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UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF CALIFORNIA

WHOLE E NATURE, LLC,

Plaintiff,

v.

THE WONDERFUL COMPANY, LLC,

Defendant.

Case No.: 17cv10-LAB (KSC)

**ORDER DENYING MOTION TO
STAY OR DISMISS; AND**

**ORDER GRANTING MOTION FOR
AWARD OF COSTS BUT DENYING
REQUEST FOR STAY**

[Docket Numbers 6, 8.]

Defendant The Wonderful Company, LLC (“TWC”) filed a motion to dismiss or stay this declaratory relief action, on the grounds that the “case or controversy” requirement is not met and the Court therefore lacks jurisdiction. TWC also argues that Plaintiff Whole E Nature, LLC’s filing of the suit amounts to impermissible forum shopping. TWC separately moved for an award of costs pursuant to Fed. R. Civ. P. 41(d), based on Whole E Nature’s having filed and dismissed this action earlier in the Northern District of California. In its second motion, TWC argues that Whole E Nature unnecessarily filed its case in the wrong forum, imposing costs on TWC, and should bear those costs.

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1 **Factual Background**

2 The parties both market bottled drinks. TWC markets its juice drinks using the
3 trademarks POM WONDERFUL; POM WONDERFUL, A HELATHY DOSE OF
4 WONDERFUL; and WONDERFUL. Whole E Nature markets its coconut-based drinks
5 using the trademark WONDER FUEL.

6 According to the complaint, the parties' counsel were involved in a phone
7 conversation in April of 2016. (Complaint, ¶ 17.) During that conversation, TWC's
8 counsel allegedly demanded that Whole E Nature stop selling its products, and said they
9 would seek an injunction against Whole E Nature's infringing use of the mark. (*Id.*)
10 TWC's counsel also offered to allow Whole E Nature to sell off the products it had on
11 hand, but said future sales might be the subject of a lawsuit for injunctive relief. (*Id.*)
12 TWC's motion expresses skepticism about whether this conversation took place and
13 attempts to minimize its significance, but stops short of denying it.

14 Then on May 31, 2016, TWC filed opposition papers in the U.S. Patent and
15 Trademark Office (USPTO) challenging the WONDER FUEL mark. The opposition
16 claims the WONDER FUEL mark infringed three of TWC's marks, and was likely to
17 cause confusion as well as diluting TWC's marks. (*Id.*, ¶¶ 18–20.)

18 Whole E Nature initially filed a declaratory relief action in the Northern District of
19 California. When TWC filed a transfer motion asking that the case be transferred to the
20 Central District of California, Whole E Nature dismissed that case and refiled here.

21 **Judicial Notice**

22 In support of its motion to dismiss and its reply brief, TWC has requested judicial
23 notice of five documents, all of which are pleadings filed either in US District Court or as
24 records in the proceeding before the TTAB. Whole E Nature does not oppose the
25 request, and in fact relies on several of the documents in its own opposition. Whole E
26 Nature also filed a request (Docket no. 14) seeking judicial notice of five other
27 documents of the same type, and TWC does not oppose the request. The documents are

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1 the type which may properly be judicially noticed under Fed. R. Evid. 201, and the
2 request is **GRANTED**.

3 **Legal Standards for Declaratory Relief**

4 Under the Declaratory Judgment Act, 28 U.S.C. § 2201, the Court has authority to
5 “declare the rights and other legal relations” of parties to “a case of actual
6 controversy.” 28 U.S.C. § 2201. The “actual controversy” requirement is identical to
7 Article III’s “case of controversy” requirement. *Am. States Ins. Co. v. Kearns*, 15 F.3d
8 142, 143 (9th Cir. 1994). A case of actual controversy exists when the dispute is
9 “‘definite and concrete,’” and can be addressed by “‘specific relief through a decree of a
10 conclusive character.’” *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007)
11 (quoting *Aetna Life Ins. Co. v. Haworth*, 300 U.S. 227, 240–41 (1937)). All that is
12 necessary for jurisdiction is that “‘the facts alleged, under all the circumstances, show
13 that there is a substantial controversy, between parties having adverse legal interests, of
14 sufficient immediacy and reality to warrant the issuance of a declaratory judgment.’” *Id.*
15 (quoting *Maryland Cas. Co. v. Pac. Coal & Oil Co.*, 312 U.S. 270, 273 (1941)).

16 Trademark disputes involving claims for declaratory relief are justiciable when the
17 plaintiff has a “real and reasonable apprehension that he will be subject to liability.”
18 *Chesebrough-Pond’s, Inc. v. Faberge, Inc.*, 666 F.2d 393, 396 (9th Cir. 1982). As long as
19 the allegedly infringing mark is currently in use, the apprehension “need not be
20 substantial.” *Societe de Conditionnement en Aluminium v. Hunter Eng’g Co., Inc.*, 655
21 F.2d 938, 944 (9th Cir. 1981). The question, at heart, is whether a plaintiff’s perception of
22 a threat is “real and reasonable.” *Chesebrough-Ponds*, 666 F.2d at 396. To make this
23 determination, the Court looks at the defendant’s actions, “examined in view of their
24 likely impact on competition and the risks imposed upon the plaintiff.” *Id.*

25 TWC’s motion represents a facial attack on standing. The Court therefore accepts
26 as true all facts alleged in the complaint and draws all reasonable inference in the
27 Plaintiff’s favor. *Snyder & Assocs. Acquisitions LLC v. United States*, 859 F.3d 1152,
28 1155 n.1 (9th Cir. 2017). *See also Rhoades v. Avon Prods., Inc.*, 504 F.3d 1151, 1160 (9th

1 Cir. 2007) (holding that defendant’s contention that it had not threatened to sue for
2 infringement was not relevant at the pleading stage, and that the district court should have
3 accepted factual allegations as true).

4 Assuming the Court has jurisdiction over a declaratory relief claim, the Court’s
5 exercise of that jurisdiction is discretionary, and is guided by factors set forth in *Brillhart*
6 *v. Excess Ins. Co. of Am.*, 316 U.S. 491 (1942). The Ninth Circuit has supplemented
7 these with several other factors. *Govt. Employees Ins. Co. v. Dizol*, 133 F.3d 1220, 1225
8 (9th Cir. 1998).

9 **Discussion of Declaratory Relief Claim**

10 TWC’s motion argues there is no actual controversy. It also argues that two of the
11 factors — whether the plaintiff was engaged in forum shopping, and whether the
12 litigation would settle all aspects of the controversy or clarify the parties’ legal relations
13 — weigh against the Court’s discretionary exercise of jurisdiction.

14 TWC’s argument focuses narrowly on the threat of immediate litigation and
15 liability — too narrowly, in the Court’s view — rather than on the “reasonable
16 apprehension” part of the equation. Other courts, faced with similar situations, have not
17 hesitated to find a reasonable apprehension and an actual controversy.

18 While the mere filing a notice of opposition with the USPTO, without more, might
19 not create a reasonable apprehension of litigation, what the opposition says may do so. In
20 *Chesebrough-Ponds*, the Ninth Circuit looked closely at a letter threatening to file such
21 an opposition, including its “likelihood of confusion” discussion, and concluded it
22 amounted to a prima facie case for trademark infringement. That panel also rejected the
23 suggestion that the filing of a notice of opposition was not enough to support jurisdiction
24 over a declaratory judgment claim. *Id.* at 396.

25 In *Neilmed Prods., Inc. v. Med-Systems, Inc.*, 472 F. Supp. 2d 1178, 1180–81
26 (N.D. Cal., 2007), the court relied on the defendant’s filing of an opposition to the
27 plaintiff’s trademark application. The court noted especially that (as here), the opposition
28 made clear that it believed the applicant’s mark infringed on and diluted its registered

1 mark. The court read that as a “veiled threat” to litigate in future; or, to put it another
2 way, the defendant had invoked the language of trademark infringement. That, together
3 with the fact that the defendant had not promised not to sue, was held sufficient to create
4 a reasonable apprehension. Here, the facts favor a “reasonable apprehension” finding
5 even more strongly because Whole E Nature has alleged TWC’s counsel made actual
6 threats to sue for injunctive relief. The *Neilmed* court also discussed *Chesebrough-*
7 *Pond’s* at length, explaining why it did not counsel a different result.

8 In *Active Lifestyle USA, LLC v. Old Navy, LLC*, 2012 WL 2951924, *2–*3 (C.D.
9 Cal., July 16, 2012), the plaintiff had sent the defendant a cease and desist letter
10 requesting that the defendant stop using a trademark related to one it had unsuccessfully
11 tried to register. The defendant brought a counterclaim seeking declaratory judgment of
12 non-infringement. The plaintiff had told the defendant that there was “not threat of suit,”
13 but would not agree to a covenant not to sue. *Id.* at *3. The court, noting the plaintiff’s
14 opposition to the defendant’s applications that mentioned likelihood of confusion and
15 damage to the plaintiff’s goodwill, found a substantial controversy existed.

16 The recent decision in *Home Gear, Inc. v. Lanceberg Holdings, LLC*, 2016 WL
17 6804611, *3 (S.D. Cal., Nov. 16, 2016), concluded that “district courts have consistently
18 held that a combination of TTAB opposition proceedings and infringement-alleging
19 language in cease and desist letters” is enough to establish a reasonable apprehension of
20 litigation. While this case involves demands and threats over the phone rather than a
21 formal cease and desist letter, an allegation that TWC’s counsel made the demands while
22 discussing the dispute with Whole E Nature’s counsel creates a similar level of
23 apprehension. And in any case, the basis for apprehension is greater than in *Neilmed*,
24 which was based solely on the content of a TTAB opposition.

25 In light of these precedents, and the more lenient standard used when the allegedly
26 infringing mark is in incurrent use, *see Societe de Conditionnement en Aluminium*, 655
27 F.2d at 944, the Court finds that the alleged facts show Whole E Nature has a reasonable
28 apprehension of litigation.

1 Turning to the question of whether the Court should exercise its discretion to
2 entertain this action, the Court finds neither of TWC’s contentions very persuasive. The
3 TTAB is not a “forum” in the sense that courts are. Its decisions are not entitled to
4 deferential review, but may be challenged by bringing a proceeding in district court. *See*
5 *Rhoades*, 504 F.3d at 1163 (citations omitted).

6 Other courts have found it unremarkable that a plaintiff seeking declaratory relief
7 would rather pursue claims in court rather than wait — often for quite a while — for the
8 TTAB to render its non-final decision. *See, e.g., FN Cellars, LLC v. Union Wine Co.*,
9 2015 WL 5138173, *4 (N.D. Cal., Sept. 1, 2015) (holding that filing a declaratory relief
10 action in district court during a TTAB registration proceeding did not amount to forum
11 shopping); *Neilmed*, 472 F. Supp. 2d at 1182 (same). TWC points out that this Court
12 would consider more information than the TTAB would be permitted to, suggesting that
13 Whole E Nature would be obtaining an unfair advantage. *See e.g. Pom Wonderful LLC*
14 *v. Hubbard*, 775 F.3d 1118, 1128 (9th Cir. 2014) (considering trademarks in the context
15 of their labels and containers). But while this may be an advantage, it does not amount to
16 an unfair one. And in any event, at the end of the TTAB proceeding, Whole E Nature
17 would be entitled to seek review in a district court anyway. This undercuts the
18 suggestion that Whole E Nature is engaged in forum shopping, and suggests rather a
19 motive to streamline the process.

20 With regard to whether this action would settle all aspects of the parties’
21 controversy, this factor also does not counsel discretionary stay or dismissal. As the *FN*
22 *Cellars* court noted, “A declaratory action is preferable to a TTAB action for addressing
23 ‘all aspects of the controversy’ between the parties, because the TTAB cannot address a
24 trademark non-infringement claim.” 2015 WL 5138173 at *4 (citing *Dizol*, 133 F.3d at
25 1225 n.5). And although TWC argues that the TTAB is a superior forum because it can
26 examine all the renditions of TWC’s marks, there is nothing preventing this Court from
27 doing the same. The Court is also mindful of the explanation in *Rhoades*:

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1 Allowing the district court to decline a declaratory relief action . . . is
2 sensible only if the agency is better equipped to handle the action. Here,
3 however, Congress has not installed the PTO as the exclusive expert in the
4 field.

5 *Id.* at 1164. As *Rhoades* held, the belief in the TTAB’s superiority as a forum is an
6 inappropriate reason to decline to entertain a declaratory relief action. 504 F.3d at 1162.

7 The Court therefore exercises its discretion in favor of hearing this case.

8 **Motion for Costs**

9 Whole E Nature first brought its claims in the Northern District of California.
10 After TWC filed a motion to dismiss or alternatively to transfer to the Central District of
11 California, Whole E Nature voluntarily dismissed the action and refiled it here. TWC
12 seeks an award of \$2,108.00 as costs under Fed. R. Civ. P. 41(d), and asks that the case
13 be stayed until Whole E Nature pays. Whole E Nature does not argue that the cases are
14 different, but instead argues that its litigation choices were reasonable and accuses TWC
15 of running up costs.

16 Rule 41(d) gives federal courts broad discretion to order the payment of costs, and
17 to stay cases, though neither is mandatory. *Esquivel v. Arau*, 913 F. Supp. 1382, 1386
18 (C.D. Cal. 1996). The rule is intended to deter vexatious litigation and forum shopping.
19 *Simeone v. First Bank Nat’l Ass’n*, 971 F.2d 103, 108 (8th Cir. 1992); *Esquivel*, 913 F.
20 Supp. at 1386. Its purposes also include the protection of defendants from “the
21 harassment of repeated lawsuits by the same plaintiff on the same claims.” *Jurin v.*
22 *Google Inc.*, 695 F.Supp.2d 1117, 1123 (E.D. Cal. 2010); *Hacopian v. United States*
23 *Dept. of Labor*, 709 F.2d 1295, 1297 (9th Cir. 1983) (describing the “dangers of
24 harassment and vexatious litigation . . . in cases covered by Rule 41(d)”).

25 Faced with a request for costs under this rule, a plaintiff bears the burden of
26 showing a persuasive explanation for its litigation choices. *Esquivel*, 913 F. Supp. At
27 1388. A defendant, on the other hand, only needs to show it incurred needless
28 expenditures as a result of the plaintiff’s actions. *Id.* In deciding whether to exercise its

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1 discretion to award costs, the Court considers whether doing so is necessary to prevent
2 prejudice to the defendant. *Id.* at 1387.

3 Whole E Nature’s opposition contends that venue was “admittedly proper” in the
4 Northern District of California, citing TWC’s supposed concession “that it was subject to
5 personal jurisdiction in the Northern District” set forth in TWC’s Motion to Dismiss.
6 (Opp’n (Docket no. 13) at 16:11–13.) Whole E Nature argues that a concession of
7 personal jurisdiction is tantamount to a concession of venue.

8 The Motion to Dismiss does not appear to mean what Whole E Nature thinks it
9 does, however. It mentions that TWC was “subject to personal jurisdiction in the
10 Northern District of California” but in the same sentence says that venue was wrong.
11 (Docket no. 8 at 3:18–20.) This is immediately followed by an explanation that neither
12 party had its headquarters, employees, or documents in “Northern California”.¹ The
13 same document earlier used the term “personal jurisdiction” to refer to jurisdiction over
14 the case (*i.e.*, authority to manage the case),² rather than jurisdiction over the parties. (*Id.*
15 at 1:6–8.) Furthermore, these are isolated uses of the term; and that the construction
16 Whole E Nature suggests is diametrically opposed to the whole of TWC’s argument, both
17 in this Court and in the Northern District, has been that the case had no connection at all
18 to the Northern District. The circumstances strongly suggest this was nothing more than
19 either inartful wording or a scrivener’s error, and not a concession as Whole E Nature
20 argues.

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24 ¹ This appears to be inartful drafting, and probably means the Northern District of California. But even if
25 it means the region of Northern California, the effect is the same, because the Northern District is
located in Northern California.

26 ² The Northern District, even if it lacked personal jurisdiction over TWC, nevertheless had authority to
27 transfer the case to a court that would have had personal jurisdiction over TWC, and where venue would
28 have been proper. *See Wood v. Santa Barbara Chamber of Commerce, Inc.*, 705 F.2d 1515, 1523 (9th
Cir. 1983) (citing *Goldlawr v. Heiman*, 369 U.S. 463, 466 (1961)). It is also possible the remark was
merely the result of confusion and misuse of the term. *See Kontrick v. Ryan*, 540 U.S. 443 at 454–55
(2004) (noting the frequent misuse of the term “jurisdiction,” even by courts).

1 Looking at the complaint filed in the Northern District (Docket no. 14-1, Ex. B), it
2 is clear personal jurisdiction was improper there. Whole E Nature has its headquarters in
3 this District, and TWC has its headquarters in the Central District of California, either of
4 which would have been a proper forum. The only venue allegation is wholly conclusory:
5 “Venue is proper in this judicial district pursuant to 28 U.S.C. § 1391(b) because a
6 substantial part of the events giving rise to this Complaint occurred in this judicial
7 district.” (Ex. B, ¶ 7.) The complaint pleads no facts to support this, and none of the
8 events the complaint mentions appear to have occurred in the Northern District.

9 TWC’s motion in the Northern District sought dismissal for lack of subject matter
10 jurisdiction — not improper venue or lack of personal jurisdiction — and only requested
11 transfer to the Central District as a matter of convenience. The motion did, however,
12 argue that the case had “absolutely no connection with [the Northern] District and either
13 of the parties.” (Docket no. 14-1, Ex. C, at 1:14–17.) But that motion was never ruled
14 on, because Whole E Nature voluntarily dismissed the action and refiled in this District.

15 TWC’s proffered explanation for Whole E Nature’s decisions is highly plausible.
16 Whole E Nature’s explanation that venue was proper in the Northern District is incorrect,
17 and the Court does not agree with its assessment of the likelihood of transfer. Based on
18 the pleadings and the documents of which the Court has taken notice, it appears Whole E
19 Nature’s first choice for a forum was the Northern District, where its counsel had their
20 office, and its second choice was this District, where Whole E Nature’s headquarters are
21 located. The Central District, where TWC’s headquarters are located, was a disfavored
22 third choice. TWC’s first choice, on the other hand, was continued proceedings before
23 the TTAB, with the Central District as its second-choice forum. Given TWC’s objections,
24 the Northern District appears to have been its last choice.

25 Whole E Nature miscalculated by filing in the Northern District and failing to
26 anticipate both TWC’s objections and its transfer motion. It offered a compromise to
27 TWC, in the form of a stipulated transfer to this District, which TWC (as was its right)

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1 refused. Faced with the strong possibility³ of a transfer to its third-choice forum, Whole
2 E Nature dismissed and refiled here, in its second-choice forum, in order to obtain what
3 TWC was unwilling to consent to.

4 By dismissing and filing a new case rather than risk the possibility of transfer,
5 Whole E Nature imposed some costs on TWC. The Court finds this has unfairly
6 prejudiced TWC, and that an award of costs is appropriate under Rule 41(d).

7 Courts are split on whether “costs of a previously dismissed action” can include
8 attorney’s fees. *See Platinum Logistics, Inc. v. Platinum Cargo Logistics, Inc.*, 2015 WL
9 11921401, *5 (S.D. Cal., Sept. 15, 2015) (noting a split of authority, but holding that
10 attorney’s fees are part of costs for Rule 41(d) purposes). In view of Rule 41(d)’s
11 remedial purpose and discretionary nature, the Court believes treating fees as part of costs
12 can be appropriate, and would be appropriate here. TWC asks that it be reimbursed for
13 3.4 hours of its counsel’s time, representing the cost of filing the transfer motion in the
14 Northern District. The Court finds both the time and hourly rate reasonable for this work,
15 and **AWARDS** the requested \$2,108.00 in attorney’s fees.

16 In view of the relatively small amount at stake, the Court believes a stay would
17 bring about needless delay and serve no useful purpose, and **DENIES** TWC’s request for
18 one. Instead, Whole E Nature is **ORDERED** to pay TWC the \$2,108.00 by **Monday,**
19 **October 30, 2017.** If Whole E Nature needs more time, it should seek an extension by
20 joint motion (if possible) or by *ex parte* application. The Court is not inviting any

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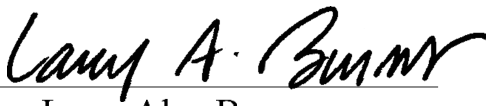
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26 ³ Whole E Nature’s pleadings characterize this motion as doomed. But in the Court’s view, Whole E
27 Nature’s counsel would have been foolhardy to discount the likelihood. A transfer for convenience is
28 discretionary, but is guided by certain factors, including the convenience of parties of interest and the
“interest of justice”. *Amazon.com v. Cendant Corp.*, 404 F. Supp. 2d 1256, 1259 (W.D. Wash. 2005). In
the Court’s view, many district courts would have granted the transfer under these circumstances.

1 requests for reconsideration, so an *ex parte* application filed in response to this order
2 should focus on why an extension is needed. *See* Standing Order, ¶ 4(j).

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4 **IT IS SO ORDERED.**

5 Dated: September 22, 2017

6 
7 Hon. Larry Alan Burns
8 United States District Judge

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