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8 UNITED STATES DISTRICT COURT
9 SOUTHERN DISTRICT OF CALIFORNIA
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11 SAN DIEGO COUNTY CREDIT
12 UNION,

13 Plaintiff,

14 v.

15 CITIZENS EQUITY FIRST CREDIT
16 UNION,

17 Defendant.
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Case No.: 18cv967-GPC(RBB)

**ORDER DENYING DEFENDANT'S
MOTION TO DISMISS FOR LACK
OF SUBJECT MATTER
JURISDICTION AND GRANTING
DEFENDANT'S MOTION TO
DISMISS FOR FAILURE TO STATE
A CLAIM WITH LEAVE TO
AMEND**

[Dkt. No. 40.]

20 Before the Court is Defendant's motion to dismiss for lack subject matter
21 jurisdiction under Federal Rule of Civil Procedure 12(b)(1) and failure to state a claim
22 under Federal Rule of Civil Procedure 12(b)(6). (Dkt. No. 40.) Plaintiff filed an
23 opposition on August 31, 2018. (Dkt. No. 42.) Defendant filed a reply on September 14,
24 2018. (Dkt. No. 45.) Pursuant to Civil Local Rule 7.1(d)(1), the Court finds the matter
25 suitable for adjudication without oral argument. Based on the reasoning below, the Court
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1 DENIES Defendant’s motion to dismiss for lack of subject matter jurisdiction and
2 GRANTS Defendant’s motion to dismiss for failure to state a claim with leave to amend.

3 **Background**

4 On May 16, 2018, Plaintiff San Diego County Credit Union (“SDCCU”) filed a
5 complaint against Defendant Citizens Equity First Credit Union (“CEFCU”) for
6 declaratory judgment of non-infringement and invalidity of trademarks and related
7 claims. (Dkt. No. 1, Compl.) SDCCU owns over 40 federally registered trademarks in
8 connection with its credit union services, including U.S. Trademark Registration No.
9 4,560,596 for “IT’S NOT BIG BANK BANKING. IT’S BETTER” (the “SDCCU Mark”)
10 which issued on July 1, 2014. (Dkt. No. 1, Compl. ¶ 25; Dkt. No. 1-2, Compl., Ex. A.)
11 CEFCU owns U.S. Trademark Registration No. 3,952,993 for “CEFCU. NOT A BANK.
12 BETTER” (the “CEFCU Mark”) which issued on May 3, 2011. (Dkt. No. 1, Compl. ¶
13 33; Dkt. No. 1-3, Compl., Ex. B.) Prior to filing the trademark application for the
14 CEFCU Mark, CEFCU conducted a trademark search report and, on information and
15 belief, learned that several third-party credit unions already used trademarks similar to
16 the CEFCU Mark such as “NOT A BANK – BETTER!”, “BETTER THAN A BANK”,
17 and “IT’S NOT A BANK” (“Third Party Marks”). (Dkt. No. 1, Compl. ¶¶ 3, 34.)

18 SDCCU and CEFCU are both large credit unions. (Id. ¶ 2.) SDCCU’s customers
19 are primarily located in Southern California while CEFCU’s customers are primarily
20 located in Peoria, Illinois and northern California. (Id.) At the end of 2008, CEFCU
21 purchased Valley Credit Union in Northern California but did not direct its marketing
22 bearing the CEFCU Mark or CEFCU’s Common Law Mark in connection with credit
23 union services outside the Illinois market until June 2011. (Id. ¶ 31.) In June 2011,
24 CEFCU started using the CEFCU Mark in connection with marketing campaigns in the
25 Illinois and California markets. (Id. ¶ 32.)

1 In early 2016, a CEFCU employee saw a billboard in San Diego, CA containing
2 the SDCCU Mark used to market credit union services and notified CEFCU managers in
3 March 2016. (Id. ¶ 38.) On May 17, 2017, CEFCU filed a petition for cancellation¹ of
4 the ‘596 Trademark Registration No. for the SDCCU Mark with the U.S. Patent and
5 Trademark Office’s (“USPTO”) Trademark Trial and Appeal Board (“TTAB”) claiming
6 the SDCCU Mark is likely to cause confusion or to cause mistake or to deceive
7 consumers when viewing CEFCU’s Mark. (Id. ¶¶ 5, 39; Dkt. No. 1-5, Compl., Ex. D.)
8 On July 3, 2017, SDCCU filed an Answer and Counterclaim in the cancellation
9 proceeding. (Dkt. No. 29-3, Dabney Decl., Ex. 3.) On August 7, 2017, CEFCU filed an
10 Answer to the Counterclaim. (Id., Ex. 4.) On August 28, 2017, SDCCU filed an
11 Amended Counterclaim to which CEFCU timely answered on September 11, 2017. (Id.,
12 Exs. 5, 6.) A scheduling order was issued and discovery has taken place. (Id., Ex. 7.)
13 On March 23, 2018, CEFCU filed a motion for leave to amend its petition to add an
14 additional ground for cancellation. (Id., Ex. 17.) Then on May 16, 2018, SDCCU filed
15 this action and moved the PTO for a stay of the cancellation proceedings which the PTO
16 granted on June 8, 2018. (Id., Exs. 1, 23, 24.)

17 In this action, the complaint alleges that the CEFCU Mark is, in fact, more similar
18 to each of the Third Party Marks than it is to the SDCCU Mark. (Dkt. No. 1, Compl. ¶
19 7.) Therefore, if CEFCU believes that the scope of protection for its mark is broad
20 enough to encompass the SDCCU Mark, CEFCU materially misrepresented to the
21 USPTO that the CEFCU Mark was not confusingly similar to any of the Third-Party
22 Marks. (Id.) On the other hand, if CEFCU believes that its mark was not confusingly
23 similar to any of the Third-Party marks, the CEFCU Mark cannot be broad enough to
24 encompass the SDCCU Mark. (Id.) In either case, CEFCU’s cancellation action and
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27 ¹ Citizens Equity First Credit Union v. San Diego Cnty. Credit Union, Cancellation No. 92066165.

1 threat of lawsuit are objectively baseless and brought with the subjective intent to harm
2 SDCCU. (Id.) SDCCU asserts it has a reasonable apprehension that CEFCU will file a
3 lawsuit against it alleging trademark infringement. (Id. ¶ 47.)

4 The complaint alleges eight causes of action seeking 1) declaratory judgment of
5 non-infringement of CEFCU. NOT A BANK. BETTER.; 2) declaratory judgment of non-
6 infringement of NOT A BANK. BETTER.; 3) declaratory judgment for invalidity of
7 CEFCU. NOT A BANK. BETTER.; 4) declaratory judgment for invalidity of NOT A
8 BANK. BETTER.; 5) false or fraudulent trademark registration under 15 U.S.C. § 1120;
9 6) unfair competition under 15 U.S.C. § 1125; 7) unfair competition under California
10 Business & Professions Code section 17200 *et seq.*; and 8) unfair competition under
11 common law. (Id. ¶¶ 58-109.)

12 On July 31, 2018, the Court denied Defendant's motion for lack of personal
13 jurisdiction. (Dkt. No. 39.) On August 13, 2018, Defendant filed the instant motion to
14 dismiss for lack of subject matter jurisdiction the first four causes of action arguing
15 Plaintiff has not asserted a justiciable claim for alleged infringement under the
16 Declaratory Judgment Act. (Dkt. No. 40.) Defendant additionally moves to dismiss the
17 remaining causes of action for failure to state a claim. In response, Plaintiff does not
18 oppose Defendant's motion to dismiss the seventh and eighth causes of action and agrees
19 to voluntarily dismiss them. (Dkt. No 42 at 31².) Accordingly, the Court GRANTS
20 Defendant's motion to dismiss the seventh cause of action for unfair competition under
21 California Business & Professions Code section 17200 and eighth cause of action under
22 California common law as unopposed.

23 Discussion

24 I. Legal Standard as to Federal Rule of Civil Procedure 12(b)(1)

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27 ² Page numbers are based on the CM/ECF pagination.

1 Federal Rule of Civil Procedure (“Rule”) 12(b)(1) provides for dismissal of a
2 complaint for lack of subject-matter jurisdiction. Fed. R. Civ. P. 12(b)(1). Rule
3 12(b)(1) jurisdictional attacks can be either facial or factual. White v. Lee, 227 F.3d
4 1214, 1242 (9th Cir. 2000). Here, Defendant is mounting a factual attack on subject
5 matter jurisdiction by providing evidence outside the complaint.

6 In a factual attack, the challenger provides evidence that an alleged fact in the
7 complaint is false, thereby resulting in a lack of subject matter jurisdiction. Safe Air
8 for Everyone v. Meyer, 373 F.3d 1035, 1039 (9th Cir. 2004). Under a factual attack, the
9 allegations in the complaint are not presumed to be true, White, 227 F.3d at 1242, and
10 “the district court is not restricted to the face of the pleadings, but may review any
11 evidence, such as affidavits and testimony, to resolve factual disputes concerning the
12 existence of jurisdiction.” McCarthy v. United States, 850 F.2d 558, 560 (9th Cir. 1988).
13 “Once the moving party has converted the motion to dismiss into a factual motion by
14 presenting affidavits or other evidence properly brought before the court, the party
15 opposing the motion must furnish affidavits or other evidence necessary to satisfy its
16 burden of establishing subject matter jurisdiction.” Savage v. Glendarle Union H.S.,
17 Dist. No. 205, Maricopa Cnty., 343 F.3d 1036, 1039 n. 2 (9th Cir. 2003). The district
18 court may review evidence beyond the complaint without converting the motion to
19 dismiss into a motion for summary judgment. See id. However, “[a] court may not
20 resolve genuinely disputed facts where ‘the question of jurisdiction is dependent on the
21 resolution of factual issues going to the merits.’” Roberts v. Corrothers, 812 F.2d 1173,
22 1177 (9th Cir. 1987) (citations omitted)). Ultimately, Plaintiff has the burden to
23 demonstrate that subject matter jurisdiction exists. Kokkonen v. Guardian Life Ins. Co.
24 of America, 511 U.S. 375, 377 (1994).

25 The Declaratory Judgment Act (“DJA”), provides “[i]n a case of actual
26 controversy within its jurisdiction . . . any court of the United States, upon the filing of an
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1 appropriate pleading, may declare the rights and other legal relations of any interested
2 party seeking such declaration, whether or not further relief is or could be sought.” 28
3 U.S.C. § 2201(a). The phrase “case of actual controversy” under the DJA refers to
4 Article III’s “Cases” and “Controversies” for justiciable claims. MedImmune, Inc. v.
5 Genentech, Inc., 549 U.S. 1919, 126-27 (2007) (citing Aetna Life Ins. Co. v. Haworth,
6 300 U.S. 225, 240 (1937)); American States Ins. Co. v. Kearns, 15 F.3d 142, 143 (9th
7 Cir. 1994) (an actual controversy under the DJA is identical to Article III's constitutional
8 case or controversy requirement). To constitute a case or controversy, “the question in
9 each case is whether the facts alleged, under all the circumstances, show that there is a
10 substantial controversy, between parties having adverse legal interests, of sufficient
11 immediacy and reality to warrant the issuance of a declaratory judgment.” MedImmune,
12 549 U.S. at 127 (quoting Maryland Casualty Co. v. Pacific Coal & Oil Co., 312 U.S. 270,
13 273 (1941)).³ Without a “case or controversy”, the Court lacks subject matter
14 jurisdiction under Rule 12(b)(1). Fleck and Assoc., Inc. v. Phoenix, an Arizona Mun.
15 Corp., 471 F.3d 1100, 1103–04 (9th Cir. 2006).

16 The Court conducts a two-step inquiry as to whether it should exercise DJA
17 jurisdiction. First, the district court must “inquire whether there is an actual case or
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19 ³ Post-MedImmune, the Ninth Circuit has continued to hold that an actual controversy exists if the
20 plaintiff in a declaratory action has a real and reasonable apprehension that he will be subject to liability
21 for infringement. See E. & J. Gallo Winery v. Proximo Spirits, Inc., 583 Fed. App’x 632, 634 (9th Cir.
22 2014) (citing to “actual controversy” standard of MedImmune and relying on Societe de
23 Conditionnement v. Hunter Eng’g Co., 655 F.2d 938, 944 (9th Cir. 1981) and Chesebrough-Pond’s, Inc.
24 v. Faberge, Inc., 666 F.2d 393, 396 (9th Cir. 1982)); Rhoades v. Avon Products, Inc., 504 F.3d 1151,
25 1157 (9th Cir. 2007) (relying on Chesebrough Pond’s). As stated by one district court, the Ninth
26 Circuit’s “real and reasonable apprehension” test continues after MedImmune. Homie Gear, Inc. v.
27 Lanceberg Holdings, LLC, Case No. 16cv1062-BTM(DHB), 2016 WL 6804611 (S.D. Cal. Nov. 16,
28 2016) (citing Prasco, LLC v. Medics Pharm. Corp., 537 F.3d 1329, 1336 (Fed. Cir. 2008)). “Following
MedImmune, proving a reasonable apprehension of suit is only one of many ways a patentee can satisfy
the Supreme Court's more general all-the-circumstances test to establish that an action presents a
justiciable Article III controversy.” Caraco Pharm. Labs, Ltd. v. Forest Labs, Inc., 527 F.3d 1278, 1291
(Fed. Cir. 2008).

1 controversy within its jurisdiction.” Principal Life Ins. Co. v. Robinson, 394 F.3d 665,
2 669 (9th Cir. 2005) (citation omitted). In the Ninth Circuit, a declaratory judgment action
3 that a trademark is invalid or that the plaintiff is not infringing asserts a case or
4 controversy “if the plaintiff has a real and reasonable apprehension that he will be subject
5 to liability if he continues to manufacture his product.” Rhoades v. Avon Prods., Inc.,
6 504 F.3d 1151, 1157 (9th Cir. 2007) (quoting Hal Roach Studios, Inc. v. Richard Feiner
7 & Co., Inc., 896 F.2d 1542, 1555-56 (9th Cir. 1990)). In Chesebrough-Pond’s, the Ninth
8 Circuit explained,

9 In applying this standard, we focused upon the position and perceptions of
10 the plaintiff, declining to identify specific acts or intentions of the defendant
11 that would automatically constitute a threat of litigation. The acts of the
12 defendant were instead to be examined in view of their likely impact on
13 competition and the risks imposed upon the plaintiff, to determine if the
14 threat perceived by the plaintiff were real and reasonable.

14 Chesebrough-Pond’s, Inc. v. Faberge, Inc., 666 F.2d 393, 396 (9th Cir. 1982) (citing
15 Societe de Conditionnement v. Hunter Eng’g Co., 655 F.2d 938, 944 (9th Cir. 1981)).

16 The court recognized that “a simple opposition proceeding in the Patent and Trademark
17 Office generally will not raise a real and reasonable apprehension of suit.” Id. However,
18 a plaintiff may reasonably infer a threat of a future infringement action based on a letter
19 by the defendant declaring its intent to file opposition proceeding which articulated
20 allegations asserting a prima facie case of trademark infringement. Id. Moreover, the
21 showing of apprehension “need not be substantial” when an allegedly infringing mark is
22 in use. Societe de Conditionnement, 655 F.2d at 944.

23 Once the first part has been met, the district court must next decide, using the
24 factors in Brillhart v. Excess Ins. Co., 316 U.S. 491 (1942) and its progeny whether to
25 exercise its jurisdiction. Principal Life Ins. Co., 394 F.3d at 669. Essentially, the district
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1 court “must balance concerns of judicial administration, comity, and fairness to the
2 litigants.” Chamberlain v. Allstate Ins. Co., 931 F.2d 1361, 1367 (9th Cir. 1991).

3 **A. Analysis**

4 Defendant argues that the first, second, third and fourth causes of action should be
5 dismissed for lack of any “actual controversy” pursuant to the DJA. CEFCU contends
6 that it has not engaged in any threatening or litigious conduct such as a cease and desist
7 letter, emails, or phone calls where it has asserted that SDCCU is infringing CEFCU’s
8 Mark. By filing its petition for cancellation, it is challenging only the registration of
9 SDCCU’s mark, not its use. In opposition, Plaintiff contends that it was under the
10 reasonable apprehension that it would be sued for trademark infringement based on the
11 pleadings filed in the cancellation proceedings before the TTAB and CEFCU’s expansion
12 of its credit unions into California.

13 Defendant’s argument improperly focuses on the lack of any overt or concrete
14 threats of potential litigation. However, the Ninth Circuit adopts a “flexible approach”
15 that focuses on “the position and perceptions of the plaintiff” and not on “specific acts or
16 intentions of the defendant.” Rhoades, 504 F.3d at 1157-58 (quoting Chesebrough–
17 Pond’s, 666 F.2d at 396). Under the “flexible approach” concrete threats of litigation are
18 not required to demonstrate a reasonable apprehension of an infringement suit. Id. at
19 1158; see also 6 J. Thomas McCarthy, Trademarks and Unfair Competition § 32.51 (4th
20 ed. 2007) (noting that to state “an actual controversy . . . [a] threat of infringement does
21 not have to be said in so many words. It can be expressed in the attitude of the defendant
22 as expressed, for example,] in ‘circumspect language in a letter.’”).

23 In Chesebrough, the Ninth Circuit held that the plaintiff could draw reasonable
24 inferences of a threat of an infringement action based on a letter by the defendant
25 indicating the defendant’s intent to file opposition proceedings and outlining a prima
26 facie case for trademark infringement. 666 F.2d at 396-97. Bolstering the plaintiff’s
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1 claim of a threat of litigation was the fact that the defendant did not act “to dispel such an
2 inference” and instead filed a counterclaim seeking damages for infringement. Id. In
3 conclusion, the court stated “although there was no actual threat by [the defendant] that it
4 would sue [the plaintiff] for trademark infringement, [the plaintiff] had a real and
5 reasonable apprehension that such action would be taken.” Id. at 397.

6 Relying on the ruling in Chesebrough-Pond’s, district court cases in this Circuit as
7 well as this Court in a recent case, have held that a pre-suit letter or a notice of opposition
8 filed with the USPTO that lays out the elements of a cause of action for trademark
9 infringement, by itself, is sufficient to create a reasonable apprehension of litigation for
10 infringement, and consequently satisfies the actual controversy requirement under the
11 DJA. See Copasetic Clothing Ltd. v. Roots Canada Corp., Case No. 17cv2300-
12 GPC(KSC), 2018 WL 4051693, at *4 (S.D. Cal. Aug. 24, 2018) (“DJA jurisdiction may
13 lie—based on the allegations contained in TTAB materials alone—where the defendant’s
14 opposition articulates the prima facie elements of trademark infringement.”); Whole E
15 Nature, LLC v. Wonderful Co., LLC, No. 17cv10-LAB(KSC), 2017 WL 4227150, at *2-
16 3 (S.D. Cal. Sept. 22, 2017) (opposition papers filed with USPTO asserting infringement
17 allegations sufficient to show the plaintiff had a reasonable apprehension of litigation);
18 FN Cellars, LLC v. Union Wine Co., No. 15cv2301 JD, 2015 WL 5138173, at *3 (N.D.
19 Cal. Sept. 11, 2015) (pre-lawsuit letter laying out the elements of a potential infringement
20 action and threatening that if the mark was not abandoned, it would file a cancellation
21 proceeding were sufficient to establish existence of an actual and justiciable controversy
22 and subsequent cancellation action invoking trademark infringement and dilution
23 language further supported jurisdiction); Neilmed Prods., Inc. v. Med-Systems Inc., 472
24 F. Supp. 2d 1178, 1180-82 (N.D. Cal. 2007) (defendant’s notice of opposition that laid
25 out elements of an infringement claim satisfied the actual controversy requirement
26 because such actions could give the plaintiff a reasonable apprehension of liability). In
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1 Neilmed, the district court rejected the defendant’s argument that a mere filing of a notice
2 of opposition to a trademark registration application with the PTO does not provide
3 grounds for the plaintiff to have a reasonable apprehension of litigation. Neilmed, 472 F.
4 Supp. at 1180-81. The court explained that the defendant’s notice of opposition “invoked
5 the language of trademark infringement and dilution, which could give Plaintiff a
6 reasonable apprehension that Defendant would sue Plaintiff if Plaintiff continues to use
7 its [mark].” Id. at 1181.

8 In this case, the petition for cancellation alleges the elements of a cause of action
9 for trademark infringement.⁴ (Dkt. No. 1-5, Compl., Ex. D, Cancel. Pet.) To prevail on a
10 claim of trademark infringement, a plaintiff must prove “(1) that it has a protectible
11 ownership interest in the mark; and (2) that the defendant’s use of the mark is likely to
12 cause consumer confusion.” Network Automation, Inc. v. Advanced Sys. Concepts, Inc.,
13 638 F.3d 1137, 1144 (9th Cir. 2011) (citation omitted); 15 U.S.C. § 1114. Trademark
14 infringement requires a showing that the “public is likely to be deceived or confused by
15 the similarity of the marks.” Slep-Tone Entm’t Corp. v. Wired for Sound Karaoke and
16 DJ Servs., LLC, 845 F.3d 1246, 1249 (9th Cir. 2017).

17 Before the TTAB, the petition for cancellation states that CEFCU is the owner of
18 registered trademark CEFU. NOT A BANK. BETTER. (Dkt. No. 1-5, Compl., Ex. D,
19 Cancel. Pet. ¶ 2.) Both CEFCU and SDCCU provide identical credit union services.
20 (Dkt. No. 1-5, Compl., Ex. D, Cancel. Pet. ¶ 6.) Both CEFCU and SDCCU market credit
21 union services to the same customers. (Id. ¶¶ 7. 8.) SDCCU’s challenged mark
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24 ⁴ Defendant argues that its petition for cancellation merely tracks the language of 15 U.S.C. § 1052(d)
25 concerning trademark registration. However, in Chesebrough-Pond’s, the Ninth Circuit recognized the
26 “likelihood of confusion” standard is relevant to both registration and infringement proceedings;
27 nonetheless the court held it was reasonable for the plaintiff to infer a threat of an infringement action
28 based on the prima facie allegations presented in a letter declaring the defendant’s intent to file
opposition proceedings. Chesebrough-Pond’s, 666 F.2d at 396.

1 resembles CEFCU’s registered mark and will likely “cause confusion, or to cause
2 mistake or to deceive”⁵ (Id. ¶ 9.) Finally, “Petitioner believes it will be damaged by
3 continued registration of the Challenged Mark because such registration gives false color
4 to Respondent’s claim of right to *use* IT’S NOT BIG BANK BANKING. IT’S BETTER.
5 and encourages Respondent’s misleading and deceptive use of the Challenged Mark in
6 derogation of Petitioner’s prior and superior rights in its incontestable registered service
7 mark, CEFCU. NOT A BANK. BETTER.” (Id. ¶ 10 (emphasis added).) Moreover,
8 CEFCU filed an Amended Petition for Cancellation where an additional count for
9 cancellation based on its unregistered service mark “NOT A BANK. BETTER” and
10 asserts the same allegations of trademark infringement as the original petition. (Dkt. No.
11 42-5, Salen Decl., Ex. 3.)

12 Plaintiff also claims that in the initial disclosures provided by Defendant during the
13 cancellation proceeding, CEFCU indicated it would submit documents “evidencing the
14 potential for damage to CEFCU by reason of *respondent’s use* of ‘ITS NOT BIG BANK
15 BANKING. IT’S BETTER’ as a purported designation of the origin of services offered
16 by respondent.” (Dkt. No. 42-4, Salen Decl., Ex. 2 at 4 (emphasis added).) From
17 Plaintiff’s perspective, the language in the disclosure using the word “use” of SDCCU’s
18 Mark, creates a reasonable apprehension that it could be sued for trademark infringement
19 if it continues to use its Mark.

20 The Court also noted in its prior order on personal jurisdiction that the facts and
21 impetus underlying the cancellation proceedings arise from CEFCU’s increasing contacts
22 in California. San Diego Cnty. Credit Union v. Citizens Equity First Credit Union, -- F.

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25 ⁵ In a footnote, Defendant states that the Court, in its prior order, incorrectly stated that the petition filed
26 with the TTAB alleged a “likelihood of confusion based on the use of the respective marks in
27 California.” (Dkt. No. 40-1 at 15 n.2.) The Court disagrees. As the Court quotes from the TTAB
petition above, CEFCU alleged a likelihood of confusion based on SDCCU’s use of its alleged
infringing mark. (Dkt. No. 1-5, Compl., Ex. D, Cancel. Pet. ¶¶ 9, 10.)

1 Supp. 3d --, 2018 WL 3629969, at *6 (S.D. Cal. July 31, 2018). Due to CEFCU’s
2 expansion into the California market, in the analysis for personal jurisdiction, the Court
3 concluded that “CEFCU’s contacts in California form the basis of SDCCU’s reasonable
4 concern that CEFCU would file suit for infringing its federally registered and common
5 law trademark.” Id.

6 District court decisions from the Second Circuit cited by the Defendant are
7 inapposite as those cases dealt with challenging the registration of an alleged infringing
8 mark and not its use. See Bruce Winston Gem Corp. v. Harry Winston, Inc., No. 09 CIV
9 7352(JGK), 2010 WL 3629592, at *5 (S.D.N.Y. Sept. 16, 2010) (finding no justiciability
10 “where the defendants do not object to the plaintiff’s current use of its mark, and the only
11 immediate and definite controversy is over the registration of that mark”); American
12 Pioneer Tours, Inc. v. Suntrek Tours, Ltd., No. 97 Civ. 8220, 1998 WL 60944, at *3-4
13 (S.D.N.Y. Feb. 13, 1998) (documents submitted show that although the parties were
14 engaged in tense negotiations it did not prompt the defendant to threaten suit even
15 indirectly); Vina Casa Taya S.A. v. Oakville Hills Cellar, Inc., 784 F. Supp. 2d 391, 393-
16 94 (S.D.N.Y. 2011) (no case or controversy under the DJA based on cease-and-desist
17 letter asserting that the plaintiff’s mark was “confusingly similar” to the defendant’s mark
18 but asserted no objection to the plaintiff’s use of the mark). Moreover, the district court
19 in 1-800-Flowers.com, Inc. v. Edible Arrangements, LLC, 905 F. Supp. 2d 451, 455
20 (E.D.N.Y. 2012) relied on Merrick v. Sharp & Dohme, Inc., 185 F.2d 713, 716-17 (7th
21 Cir. 1951) (“A notice of opposition, in proper form, should not be construed to be a
22 charge of infringement or a threat to proceed to redress past infringements or to prevent
23 future infringements.”), which was rejected by the Ninth Circuit in Chesebrough-Pond’s
24 as inconsistent with the Ninth Circuit approach. See Chesebrough-Pond’s, 666 F.2d at
25 396. Consequently, 1-800 Flower.com provides no support for Defendant’s position.

1 Finally, Defendant’s citation to Merit Healthcare Int’l, Inc. v. Merit Med. Sys.,
2 Inc., 721 Fed. App’x 628, 629 (9th Cir. 2018) is distinguishable on the facts because the
3 correspondence between the parties did not demonstrate that Merit Medical had taken an
4 adverse legal position. Id. at 629. The Ninth Circuit affirmed dismissal of complaint
5 where the complaint only alleged similarity of marks and goods, and not likelihood of
6 confusion so apprehension was not reasonable based on the allegations in the complaint.
7 Id.

8 Because the petition for cancellation, the amended petition for cancellation and the
9 initial disclosures allege the elements for a cause of action for trademark infringement,
10 Plaintiff has demonstrated that it had a real and reasonable apprehension that it would be
11 subject to an infringement action.⁶ Moreover, because SDCCU continues to use the
12 alleged infringing Mark, Plaintiff’s showing of apprehension need not be substantial. See
13 Societe, 655 F.2d at 944.

14 Next, the Court considers whether it should assert jurisdiction over the DJA
15 claims. The Supreme Court, in Brillhart, and the Ninth Circuit, in Gov’t Employees Ins.
16 Co. v. Dizol, 133 F.3d 1220, 1225 (9th Cir. 1998), identified a number of prudential
17 factors for the Court to consider in deciding whether to exercise jurisdiction. District
18 courts “should avoid needless determination of State law issues; it should discourage
19 litigants from filing declaratory actions as a means of forum shopping; and it should
20 avoid duplicative litigation.” Dizol, 133 F.3d at 1225. Also relevant is “whether the
21 declaratory action will settle all aspects of the controversy,” “whether the declaratory
22 action is being sought merely for the purposes of procedural fencing or to obtain a ‘res
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25 ⁶ Plaintiff also cites to CEFCU’s Rule 30(b)(6) witness, Susan Portscheller, who testified that when she
26 first learned about the SDCCU Mark, she believed it constituted trademark infringement. However, her
27 testimony is not relevant to the Court’s analysis as her statements were not revealed to Plaintiff prior to
28 instituting this lawsuit and cannot be used to determine Plaintiff’s perceptions of potential litigation.

1 judicata’ advantage,” and “the convenience of the parties, and the availability and relative
2 convenience of other remedies.” Id. at 1225 n.5 (citation omitted).

3 Plaintiff argues that its claim for non-infringement of CEFCU’s trademarks as well
4 as its validity/cancellations claims are properly before this Court as the TTAB is limited
5 to deciding the cancellation issue and not infringement and this forum would address all
6 aspects of the litigation. Moreover, district courts have jurisdiction to review any TTAB
7 decision. Defendant replies that SDCCU is engaged in forum shopping by attempting to
8 short-circuit the cancellation proceeding that is in an advanced stage.

9 Because the TTAB is limited to deciding the right to register a trademark and
10 cancellation issue, see Rhoades, 504 F.3d at 1163 and not infringement issues, then
11 litigation in this action would be preferable because the Court will be able to resolve all
12 issues in the case. See FN Cellars, 2015 WL 5138173, at *4. As noted by the court in
13 Whole E Nature, LLC, the TTAB is not “a ‘forum’ in the sense that courts are” because
14 TTAB decisions may be challenged in district court. Whole E Nature, LLC, 2017 WL
15 4227150, at *3; see Neilmed, 472 F. Supp. 2d at 1182 (“the mere commencement of
16 federal litigation does not constitute forum-shopping or procedural fencing, however
17 expensive litigation might be” based on limited jurisdiction of TTAB). Given the TTAB
18 limitations in its ability to resolve the issues presented, Defendant’s argument of forum
19 shopping is without merit.

20 Because this case involves trademark non-infringement and invalidity claims, a
21 “declaratory action is preferable to a TTAB action for addressing ‘all aspects of the
22 controversy’ between the parties, because the TTAB cannot address a trademark non-
23 infringement claim.” FN Cellar, LLC, 2015 WL 5138173, at *4 (citing Dizol, 133 F.3d
24 at 1225 n.5). Accordingly, the Court exercises its jurisdiction to consider the issues in
25 this case. The Court DENIES Defendant’s motion to dismiss for lack of subject matter
26 jurisdiction.

1 **II. Legal Standard as to Federal Rule of Civil Procedure 12(b)(6)**

2 Federal Rule of Civil Procedure (“Rule”) 12(b)(6) permits dismissal for “failure to
3 state a claim upon which relief can be granted.” Fed. R. Civ. P. 12(b)(6). Dismissal
4 under Rule 12(b)(6) is appropriate where the complaint lacks a cognizable legal theory or
5 sufficient facts to support a cognizable legal theory. See Balistreri v. Pacifica Police
6 Dep’t., 901 F.2d 696, 699 (9th Cir. 1990). Under Federal Rule of Civil Procedure
7 8(a)(2), the plaintiff is required only to set forth a “short and plain statement of the claim
8 showing that the pleader is entitled to relief,” and “give the defendant fair notice of what
9 the . . . claim is and the grounds upon which it rests.” Bell Atlantic Corp. v. Twombly,
10 550 U.S. 544, 555 (2007).

11 A complaint may survive a motion to dismiss only if, taking all well-pleaded
12 factual allegations as true, it contains enough facts to “state a claim to relief that is
13 plausible on its face.” Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009) (quoting Twombly,
14 550 U.S. at 570). “A claim has facial plausibility when the plaintiff pleads factual
15 content that allows the court to draw the reasonable inference that the defendant is liable
16 for the misconduct alleged.” Id. “Threadbare recitals of the elements of a cause of
17 action, supported by mere conclusory statements, do not suffice.” Id. “In sum, for a
18 complaint to survive a motion to dismiss, the non-conclusory factual content, and
19 reasonable inferences from that content, must be plausibly suggestive of a claim entitling
20 the plaintiff to relief.” Moss v. U.S. Secret Serv., 572 F.3d 962, 969 (9th Cir. 2009)
21 (quotations omitted). In reviewing a Rule 12(b)(6) motion, the Court accepts as true all
22 facts alleged in the complaint, and draws all reasonable inferences in favor of the
23 plaintiff. al-Kidd v. Ashcroft, 580 F.3d 949, 956 (9th Cir. 2009).

24 Where a motion to dismiss is granted, “leave to amend should be granted ‘unless
25 the court determines that the allegation of other facts consistent with the challenged
26 pleading could not possibly cure the deficiency.’” DeSoto v. Yellow Freight Sys., Inc.,

1 957 F.2d 655, 658 (9th Cir. 1992) (quoting Schreiber Distrib. Co. v. Serv-Well Furniture
2 Co., 806 F.2d 1393, 1401 (9th Cir. 1986)). In other words, where leave to amend would
3 be futile, the Court may deny leave to amend. See DeSoto, 957 F.2d at 658; Schreiber,
4 806 F.2d at 1401.

5 **III. Legal Standard as to Federal Rule of Civil Procedure 9(b)**

6 Where a plaintiff alleges fraud in the complaint, Rule 9(b) requires a plaintiff to
7 “state with particularity the circumstances constituting fraud or mistake. Malice, intent,
8 knowledge, and other conditions of a person’s mind may be alleged generally.” Fed. R.
9 Civ. P. 9(b). Rule 9(b) requires that the circumstances constituting the alleged fraud “be
10 specific enough to give defendants notice of the particular misconduct . . . so that they
11 can defend against the charge and not just deny that they have done anything wrong.”
12 Kearns v. Ford Motor Co., 567 F.3d 1120, 1124 (9th Cir. 2009) (internal quotation
13 omitted). A party must set forth “the time, place, and specific content of the false
14 representations as well as the identities of the parties to the misrepresentation.” Odom v.
15 Microsoft Corp., 486 F.3d 541, 553 (9th Cir. 2007) (internal quotation marks omitted).
16 As such “[a]llegations of fraud must be accompanied by ‘the who, what, when, where,
17 and how’ of the misconduct charged.” Kearns, 567 F.3d at 1124 (citing Vess v. Ciba-
18 Geigy Corp. U.S.A., 317 F.3d 1097, 1106 (9th Cir. 2003)).

19 **A. Fifth Cause of Action – 15 U.S.C. § 1120**

20 Defendant moves to dismiss the fifth cause of action for false or fraudulent
21 trademark registration because it fails to plead fraud with particularity. Specifically, it
22 argues that Defendant has not “alleged a subjective intent to deceive the PTO” and fails
23 to identify what is false and why it is false. Plaintiff disagrees arguing it alleged facts to
24 support a cause of action under Rule 9 by asserting the who, what, when, where and how
25 of the alleged fraudulent trademark registration.
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1 The Complaint alleges that on September 1, 2010, CEFCU filed a declaration from
2 its Vice-President, Susan K. Yoder, with the USPTO during the registration of the
3 CEFCU Mark, asserting that the CEFCU Mark was used in interstate commerce as of
4 February 5, 2007 with the intent to deceive the USPTO in order to advance CEFCU’s
5 Mark registration. (Dkt. No. 1, Compl. ¶¶ 37, 88; Dkt. No. 1-4, Compl., Ex. C.) But
6 prior to June 2011, CEFCU did not direct its advertising using its Mark outside of the
7 Illinois market. (Dkt. No. 1, Compl. ¶ 36.) In addition, Plaintiff alleges that CEFCU
8 falsely stated that its Mark would not likely cause consumer confusion with respect to
9 pre-existing marks of which it was aware including Third Party Marks such as the “IT’S
10 NOT A BANK” mark of Warren Federal Credit Union, “BETTER THAN A BANK”
11 mark of ABNB Federal Credit Union and “NOT A BANK-BETTER!” mark of United
12 1st Federal Credit Union. (Id. ¶¶ 34, 89.) The false assertion was made with the intent to
13 deceive the USPTO so that its Mark would advance to registration. (Id. ¶ 89.) CEFCU’s
14 Mark would have not advanced to registration if CEFCU had not declared that the
15 CEFCU Mark would not likely cause consumer confusion concerning pre-existing marks
16 for credit union services. (Id.) On information and belief, the false statements in the
17 declaration filed with the USPTO were willful and meant to deceive and constitute fraud.
18 (Id. ¶ 90.)

19 These assertions sufficiently allege a cause of action for fraudulent trademark
20 registration under 15 U.S.C. § 1120 under Rules 8 and 9. Plaintiff alleges the who, what,
21 when, where and how of the alleged false statement made to the USPTO. Defendant’s
22 arguments focus on the merits of the claim, which is not appropriate on a motion to
23 dismiss, rather than whether the elements of the claim were properly alleged. Moreover,
24 contrary to Defendant’s argument that Plaintiff failed to allege a subjective intent to
25 deceive the PTO with particularity, Rule 9(b) does not require specificity concerning
26 intent but specifically states that [m]alice, intent, knowledge, and other conditions of a
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1 person’s mind may be alleged generally.” Fed. R. Civ. P. 9(b). Defendant’s citation to
2 In re Bose Corp., 580 F.3d 1240, 1245 (Fed. Cir. 2009) is inapposite as it involved an
3 appeal of the TTAB’s ruling on the merits, not a motion to dismiss, that Bose committed
4 fraud on the PTO. Defendant also cites to the Court’s ruling in Mygo, LLC v. Mission
5 Beach Indus., LLC, Case No. 16cv2350-GPC(RBB), 2017 WL 107346, *6 (S.D. Cal.
6 Jan. 11, 2017), where it held there were no facts from which the Court could “reasonably
7 infer that specific individuals affiliated with Mygo had the requisite knowledge and
8 specific intent to deceive the PTO.” In Mygo, the Court cited to Exergen where the
9 Federal Circuit held that “although ‘knowledge’ and ‘intent’ may be averred generally, a
10 pleading of inequitable conduct under Rule 9(b) must include sufficient allegations of
11 underlying facts from which a court may reasonably infer that a specific individual (1)
12 knew of the withheld material information or of the falsity of the material
13 misrepresentation, and (2) withheld or misrepresented this information with a specific
14 intent to deceive the PTO.” Id. at 5 (quoting Exergen Corp. v. Wal-Mart Stores, Inc., 575
15 F.3d 1312, 1328–29 (Fed. Cir. 2009)).

16 Here, the Complaint alleges that CEFCU misrepresented to the USPTO that it used
17 its Mark in interstate commerce as of February 5, 2007, (Dkt. No. 1, Compl. ¶¶ 37, 88),
18 but it was not until June 2011 when CEFCU began using the Mark outside of the Illinois
19 market, (id. ¶¶ 31, 32, 36). Moreover, CEFCU falsely stated that the CEFCU Mark
20 would not likely cause consumer confusion but knew of pre-existing similar marks of
21 third parties. (Id. ¶¶ 34, 37, 89.) Plaintiff claims that the false statements filed with the
22 USPTO were willful and made with the intent to deceive the USPTO. (Id. ¶¶ 73, 74, 88,
23 89, 90.) The Court concludes Plaintiff has alleged facts from which the Court can
24 reasonably infer that Defendant “knew of the falsity of the misrepresentation” and
25 “misrepresented this information with a specific intent to deceive the PTO.” See Exergen
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1 Corp., 575 F.3d at 1328-29. The Court DENIES Defendant’s motion to dismiss based on
2 its argument that the complaint does not comply with Rule 9(b).

3 Next, Defendant moves to dismiss the fifth cause of action because the sole
4 damages Plaintiff seeks is attorney’s fees which do not constitute “damages” under 15
5 U.S.C. § 1120. Plaintiff argues that attorney’s fees and costs are allowable under 15
6 U.S.C. § 1120 and attorney’s fees and costs are one of other consequential damages it
7 seeks.

8 Section 38 of the Lanham Act provides that “[a]ny person who shall procure
9 registration in the Patent and Trademark Office of a mark by a false or fraudulent
10 declaration or representation, oral or in writing, or by any false means, shall be liable in a
11 civil action by any person injured thereby for *any damages sustained in consequence*
12 thereof.” 15 U.S.C. § 1120 (emphasis added). The Ninth Circuit has not addressed the
13 issue of whether attorney’s fees constitute damages under section 38 of the Lanham Act.
14 See e.g., Roxbury Entm’t v. Penthouse Media Grp., Inc., No. 2:08cv3872-FMC0JWJx,
15 2009 WL 2950324, at *5 (C.D. Cal. Apr. 3, 2009) (the “Ninth Circuit has not directly
16 spoken on this issue” of whether attorneys’ fee and costs are recoverable under Section
17 38.”).

18 In support, Plaintiff solely cites to two out-of-state district court cases which no
19 longer have any precedential weight. In Money Store v. HarrisCorp Fin. Corp., No. 77 C
20 3175, 1981 WL 48153, at *1-2 (N.D. Ill. Mar. 25, 1981), the district court granted an
21 award of attorneys’ fees as damages under § 120. However, on appeal, the award of
22 damages under section 38 was reversed because there was no evidence that the
23 defendants acted fraudulently in obtaining the mark’s registration. 689 F.2d 666, 678-79
24 (7th Cir. 1982). The Seventh Circuit further noted it would express no opinion whether
25 attorneys’ fees constitute damages under section 38. Id. Plaintiff also cites to a 1965
26 New York district court case allowing damages under section 38 in the form of attorney’s
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1 fees. Merry Hull & Co. v. Hi-Line Co., 243 F. Supp. 45, 56 (S.D.N.Y. 1965). However,
2 the Second Circuit has specifically rejected its holding noting it preceded the Supreme
3 Court’s holding in Fleischmann Distilling Corp. v. Maier Brewing Co., 386 U.S. 714
4 (1967). Bluebell, Inc. v. Jaymar-Ruby, Inc., 497 F.2d 433, 438 (2d Cir. 1974).

5 In Fleischmann Distilling Corp. v. Maier Brewing Co., 386 U.S. 714 (1967), the
6 Supreme Court held that attorney’s fees were not available under section 35 of the
7 Lanham Act absent express statutory authority especially in light of the meticulously
8 detailed remedies provided for in the Lanham Act. Id. at 716-17, 719-20. In response to
9 Fleishmann, in 1975, Congress amended section 35 of the Lanham Act and gave the
10 Court discretion to award reasonable attorneys’ fees to a prevailing party in “exceptional
11 cases.” 15 U.S.C. § 1117(a). See Securacomm Consulting, Inc. v. Securacom Inc., 224
12 F.3d 273, 279 (3d Cir. 2000). Fleischmann and the 1975 amendment to the Lanham Act
13 concerned section 35 of the Lanham Act, not section 38, the relevant provision in this
14 case.

15 Other circuit courts have concluded that because section 38 was not amended by
16 Congress, attorney’s fees under section 38 are barred. Aromatique, Inc. v. Gold Seal,
17 Inc., 28 F.3d 863, 876-77 (8th Cir. 1994) (rejecting fees as a part of damages under
18 section 38); United Phosphorus, Ltd. v. Midland Fumigant, Inc., 205 F.3d 1219, 1232
19 (10th Cir. 2000) (noting that § 1120 does not allow for an award of attorney’s fees);
20 Exxon Corp. v. Exxene Corp., 696 F.2d 544, 551 (7th Cir. 1982) (“[T]he only damages
21 proved by Exxene-its attorney's fees-were not recoverable as damages under [section
22 38].”); see also Blue Bell, Inc. v. Jaymar-Ruby, Inc., 497 F.2d 433, 439 (2d Cir. 1974)⁷

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25 ⁷ While the Second Circuit held that attorneys fee’s are not specifically provided under section 38 and
26 should be barred, it left open the possibility that attorneys’ fees “might be awarded” as a matter of equity
27 apart from section 38, “where an absolutely false registration was fraudulently obtained solely for the
28 purpose of instituting completely vexatious litigation.” Blue Bell, Inc., 497 F.2d at 439. In this case,
Plaintiff have not made such an allegation.

1 (decided prior to 1975 amendment to section 35 and relying on Fleischmann to hold that
2 attorney’s fees are not recoverable under section 38).

3 In line with the reasoning in Fleischmann, addressing section 35, that an award of
4 attorneys’ fees as damages under the Lanham Act should be barred unless expressly
5 provided in statute, the Court concludes that because section 38 does not provide for
6 attorney’s fees, such fees are barred. Accordingly, the Court concludes that Plaintiff has
7 not demonstrated that attorney’s fees are recoverable under section 38 and GRANTS
8 Defendant’s motion to dismiss the fifth cause of action for failing to allege damages. In
9 its opposition, Plaintiff suggests that it has also alleged that CEFCU’s fraudulent conduct
10 of obtaining a false registration has damaged SDCCU’s business, including by stifling
11 SDCCU’s ability to freely use and/or expand its use of the SDCCU Mark” (Dkt. No. 42
12 at 29.) Because such damage allegations are not specifically alleged in the Complaint,
13 the Court GRANTS Defendant’s motion to dismiss with leave to amend because an
14 amendment to specify damages would not be futile. See DeSoto, 957 F.2d at 658;
15 Schreiber, 806 F.2d at 1401.

16 **B. Sixth Cause of Action – Unfair Competition, 15 U.S.C. § 1125**

17 Defendant moves to dismiss the Lanham Act unfair competition claim because the
18 acts alleged against it do not fall under the text of 15 U.S.C. § 1125 as there are no
19 allegations of “commercial advertising or promotion” or “affiliation, connection, or
20 association . . . with another person” or “the origin, sponsorship, or approval of [CEFCU]
21 goods, services, or commercial activity by another person.” Plaintiff responds that his
22 unfair competition claim should be construed broadly in view of the general language of
23 § 1125(a) together with its legislative history. Dkt. No. 42 at 29.

24 The Complaint alleges that to the extent that the alleged representations made to
25 the USPTO in its trademark registration application is true, then CEFCU’s assertions in
26 its petition for cancellation that SDCCU’s Mark is likely to cause confusion in relation to
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1 CEFCU’s Mark is groundless. (Dkt. No. 1, Compl. ¶¶ 93-95.) CEFCU’s filing of the
2 petition for cancellation despite knowing it is baseless is oppressive and CEFCU filed the
3 petition to obstruct SDCCU’s business or cause harm to it. (Id. ¶¶ 96-97.)

4 The Lanham Act was intended to make “actionable the deceptive and misleading
5 use of marks,” and “to protect persons engaged in . . . commerce against unfair
6 competition.” 15 U.S.C. § 1127. Section 43(a) of the Lanham Act provides, in pertinent
7 part:

8 (1) Any person who, on or in connection with any goods or services... uses
9 in commerce...[any] false or misleading representation of fact, which--

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

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

16 shall be liable in a civil action by any person who believes that he or she is
17 or is likely to be damaged by such act.

18 15 U.S.C. § 1125(a)(1) (emphasis added).

19 Here, Plaintiff does not dispute that it has not alleged the elements to support a
20 false designation of origin, false description of goods claim or false advertising, under §
21 1125. Instead, citing Jurin v. Google Inc., 768 F. Supp. 2d 1064, 1071-72 (E.D. Cal.
22 2011) and Iowa Health Sys. v. Trinity Health Corp., 177 F. Supp. 2d 897, 929-31 (N.D.
23 Iowa 2001), it argues that “unfair competition” under § 1125 is defined broadly and
24 covers the alleged false representations made by CEFCU to the USPTO on its application
25 to register its Mark and in the petition for cancellation.

1 In Jurin, the plaintiff alleged that Google’s use of the AdWords program and its
2 keyword suggestion tool created a false association between the plaintiff’s “Styrotrim”
3 building materials and those of its competitors. Jurin, 768 F. Supp. 2d at 1071. Google
4 argued that § 1125(a)(1)(A) is limited to the producer of the goods that has caused
5 consumer confusion. Id. The court construed § 1125(a)(1) broadly and found that even
6 though Google was a search engine and not a producer of materials, it was a “person”
7 covered by the statute. Id. at 1072. Given that Jurin did not allege any false
8 representations, it offers no support for Plaintiff’s position.

9 In Iowa Health Sys., the plaintiffs alleged the defendants made bad faith assertions
10 of trademark rights with knowledge that they had no superior rights and made
11 representations to the public⁸ to create confusion about the scope of the parties’
12 trademark rights with the purpose of damaging the opposing parties’ business. Iowa
13 Health Sys., 177 F. Supp. 2d at 926, 929-32. At the outset, the court observed that
14 asserting rights enforceable by statute is not actionable as unfair competition. Id. at 930
15 (citing Informix Software, Inc. v. Oracle Corp., 927 F. Supp. 1283, 1287 (N.D. Cal.
16 1996)); cf. Handgards, Inc. v. Ethicon, Inc., 601 F.2d 986, 990-93 (9th Cir. 1979)
17 (patentees must be permitted to test the validity of their patents in court through actions
18 against alleged infringers). However, the court found the allegations made were
19 sufficient to state a claim of “unfair competition” under the Lanham Act “because they go
20 beyond allegation merely of legitimate enforcement of trademark rights to conduct
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24 ⁸ In the case, the plaintiffs argued that the filing of a counterclaim asserting trademark rights greater than
25 what was conveyed to the defendants constituted unfair competition under the Lanham Act as it was
26 intended to create confusion about the proper scope of the parties’ trademark rights. The court held that
27 these alleged representations to the “public” to create confusion about the scope of the parties’
28 trademark rights was sufficient to state a claim. The court implicitly concluded that the filing of the
counterclaim constitutes representations to the “public.” However, in support of its ruling, the court
relied solely on cases where the alleged deceptive communication was made to business customers.

1 intended to create confusion about the proper scope of the trademark rights of the parties,
2 with the purpose of damaging” the plaintiffs’ business. Id. at 932.

3 In arriving at its decision, the court in Iowa Health appeared to require
4 communication of the false statement to the public by implicitly finding that the filing of
5 a counterclaim constitutes a representation to the public. Such a requirement would be
6 consistent with the language of § 43(a) which requires the subject false statement to be
7 used in commerce. Iowa Health, itself, relied on cases that involved representations
8 made to business customers which created confusion. See, e.g., Laitram Machinery, Inc.
9 v. Carnitech A/S, 901 F. Supp. 1155, 1162 (E.D. La. 1995) (defendant made false
10 representations to plaintiff’s customers that plaintiff had infringed defendant’s patent
11 rights precluded summary judgment for defendant on plaintiff’s Lanham Act claim);
12 Larami Corp. v. Amron, 36 U.S.P.Q. 2d 1073, 1084 (E.D. Pa. 1995) (defendant sent
13 letters to plaintiff’s customers threatening legal action for patent and trademark
14 infringement against anyone buying or selling plaintiff’s products); Accent Designs, Inc.
15 v. Jan Jewelry Designs, Inc., 827 F. Supp. 957, 964–65 (S.D.N.Y. 1993) (defendant made
16 false representations to plaintiff’s customers that plaintiff was infringing defendant’s
17 patent); Brandt Consolidated, Inc. v. Agrimar Corp., 801 F. Supp. 164, 170 (C.D. Ill.
18 1992) (denying motion to dismiss Lanham Act claim based on allegation that defendant
19 sent false patent infringement letters to plaintiff and its customer); Laser Diode Array,
20 Inc. v. Paradigm, Lasers, Inc., 964 F. Supp. 90, 95-96 (W.D.N.Y. 1997) (counterclaim
21 alleging unfair competition under Lanham Act stated a claim based on allegations that a
22 party falsely represented to a business’s customers that the business was infringing on the
23 party’s patent rights.).

24 Given the “uses in commerce” requirement and the cases that Iowa Health relied
25 on, there is little support for the idea that a filing of an action by itself will pass the “uses
26 in commerce” requirement. In determining whether communication of the false
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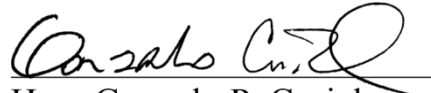
1 statement in commerce is necessary, the Court finds guidance in cases addressing
2 whether the filing of a patent infringement lawsuit constitutes unfair competition under
3 the Lanham Act. The Federal Circuit has stated that “the initiation of an infringement
4 suit is clearly not covered by the text of § 43(a), while a communication to the customers
5 of the accused infringer, in certain circumstances, may be.” Zenith Elecs. Corp. v. Exzec,
6 Inc., 182 F.3d 1340, 1350 (Fed. Cir. 1999). The court explained that recognizing an
7 unfair competition claim regarding marketplace statements of infringement “will further
8 the statutory purposes of § 43(a) of ‘preventing deception and unfair competition’ in the
9 marketplace.” Id. at 1354 (citing Two Pesos, Inc. v. Taco Cabana, Inc., 505 U.S. 763,
10 773 (1992)); see also RPost Holdings, Inc. v. Trustifi Corp., No. CV 10–1416 PSG
11 (SHx), 2010 WL 4025754, at *2-3 (C.D. Cal. Oct. 10, 2010) (following Zenith and
12 concluding that filing of a patent infringement lawsuit itself does not constitute unfair
13 competition under the Lanham Act but a cause of action based upon marketplace
14 statements about the lawsuit, if made in bad faith, may survive); IMCS, Inc. v. D.P. Tech.
15 Corp., 264 F. Supp. 2d 193, 197 (E.D. Pa. 2003) (relying on Zenith and noting that, with
16 respect to a related patent infringement suit, “a lawsuit that alleges unfair competition
17 must be based on marketplace statements or misconduct and cannot be based merely on
18 the filing of a lawsuit to enforce a presumptively valid patent”); Buying For The Home,
19 LLC v. Humble Abode, LLC, 459 F. Supp. 2d 310, 331 (D.N.J. 2006) (noting that
20 Lanham Act prohibits false designations of origin or misleading descriptions of goods or
21 services which are likely to cause confusion and does not contemplate unfair competition
22 based on the filing of a lawsuit).

23 These cases demonstrate that the protections of the Lanham Act seek to guard
24 against deceptive practices in commerce or the marketplace and prohibit conduct that will
25 create a likelihood of confusion. See New West Corp. v. N.Y.M. Co. of California, 595
26 F.2d 1194, 1201 (9th Cir. 1979) (“Whether we call the violation infringement, unfair
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1 GRANTS Defendant's motion to dismiss the fifth and sixth causes of action with leave to
2 amend. Plaintiff shall file an amended complaint on or before **October 16, 2018**.

3 IT IS SO ORDERED.

4 Dated: October 2, 2018


5 Hon. Gonzalo P. Curiel
6 United States District Judge