *Fire Equipment Co.*, 342 U.S. 180, 185 (1952) (noting that an alleged infringer
6 cannot use the Declaratory Judgment Act to give it “a paramount right to choose the
7 forum for trying out questions of infringement and validity.”). Furthermore, courts
8 routinely hold that a substantive infringement action should proceed even when it is
9 filed second. *See Xoxide*, 448 F.Supp.2d at 1193 (“Where the declaratory judgment
10 action is filed in anticipation of an infringement action, the infringement action
11 should proceed, even when filed later.”) (internal quotations omitted). Here, M7
12 filed its infringement suit first.

13 In sum, the Court finds that the “first to file” rule applies to this case and
14 Halo’s contention that M7 filed the Florida action in bad faith is without merit.² The
15 parties engaged in limited, tentative settlement discussions which proved
16 unsuccessful. M7 then filed suit to protect its purported trademark rights. Halo’s
17 “declaratory judgment action multiplies litigation” and “attempts to remove ongoing
18 litigation from the forum chosen” by M7. *Pacesetter Systems, Inc.*, 678 F.2d at 97.
19 Dismissal of this action in favor of the Florida action is appropriate.

20 CONCLUSION

21 For the reasons set forth above, the Court **GRANTS** Miracle 7, Inc.’s motion
22 and **DISMISSES** this action without prejudice. The Clerk of Court is instructed to
23 enter judgment accordingly and close the case.

24 **IT IS SO ORDERED.**

25 DATED: October 17, 2013

26 

27 Hon. Michael M. Anello
28 United States District Judge

² This finding is dispositive of the matter. As such, the Court declines to address M7’s contention that Halo filed this action in bad faith.