UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF FLORIDA

CASE NO. 05-80393 CIV HURLEY/HOPKINS

STELOR PRODUCTIONS, L.L.C., a
Delaware limited liability company,
f/k/a STELOR PRODUCTIONS, INC.,

Plaintiff,

vs.

STEVEN A. SILVERS, a Florida resident,

Defendant.
_____/

PLAINTIFF'S OPPOSITION TO DEFENDANT'S OBJECTIONS TO MAGISTRATE JUDGE'S REPORT AND RECOMMENDATION THAT MOTION FOR ATTORNEYS' FEES AND EXPENSES, AND RULE 11 SANCTIONS BE DENIED

Magistrate Judge James M. Hopkins' July 17, 2006 Report and Recommendation ("Report") properly recommends that Defendant Silvers' Motion for Attorneys' Fees and Expenses, and Rule 11 Sanctions ("Motion") be denied. As the Report's comprehensive analysis shows, (1) the dismissal of this action for lack of subject matter jurisdiction does not entitle Silvers to a prevailing party fee award; and (2) there is no basis for Rule 11 or § 57.105 sanctions, given Silvers' failure to comply with the Rules' express procedural requirements and the absence of any competent evidence of intentional misconduct by Stelor.

Accordingly, Stelor respectfully requests that the Objections be overruled and the Report adopted by this Court.

INTRODUCTION

Based on a thorough analysis of the applicable law, the Magistrate correctly held that Silvers did not prevail on any of the significant issues in this case. Applying the overwhelming

weight of authority, the Magistrate confirmed that a dismissal for lack of subject matter jurisdiction, prior to any determination on the merits of Stelor's breach of contract and declaratory judgment claims, did not entitle Silvers to a prevailing party fee award. Silvers' position to the contrary is unsupported; he does not cite a single case awarding prevailing party fees based on a dismissal for lack of jurisdiction.

In fact, when the merits of the action were preliminarily addressed in connection with Stelor's injunction motion (DE #2), the Magistrate held that Stelor – and not Silvers – had the substantial likelihood of prevailing on the merits. (DE #24, at 4). Thus, Stelor obtained a temporary restraining order that allowed Stelor continued use of the googles.com website during an important industry trade show in New York in the Spring of 2005. (DE's ##32, 49).

Silvers' Objections hinge on his unsupported accusations that Stelor intentionally concealed information about its members' citizenship. Stelor did not. It's good-faith efforts to confirm the citizenship of its members are detailed in the sworn declarations of Steven Esrig, Martin Jeffery, Arthur and Bruce Salk, Igor Gruendle, Steven Weinstein, Robert J. Rothstein, and Henry D. Epstein (DE's ## 89, 95). The Magistrate fully evaluated the record evidence on this issue, unequivocally finding that Stelor's declarations were "credible" and that "Defendant failed to submit substantial competent evidence that would allow the undersigned to conclude otherwise". Report at 32.

Nor is there any conceivable reason Stelor would intentionally conceal and misrepresent facts relating to jurisdiction. Stelor's sole interest is in having this dispute resolved as expeditiously as possible. Stelor brought this action in Federal Court because it honestly believed that diversity existed and that it was required to file in Federal Court under the

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EMAIL: INFO@BSKBLAW.COM WWW.BSKBLAW.COM

exclusive jurisdiction provision in the parties' prior Settlement Agreement (DE #4, ¶ 17). Stelor had no motivation whatsoever to bring this action, invest its own substantial resources, including in seeking expedited injunctive relief, only to risk dismissal for lack of jurisdiction. If Stelor had known that diversity did not exist, it clearly would not have asserted it did.

Instead, Stelor would have brought its claims in the action Silvers had previously filed against Google, Inc., pending before the Honorable Kenneth Ryskamp as Case No. 05-80387 ("Google Action"). That is exactly what Stelor did, following the dismissal without prejudice of this action. The Court in the Google Action, moreover, has held it has jurisdiction over Stelor's claims under 28 U.S.C. § 1367(a), denying Silvers' motion to dismiss for lack of subject matter jurisdiction. *See* February 27, 2006 Order Denying Silvers' Motion to Dismiss Amended Cross-Claim, Exhibit "A" hereto.

Stelor's immediate disclosure of the existence of a Florida sub-member, upon discovery of that information in August 2005, resulting in the dismissal without prejudice of this action, also belies any suggestion that Stelor intentionally concealed information. Silvers ironically complains that Stelor's disclosures occurred so quickly that he did not have time to serve a fee motion in compliance with Rule 11's safe harbor provisions! Silvers' failure to comply with these provisions, however, bars any claim for sanctions.

For these reasons, the Magistrate correctly recommended denial of Silvers' Motion in its entirety. Silvers' Objections remain unfounded. They should be overruled and the Magistrate's Report and Recommendation adopted by this Court.

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EMAIL: INFO@BSKBLAW.COM WWW.BSKBLAW.COM

PROCEDURAL HISTORY

Stelor initially brought this action in Federal Court in May of 2005 believing that diversity jurisdiction existed, and because the Settlement Agreement specifically provided for exclusive jurisdiction in this court (DE #4, at 5 ¶ 17).

In order to ensure its ability to attend a trade show scheduled that Spring in New York, Stelor immediately filed a motion seeking injunctive relief, including a temporary restraining order. After an evidentiary hearing and review of the extensive papers submitted by the parties, Magistrate Hopkins issued a Report and Recommendation dated June 3, 2005 (DE #24) recommending that Stelor's motion be granted. He held that "[Silvers] has effectively admitted to breach of the contract" and "it is likely that [Silvers'] April 27, 2005 termination of the License Agreement between Stelor and Silvers was improper." Report at 4.

The Court then entered a temporary restraining order implementing the injunction recommended by the Magistrate (DE #32). The Court later extended the duration of the TRO until the end of the critical 2005 trade show in New York (DE #49), although the Court subsequently declined to extend the TRO beyond that time or otherwise to implement the injunction (DE #52). As the Court explained, the "preliminary injunctive relief sought by plaintiff has in large part already been satisfied by the court's temporary restraining orders partially implementing the injunction recommended by the Magistrate Judge." (DE #52 at 2.)

In or about August of 2005, Stelor learned for the first time that one of its sub-members resided in Florida. Stelor had repeatedly inquired of its members to confirm there were no Florida residents. Stelor's members provided that confirmation, until one of its members indicated in August of 2005 that he had forgotten giving a small interest in the LLC that had

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invested in Stelor to his daughter who lived in Florida. *See* Esrig Decl. ¶¶ 16-17; Jeffery Decl. ¶ 9; Arthur Salk Decl. ¶ 11; Bruce Salk Decl. ¶ 8 (filed as DE #89).

Stelor promptly advised the Court. See Notice of Similar Actions and Request for Transfer (DE #74) and Response to Order Granting Without Prejudice Defendant's Motion to Dismiss for Lack of Subject Matter Jurisdiction (DE #76). Accordingly, the action was dismissed without prejudice for lack of subject matter jurisdiction (DE #80). Stelor's complaint was then filed in the form of a cross-claim against Silvers, as part of the trademark infringement action brought by Silvers against Google, Inc., pending before Judge Ryskamp. The cross-claim remains pending, with subject matter jurisdiction having been confirmed by that Court. *See* Exhibit "A" hereto.

Silvers filed the present Motion for attorneys' fees and costs, which the Magistrate recommended be denied in his Report. Silvers' Objections followed.

ARGUMENT

Silvers prevailed on no significant issue in this action, and accordingly is not entitled to prevailing party fees under the Settlement Agreement. The case was dismissed, without prejudice, for lack of subject matter jurisdiction prior to any determination on the merits, and the dispute remains pending before Judge Ryskamp. The uniform and overwhelming weight of authority supports the Magistrate's denial of fees. Silvers does not cite to a single case awarding fees following a dismissal for lack of jurisdiction. Nor is there any basis for Rule 11 or 57.105 sanctions here, based on Silvers' failure to comply with the Rules' safe harbor provisions and the utter absence of record evidence required to support an award of sanctions.

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A. Silvers Is Not a Prevailing Party.

The Magistrate's comprehensive report properly concluded that Silvers was not a prevailing party. Report at 26-27. The Magistrate applied the standard set forth by the Florida Supreme Court in *Mortiz v. Hoyt Enters., Inc.,* 604 So. 2d 807 (Fla. 1992): whether the party prevailed on the significant issues tried before the Court. The significant issues here were Stelor's "claims for breach of contract and declaratory judgment". Report at 26. The merits of those claims, however, were never reached: "Because this case was dismissed without prejudice for lack of subject matter jurisdiction, neither party prevailed on the merits." *Id.*

The underlying dispute between these parties – that Silvers' wrongly terminated the Agreements, which Stelor contends remain in full force and effect – is yet to be decided. The dispute is now pending in the Google Action before Judge Ryskamp. A claim for prevailing party attorneys' fees may appropriately be brought at the conclusion of the Google Action, when the merits of the breach of contract claim have been decided.

When the merits were preliminarily addressed in the present action, moreover, Stelor – and not Silvers – demonstrated its substantial likelihood of prevailing. Thus, the Magistrate's Report and Recommendation dated June 3, 2005 (DE #24), specifically held that "[Silvers] has effectively admitted to breach of the contract" and "it is likely that [Silvers'] April 27, 2005 termination of the License Agreement between Stelor and Silvers was improper." Report at 4.

The Court then entered a temporary restraining order implementing the injunction recommended by the Magistrate (DE #32), and extended the duration of the TRO until the end of the trade show. (DE #49.) Although the Court later declined to extend the injunction further, it's Order explained that the "preliminary injunctive relief sought by plaintiff has in large part

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EMAIL: INFO@BSKBLAW.COM WWW.BSKBLAW.COM

already been satisfied by the court's temporary restraining orders partially implementing the injunction recommended by the Magistrate Judge." (DE #52 at 2.) The effect of the TRO was not "illusory", as Silvers wrongly suggests. Objections at 9.[1]

B. The Dismissal for Lack of Subject Matter Jurisdiction Does Not Entitle Silvers to Fees.

Silvers claims that the dismissal for lack of subject matter jurisdiction, in and of itself, triggers his entitlement to prevailing party fees. It does not. As the Magistrate correctly concluded, "[t]he dismissal for lack of subject matter jurisdiction was at best a technical or *de minimis* victory and, therefore, insufficient to support prevailing party status." Report at 27.

Unable to cite any cases awarding fees based on a dismissal for lack of subject matter jurisdiction, Silvers instead seeks to rely on a set of cases awarding fees after a party's own voluntary dismissal. These cases are entirely inapplicable. The Fifth Circuit rejected the identical argument in *Religious Technology Center v. Liebreich,* 98 Fed. Appx. 979, 986 (5th Cir. 2004)[2]. There, a defendant claimed that a court's dismissal of an action for lack of jurisdiction entitled it to attorneys' fees and costs under a prevailing party fee provision in a contract. In support, the defendant relied on the same Florida cases cited by Silvers here, stemming from the Florida Supreme Court's decision in *Thornber v. City of Fort Walton Beach,* 568 S. 2d 914 (Fla. 1990). *See* Objections at 7 and Fee Motion at 6 (citing *Thornber* and *Prescott v. Anthony,* 803 So. 2d 835 (Fla. 2d DCA 2001)). The Fifth Circuit held, however, that "[t]hese cases cannot

[1] Based on the TRO, Stelor is likely the prevailing party, having obtained relief that "materially alter[ed] the legal relationship between the parties by modifying the defendant's behavior in a way that directly benefit[ed] the plaintiff." *Dillard v. City of Greensboro,* 213 F.3d 1347, 1354-55 (11th Cir. 2000).

[2] Although unpublished, the Fifth Circuit rules provide that such opinions may still be persuasive. Fifth Circuit Rule 47.5.4

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carry the day for the [defendant] for the obvious reason that [the plaintiff] did not voluntarily dismiss the case: Our judgment . . . did that." 98 Fed. Appx. at 986.

Silvers' reliance on these voluntary dismissal cases also ignores the plain language of Florida's procedural rule on dismissals, Fla. R. Civ. P. 1.420. Subsection (b) of the rule explicitly carves out "a dismissal for lack of jurisdiction" from the broad category of dismissals constituting "an adjudication on the merits". *See Al-Hakim v. Holder,* 787 So. 2d 939, 942 (Fla. 2d DCA 2001) (dismissal for lack of jurisdiction not an adjudication on the merits); *Smith v. St. Vil,* 714 So. 2d 603, 604 (Fla. 4th DCA 1998) (dismissal for lack of jurisdiction not on the merits); *Thomson McKinnon Securities, Inc. v. Slater,* 615 So. 2d 781, 783 (Fla. 1st DCA 1993) (such a dismissal has no res judicata effect). This express language in the rule, therefore, confirms that dismissals for lack of jurisdiction are treated differently than dismissal on other grounds, including voluntary dismissals.

For this reason, the Court's decision in *Baratta v. Valley Oak Homeowners' Assoc.,* 891 So. 2d 1063, 1064 (Fla. 2d DCA 2004), is also inapplicable. That case involved an award of prevailing party fees following a dismissal for lack of prosecution under Rule 1.420(e), Fla. R. Civ. P. Clearly, as the language in subjection (b) of that Rule confirms, a dismissal for lack of prosecution is treated differently than "a dismissal for lack of jurisdiction."

Nor can Silvers legitimately distinguish the cases directly supporting the Magistrate's conclusion, including the Eleventh Circuit case law uniformly denying prevailing party fees after a dismissal without prejudice for lack of jurisdiction. *See Laborers Local 938 Joint Health & Welfare Trust Fund. V. B.R. Starnes Co.,* 827 F.2d 1454, 1458 (11th Cir. 1987); *The Miami Herald Publishing Co. v. City of Hallandale,* 742 F.2d 590, 591 (11th Cir. 1984); *Taylor v.*

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Sterret, 640 F.2d 663, 669 (5th Cir. 1981);[3] *DeShiro v. Branch*, 183 F.R.D. 281, 286 (M.D. Fla. 1998); *Daugherty v. Westminster Schools, Inc.*, 174 F.R.D. 118, 120-22 (N.D. Ga. 1997); *Painewebber Income Props. Three Limited Partnership v. Mobil Oil Corp.*, 916 F. Supp. 1239, 1241-44 (M.D. Fla. 1996).

Silvers attempts to distinguish these cases on the grounds they involve statutory rather than contractual prevailing party fee provisions, and because they were decided before the issuance of the Florida Supreme Court's decision in *Moritz II*. Those observations miss the point.

The cases are entirely consistent with the Florida Court's decision in *Moritz II*, and its holding that the standard for determining contractual prevailing party fee awards is whether the party prevailed on the significant issues in the case. *See* 604 So. 2d at 810. That standard *may* require a different analysis than determinations of fee awards under various statutes, *see Frankenmuth Mutual Ins. Co. v. Escambia County, Florida*, 289 F.3d 723, 733 (11th Cir. 2002), but not necessarily. It depends on the specific statute, and the standard the statute requires. For example, as the Florida Supreme Court has explained, the *Moritz II* significant issues standard is the exact standard to be applied in assessing prevailing party fees under certain statutes. *See Properi v. Code, Inc.*, 626 So. 2d 1360, 1363 (Fla. 1993) (*Moritz* test applies for determining prevailing party under Fla. Stat. § 713.29).

Thus, consistent with *Moritz*, the point of the *Laborers* decision is that the dismissal for lack of jurisdiction prior to any decision on the merits means – as a matter of law – that there cannot yet be a prevailing party on ***any*** significant issue in the case. Thus, in *Laborers* the Court

[3] This decision is binding authority. *Bonner v. City of Prichard*, 661 F.2d 1206 (1981).

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affirmed the lower courts refusal to award prevailing party fees under either Florida Statute §§ 713.29 (governing mechanics liens) or 57.105, as well as under the fee provisions of the ERISA statute, 29 U.S.C. § 1132(g)(1). 827 F.2d at 1458. As the Court explained: "Given that the federal court dismissed the case for lack of subject matter jurisdiction and the merits of the state claims have yet to be tried, it would be inappropriate to award fees under either of these Florida provisions at this time." The decision was based both on the rationale that such a dismissal is not a decision on the merits and does not result in a prevailing party, and that the dismissal eliminates the court's jurisdiction to decide a party's substantive right to fees. *Id.*

The Miami Herald case applied the identical rationale. 742 F.2d at 591. There, the Court held that the Miami Herald was not a prevailing party, and had no entitlement to fees under 42 U.S.C. § 1988, where the district court lacked jurisdiction to hear the merits of the case. The standard applied by the Court in that case, moreover, is indistinguishable from the test in *Moritz*: "In determining whether Miami Herald is a prevailing party, 'the proper focus is whether the plaintiff has been successful on the central issue'; 'a prevailing party need not have prevailed on all the issues; it is sufficient that plaintiffs prevail on the main issue.'" *Id.*

Decisions in other circuits also uniformly reject fee awards following dismissals for lack of jurisdiction. *E.g. Associated General Contractors, Inc. v. County of Shelby*, 5 Fed. Appx. 374, 377 (6th Cir. 2001) (party did not prevail on merits once case was terminated for lack of jurisdiction, and fee request under 42 U.S.C. § 1988 properly denied); *Branson v. City of Los Angeles*, 187 F.3d 646, 1999 WL 439383, at 1 (9th Cir. 1999) (district court properly denied request for fees "because there is no prevailing party in an action dismissed for lack of subject matter jurisdiction"); *Reyes v. Nissan*, 168 F.3d 501, 1999 WL 47399 (9th Cir. 1999) (district

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court properly denied request for fees, because parties "who were dismissed for lack of subject matter jurisdiction, are not prevailing parties"); *Cliburn v. Police Jury Assoc. of Louisiana*, 165 F.3d 315, 316 (7th Cir. 1999) ("Given that the district court lacked jurisdiction to hear . . . claims under ERISA, it logically follows that the court lacked jurisdiction to entertain the . . . request for fees, costs and expenses under ERISA.); *State of Missouri v. Cuffley*, 112 F.3d 1332, 1338 (8th Cir. 1997) (vacating district court's award of fees because it was without jurisdiction to decide the merits of the case and was thus also without jurisdiction to award fees); *The Assoc. for Retarded Citizens of Connecticut, Inc. v. Thorne*, 68 F.3d 547, 552 (2nd Cir. 1995) ("[w]here there is no subject matter jurisdiction to proceed with the substantive claim, as a matter of law, 'that lack of jurisdiction bar[s] an award of attorneys fees under section 1988"); *Branson v. Nott*, 62 F.3d 287, 293 (9th Cir. 1995) (same); *W.G., As Sister and Next Best Friend of D.G. v. Senatore*, 18 F.3d 60, 64 (2nd Cir. 1994) ("Simply stated . . . , when a determination is made that no jurisdiction lies, the district court has 'no power to do anything but to strike the case from the docket.'"); *Kenne Corporation v. Cass*, 908 F.2d 293, 297-98 (8th Cir. 1990) (district court erred in awarding fees where action dismissed for lack of subject matter jurisdiction because that lack of jurisdiction barred the award and because there was no prevailing party); *Finn v. United States of America*, 856 F.2d 606, 608 (4th Cir. 1988) (no prevailing party where action dismissed for lack of subject matter jurisdiction); *Sanders v. Commissioner of Internal Revenue*, 813 F.2d 859 , 862 (7th Cir. 1987) (tax court's dismissal for lack of jurisdiction barred its consideration of motion for fees); *Tucker v. Summers*, 784 F.2d 654, 656 (5th Cir. 1986) (entry of an order by a court which should have declined jurisdiction cannot serve as the basis for prevailing-party status); *Hidahl v. Gilpin County Department of Social Services*, 699 F.Supp. 846, 849 (D. Colo.

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1988) (section 1988 does not authorize awarding attorneys' fees to a defendant who gains dismissal on the grounds of lack of jurisdiction); *Sellers v. Local 1598*, 614 F. Supp. 141, 143 (E.D. Pa. 1985) (defendant cannot be said to have "prevailed" on an issue which evaporated prior to the court addressing it); *California Paralyzed Veterans Ass'n v. FCC*, 496 F. Supp. 125, 132 (C.D. Cal. 1980) ("Because this court never entertained jurisdiction . . . , it will not, and probably cannot, now award attorneys' fees"); *but see United States of America v. Praxair, Inc.*, 389 F.3d 1038, 1058 (10th Cir. 2004) (fees awarded where dismissal "forecloses the plaintiff's claim"); *Citizens For A Better Environment v. Steel Company*, 230 F.3d 923, 930 (7th Cir. 2000) (fees awarded where, as a result of dismissal, plaintiff is prohibited from any further litigation).

Although these cases primarily address fee claims under Federal statutes, and not contractual provisions under Florida law, they effectively apply the same standard mandated by the Florida Supreme Court in *Moritz II*: whether the party prevailed on the significant issues in the case. Without exception, these courts hold that there is and can be no prevailing party where the action is dismissed for lack of subject matter jurisdiction without any decision on the merits.[4]

For these reasons, the Magistrate's analysis is correct, and properly recommends denial of the Motion.

C. <u>No Award of Costs Is Justified.</u>

Nor is Silvers entitled to recover any costs in this action. Silvers' claimed costs are in excess of $16,478.57. Only $357.40 of those costs, however, are statutorily authorized. The

[4] Silvers is incorrect that the Court must find one party or the other to be prevailing in all cases. Silvers himself concedes that "the majority of Florida appellate courts hold that a trial court may find that neither party is entitled to contractual attorneys fees". Objection at 7 n.10. Silvers likewise mischaracterizes the holding in *Roberts v. Row*, 743 So. 2d 1145 (Fla. 3d DCA 1999), which he erroneously claims supports the "minority view."

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remaining $16,121.17 are not, and thus are presumably sought based on the prevailing party provision of the Settlement Agreement. As set forth above, based on the dismissal for lack of subject matter jurisdiction, Silvers is not a prevailing party, and this Court has no jurisdiction to award costs (or fees) under the Agreements.

Similarly, Silvers cannot recover even the $357.40 in statutory costs, since the provisions of Rule 54(d) and 28 U.S.C. § 1920 apply only to prevailing parties. *See Miles v. State of California,* 320 F.3d 986, 988 (9th Cir. 2003): *Hygenics Direct Co. v. Medline Indus., Inc.,* 33 Fed. Appx. 621, 625 (3d Cir. 2002) (no costs awarded where case dismissed for lack of subject matter jurisdiction and merits of case not reached).

An award of costs under 28 U.S.C. § 1919 is also not supported here. *See Hygenics,* 33 Fed. Appx. at 625-26. As in *Hygenics,* Stelor "had 'plausible grounds for asserting the existence of federal jurisdiction' and . . . did not act in a 'vexatious or frivolous' manner." *Id.*

D. <u>Sanctions Are Not Justified Under Rule 11 or 57.105.</u>

The Magistrate also correctly recommended against sanctions under Rule 11 or 57.105.

1. Silvers Failure to Comply with the Rules' Safe Harbor Procedures Bars Him From Seeking Sanctions.

Silvers failed to comply with the safe harbor provision of these rules. Rule 11 explicitly requires service of a motion for sanctions 21 days prior to filing of the motion with the court. *See* Rule 11. As the Rule and the Advisory Committee Notes make clear, this provision is intended to provide a "safe harbor", ensuring that a party is exposed to sanctions only after it refuses to withdraw its position. Accordingly, the courts have strictly applied these procedural requirements, holding it is an abuse of discretion to impose Rule 11 sanctions when a motion is not served in compliance with this safe harbor requirement. *E.g., Kaplan v. DaimlerChrysler,*

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A.G., 331 F.3d 1251, 1256 (11th Cir. 2003); *Gordon v. Unifund CCR Partners*, 345 F.3d 1028, 1029-30 (8th Cir. 2003) (district court's awarding of sanctions in contravention of explicit procedural requirements of Rule 11 was abuse of discretion); *Metcalf v. Anchorage Daily News, Inc.*, 78 Fed. Appx. 24, 25 (9th Cir 2003) (Rule 11's procedural requirements are mandatory; defendant's failure to follow procedure prevents it from obtaining sanctions); *First Bank v. Hartford Underwriters Ins. Co.*, 307 F.3d 501, 510-11 (6th Cir. 2002) (district court correctly ruled Rule 11 sanctions unavailable where no motion served); *Perpetual Securities, Inc. v. Tang*, 290 F.3d 132, 142 (2d Cir. 2002) (district court abused discretion in awarding Rule 11 sanctions where no motion served); *In re Kirk-Murphy Holding, Inc.*, 313 B.R. 918, 921 (N.D. Fla. Bankr. 2004) (same under parallel provisions of Rule 9011, Fed. R. Bankr.).

The same requirements apply under 57.105, which also contains a safe-harbor provision modeled after Federal Rule 11. As the Florida Courts have confirmed, "[b]ecause section 57.105 is patterned after Federal Rule 11, we construe it as its prototype has been construed in federal courts . . . ." *Mullins v. Kennelly*, 847 So. 2d 1151, 1154 (Fla. 5th DCA 2003).[5] Because Silvers filed no motion for sanctions prior to the filing of this post-judgment motion, Silvers cannot seek sanctions under Rule 11 or 57.105.[6] Report at 29, 35-36.

[5] Silvers' contention that § 57.105's safe harbor provision can be waived is unsupported. Obj. at 16. Surprisingly, he relies on an unpublished Florida ***trial*** court decision (his citation disingenuously omits reference to the court), which makes clear in any event that motions for fees were served, with the final hearing on the issue not until "twenty-two months after Plaintiffs first received notice of Defendants claim for fees under § 57.105." *Gibson v. Autonation, Inc.*, 2004 WL 3422027 (Fla. Cir. Ct. 2004). Silvers' other cases are not Florida decisions, but federal cases from other jurisdictions applying Rule 11, where motions were also served.

[6] Silvers is not seeking and has waived imposition of Rule 11 or 57.105 sanctions against counsel for Stelor. (DE #97, at 4); *see Kerzner v. Lerman*, 849 So. 2d 1185, 1187 (Fla. 4th DCA 2003). There is no basis for sanctions against counsel here in any event.

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EMAIL: INFO@BSKBLAW.COM WWW.BSKBLAW.COM

2. Silvers Is Not a Prevailing Party as Required under 57.105.

In addition, the Magistrate rightly held that Silvers is not a prevailing party (Report at 30), as required before sanctions can be imposed under section 57.105. *See Wendy's Int'l, Inc. v. Nu-Cape Constr., Inc.,* 169 F.R.D. 680, 688 (M.D. Fla. 1996) ("in order to receive attorney fees and costs under F.S. 57.105, . . . the party must demonstrate to the court that he or she is the prevailing party"); *Steinhardt v. Easter Shores White House Ass'n, Inc.,* 413 So. 2d 785, 786 (Fla. 3d DCA 1982) (no 57.105 fees "unless the merits of the controversy have been passed upon on the pleadings or proof, or both").

Silvers is not the prevailing party here, where the action was dismissed for lack of subject matter jurisdiction. As the *Laborers* Court explicitly held, "it would be inappropriate to award fees" under 57.105 based on a dismissal for lack of jurisdiction. 827 F.2d at 1458; *see Westwood Community Two Ass'n v. Lewis,* 662 So. 2d 1011, 1012 (Fla. 4th DCA 1995)("there is no authority for holding that filing a claim in an inappropriate forum can result in a finding that the claim is void of any justiciable issues such that an award of attorney's fees is permitted pursuant to section 57.105(1)."); *Executive Center, Inc. v. Durability Seating & Interiors, Inc.*, 402 So. 2d 24, 25-26 (Fla. 3d DCA 1981) ("voluntary dismissal without prejudice cannot be deemed evidence that the complaint and motion . . . are totally devoid of merit. Such a dismissal does not go to the merits of the case").

Even if Silvers were a prevailing party, there is no basis for a finding that Stelor knowingly advanced a frivolous position, or pursued claims based on a complete absence of justiciable issues of law or fact as required before sanctions can be imposed under section 57.105. *See Muckenfuss v. Deltona Corp.,* 508 So. 2d 340, 341 (Fla. 1987); *Langford v. Ferrera,*

BURLINGTON · SCHWIEP · KAPLAN & BLONSKY, P.A.

OFFICE IN THE GROVE PENTHOUSE 2699 SOUTH BAYSHORE DRIVE MIAMI, FLORIDA 33133
T: 305.858.2900 F: 305.858.5261
EMAIL: INFO@BSKBLAW.COM WWW.BSKBLAW.COM

823 So. 2d 795, 796-97 (Fla. 1st DCA 2002). Accordingly, the Magistrate properly recommended denial of Silvers' request for section 57.105 sanctions. Report at 30.

3. This Situation Does Not Justify Sanctions Based on the Court's Own Initiative.

Nor is this a situation justifying the imposition of sanctions based on the Court's own initiative. Stelor has not engaged in conduct "akin to contempt", as is required before a Court can impose sanctions on its own initiative. *See Kaplan v. DaimlerChrysler, A.G.*, 331 F.3d 1251, 1255-56 (11th Cir. 2003). As the Court explained in *Kaplan*, where "'no "safe harbor" opportunity exists to withdraw or correct a submission challenged in a court-initiated proceeding", additional procedural and substantive safeguards are required. Thus, "the initiating court must employ (1) a 'show-cause' order to provide notice and an opportunity to be heard; and (2) a higher standard ("akin to contempt") than in the case of party-initiated sanctions."

Silvers' Objections merely restate in conclusory fashion allegations that the Magistrate already rejected as unsupported by substantial competent evidence. Report at 32. After carefully evaluating the extensive declarations submitted by Stelor, which detail the steps taken to investigate the citizenship of each member and sub-member of Stelor, the Magistrate properly found those declarations "to be credible". *Id.*

Thus, the declarations of Steven Esrig, Martin Jeffery, Arthur and Bruce Salk, Igor Gruendle, Steven Weinstein, Robert J. Rothstein, and Henry D. Epstein (DE's ## 89, 95) confirm that Stelor undertook a full investigation into the issue of jurisdiction, and repeated the inquiry as the issue continued to arise in the case. Stelor reasonably relied on the information from its members, and upon learning that a sub-member apparently lived in Florida, Stelor immediately and fully disclosed the facts to the Court.

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OFFICE IN THE GROVE PENTHOUSE 2699 SOUTH BAYSHORE DRIVE MIAMI, FLORIDA 33133
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EMAIL: INFO@BSKBLAW.COM WWW.BSKBLAW.COM

Prior to the filing of this action, in late April of 2005, Stelor's CEO, Steven Esrig, reviewed Stelor's list of members, and confirmed that none of the members resided in Florida. Esrig Decl. ¶ 9. Since Stelor's investors are limited in number, Mr. Esrig knows the principals of all of its investors, frequently visits them, and thus has personal knowledge of where they reside. With respect to the entities that held membership interests, Mr. Esrig also spoke to their representatives to confirm that none of their members resided in Florida. Esrig Decl. ¶¶ 8, 10.

Again, on or about May 20, 2005, when Silvers raised the issue of lack of jurisdiction in his opposition to Stelor's motion for preliminary injunction, Mr. Esrig reviewed the members' citizenships once more, and confirmed his understanding that none of them lived in Florida. Accordingly, he testified to that in his declaration, filed on May 23, 2005 (DE #16, ¶ 28(a)). Esrig Decl. ¶ 11.

When Silvers raised the issue in his motion to dismiss (DE #19), filed on May 26, 2005, Stelor repeated this process. Mr. Esrig spoke once more to the representatives of each of the members to confirm the absence of a Florida member. Again, he received that confirmation, and accordingly verified Stelor's Memorandum of Law In Opposition to Defendant's Motion to Dismiss (DE # 34). Esrig Decl. ¶ 12.

In August 2005, however, Stelor was told for the first time by Arthur Salk, a representative of one of Stelor's members, that a Florida connection might exist. Mr. Esrig and Mr. Jeffery, Stelor's Senior Vice President, were in Chicago at the time, meeting in person with Mr. Salk. In light of the Court's August 8th Order (DE #67), Mr. Esrig asked again for confirmation that none of the sub-members lived in Florida. Mr. Salk again confirmed that. Esrig Decl. ¶ 13; Jeffery Decl. ¶ 6; Arthur Salk Decl. ¶ 8.

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OFFICE IN THE GROVE PENTHOUSE 2699 SOUTH BAYSHORE DRIVE MIAMI, FLORIDA 33133
T: 305.858.2900 F: 305.858.5261
EMAIL: INFO@BSKBLAW.COM WWW.BSKBLAW.COM

After the meeting, however, while on the way to the airport, Mr. Esrig received a call from Mr. Salk on his cell phone. Mr. Salk advised that, following the meeting, he spoke with his son Bruce, and mentioned the discussion he had had. Mr. Salk said that Bruce thought a small percentage interest had been given to Mr. Salk's daughter who lived in Florida. Mr. Salk said he was sorry about the misunderstanding; he simply did not recall that his daughter had an interest. Esrig Decl. ¶ 14; Jeffery Decl. ¶ 7; Arthur Salk Decl. ¶¶ 9-10, 12; Bruce Salk Decl. ¶ 7.

Stelor and its counsel immediately followed up, and upon confirmation of the information, promptly advised the Court, first in its Notice of Similar Actions and Request for Transfer (DE #74), and then in its Response to Order Granting Without Prejudice Defendant's Motion to Dismiss for Lack of Subject Matter Jurisdiction (DE #76). Accordingly, the action was dismissed without prejudice for lack of subject matter jurisdiction (DE #80). Esrig Decl. ¶¶ 16-17; Jeffery Decl. ¶ 9; Arthur Salk Decl. ¶ 11; Bruce Salk Decl. ¶ 8.

With respect to the allegations that Stelor concealed the Florida residences of two of its other members, Stelor did not. First, with respect to Mr. Gruendl, Silvers has pieced together certain records to reach the wrong conclusion. Mr. Gruendl was ***NOT*** a Florida resident at the time this action was filed. He and his wife did live in Florida previously, but moved to Washington State in 2002. That is where they lived when this action was filed. After the action was filed, they decided to return to Florida, and moved back in August of 2005, as Mr. Gruendl's Declaration confirms. For jurisdictional purposes, of course, what counts is the parties' residence at the time of initial filing; subsequent moves will not defeat diversity. *See Freeport-McMoran, Inc. v. KN Energy, Inc.,* 498 U.S. 426, 428, 111 S. Ct. 858, 860 (1991).

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OFFICE IN THE GROVE PENTHOUSE 2699 SOUTH BAYSHORE DRIVE MIAMI, FLORIDA 33133
T: 305.858.2900 F: 305.858.5261
EMAIL: INFO@BSKBLAW.COM WWW.BSKBLAW.COM

Second, with respect to Mr. Epstein, no intentional concealment occurred. As confirmed by the declarations of Mr. Esrig, and three Stelor Board Members, Mr. Weinstein, Dr. Rothstein, and Mr. Epstein, as well as Steve Hempstreet, Stelor's Systems Manager, Stelor reasonably assumed Mr. Epstein lived in Maryland. (DE #95).[7] All of Stelor's information – including its computerized member lists and the information prepared in connection with its March 2005 transition to a limited liability company – lists Mr. Epstein's address as Chevy Chase, Maryland. Supp. Esrig Decl. ¶¶¶ 9-10 & Exh. "A".[8]

However Silvers may try to confuse the issues and mischaracterize these facts, he cannot turn this into a case of intentional concealment by Stelor. Immediately upon discovery of the facts related to diversity jurisdiction, Stelor promptly advised the Court. Stelor did not conceal those facts; nor did Stelor attempt to delay dismissal once the facts were learned. Ironically, Silvers complains the correction occurred too quickly for him even to serve a motion for fees in compliance with Rule 11's safe harbor provision. Indeed, as Silvers' counsel's fee records confirm, they spent all told roughly $2,000.00 worth of time litigating the jurisdictional issue. That demonstrates how Stelor's actions minimized and essentially avoided any waste of

[7] In addition, as the declarations explain, frequent contact occurred with Mr. Epstein in Maryland – in person at Stelor meetings and in Chevy Chase where Mr. Epstein lives, and over the phone with Mr. Epstein in Chevy Chase. Given these contacts, and knowing that Mr. Epstein spends substantial time in Maryland with his wife and young child, who attends school in Chevy Chase, Stelor reasonably assumed that Mr. Epstein was a Maryland resident. Supp. Esrig Decl. ¶¶ 13-16; Rothstein Decl. ¶¶ 6-10; Weinstein Decl. ¶¶ 6-8. Although they had some information that Mr. Epstein had family in Florida, they had no idea whatsoever of Mr. Epstein's additional connections to Florida. Supp. Esrig Decl. ¶ 16; Rothstein Decl. ¶ 10. As Mr. Epstein himself put it, although he has a home and office in Florida (which he uses "irregularly"), he "never advertised this fact to my Maryland friends and business associates." Epstein Decl. ¶ 7.

[8] Silvers' improper reliance on an unauthenticated and unsubstantiated document purportedly authored by Steven Esrig was fully addressed by Stelor in papers filed before the Magistrate. *See* DE #98, at 4; DE #103, at 1-3.

BURLINGTON · SCHWIEP · KAPLAN & BLONSKY, P.A.

OFFICE IN THE GROVE PENTHOUSE 2699 SOUTH BAYSHORE DRIVE MIAMI, FLORIDA 33133

T: 305.858.2900 F: 305.858.5261

EMAIL: INFO@BSKBLAW.COM WWW.BSKBLAW.COM

resources on that issue.

E. The Claimed Fees Are Unfounded.

Finally, Silvers' claimed fees are exaggerated and unfounded. Silvers' motion is devoid of any confirmation that Silvers has either paid, or has the obligation to pay, any of the claimed fees. Generally, under Florida law, an opponent cannot be responsible for fees for which a client is not responsible. *E.g., Burger King Corporation v. Mason,* 719 F.2d 1480, 1499 (11th Cir. 1983), *cert. denied,* 465 U.S. 1102 (1984). Absent evidence that the claimed fees are anything more than unpaid – and never to-be-paid – Silvers cannot seek reimbursement from Stelor.

The amount of fees sought by Silvers – $230,730.00 – is also excessive and unfounded. As the Declaration of Jeffrey Crockett confirms (DE # 87), the amount is more than double the fees incurred by counsel for Stelor. Crockett Decl. ¶ 1. In addition, the total fees associated with the jurisdictional issues are approximately $2,000.00. The remainder of the work, obviously relates to the ongoing dispute between the parties, which remains pending and will certainly continue in a different court. *Id.* ¶ 2. Silvers cannot legitimately claim that the jurisdictional issue resulted in the expenditure of resources he would not otherwise have spent. Those same resources would have been spent regardless, and the record created in this case will be used in connection with this dispute in whichever forum it proceeds.

CONCLUSION

For the foregoing reasons, The Magistrate properly recommended that Silvers' Motion be denied. Stelor respectfully requests that the recommendation be adopted by this Court, and the Motion denied.

BURLINGTON · SCHWIEP · KAPLAN & BLONSKY, P.A.

OFFICE IN THE GROVE PENTHOUSE 2699 SOUTH BAYSHORE DRIVE MIAMI, FLORIDA 33133
T: 305.858.2900 F: 305.858.5261
EMAIL: INFO@BSKBLAW.COM WWW.BSKBLAW.COM

BURLINGTON, SCHWIEP,
KAPLAN & BLONSKY, P.A.
Attorneys for Plaintiff
Office in the Grove, Penthouse A
2699 South Bayshore Drive
Miami, Florida 33133
Tel: 305-858-2900
Fax: 305-858-5261

By: /s/ Kevin C. Kaplan
Kevin C. Kaplan, Esq.
Florida Bar No. 933848
David J. Zack, Esq.
Florida Bar No. 641685

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that a true copy of the foregoing was served via electronic mail and U.S. mail on this 1st day of September 2005 upon the following:

Adam T. Rabin, Esq.
DIMOND, KAPLAN & ROTHSTEIN, P.A.
Trump Plaza
525 S. Flagler Drive, Suite 200
West Palm Beach, Florida 33401

Kenneth R. Hartmann, Esq.
Gail M. McQuilkin, Esq.
KOZYAK TROPIN & THROCKMORTON, P.A.
2525 Ponce de Leon Blvd., 9th Floor
Coral Gables, Florida 33134

David H. Pollack
The Law office of
David H. Pollack, LLC
540 Brickell Key Drive, Suite C-1
Miami, Florida 33131

/s/ Kevin C. Kaplan
Kevin C. Kaplan

EXHIBIT A

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
WEST PALM BEACH

Case No. 05-80387-CIV-RYSKAMP/VITUNAC

STEVEN A. SILVERS, an individual,

Plaintiff,

v.

GOOGLE INC., a Delaware corporation,

Defendant.
_____/

GOOGLE INC., a Delaware corporation,

Counterclaimant,

v.

STEVEN A. SILVERS, an individual; STELOR PRODUCTIONS, INC., a Delaware corporation; and STELOR PRODUCTIONS, LLC, a Delaware limited liability company,

Counterdefendants.
_____/

ORDER DENYING SILVERS' MOTION TO DISMISS AMENDED CROSS-CLAIM

THIS CAUSE comes before the Court upon Silvers' Motion to Dismiss Stelor's Amended Cross-Claim and Supporting Memorandum **[DE 51]**, filed on December 2, 2005. Counter-Defendant/Cross-Claimant, Stelor Productions, L.L.C., f/k/a Stelor Productions, Inc. ("Stelor") filed its Opposition to Silvers' Motion to Dismiss Amended Cross-Claim **[DE 58]** on December 23, 2005, and Silvers filed a Reply in Support of Motion to Dismiss Amended Cross-Claim **[DE 64]** on January 12, 2006. The motion is now fully briefed and ripe for adjudication.

I. Introduction

This is an action for alleged "reverse confusion" trademark infringement. *See* First Am. Compl. **[DE 10]**. Plaintiff, Steven A. Silvers ("Silvers"), is the creator of animated characters known as "Googles," described as "lovable, friendly four-eyed alien creatures that live on the planet of Goo" that are used to "communicate to children in non-violent themes social lessons, conceptual awareness and educational values, and give 'children of today, visions of tomorrow.'" *Id.* at ¶ 13. Silvers alleges that he developed the Googles concept in the late 1970s, and began using the name as early as the mid-1980s. *Id.* at ¶ 11.

In 1997, Silvers obtained the Internet domain name, "googles.com" and began developing an interactive website to promote and sell his Googles-related merchandise. *Id.* at ¶¶ 26-27. That same year, Larry Page, a graduate student at Stanford University, registered the "google.com" domain name in connection with a prototype Internet search engine. *Id.* at ¶¶ 32-38. In September, 1998, Page and his collaborator, Sergey Brin, incorporated Google Technology, Inc. and continued to operate the Google search engine as a non-commercial experimental model. *Id.* at ¶¶ 40-42. In September, 1999, the Google search engine was "commercially" launched. *Id.* at ¶ 44. Google Technology, Inc. eventually merged with into Defendant, Google Inc. ("Google"), a Delaware corporation. *Id.* at ¶ 45.

Silvers alleges that the Google search engine (along with its related goods and services) "has become so well-known... that it now overwhelms the public recognition of the 'Googles' trademark, domain name, and Website, and is preventing Silvers from flourishing on the Web or entering new markets..." *Id.* at ¶ 59. He further claims that "Google's infringing use of the name 'Google,' which is substantially identical to Silvers' 'Googles' mark, has caused and will

continue to cause 'reverse confusion' in that the consuming public will now falsely believe that Silvers' goods and services, 'googles.com' domain name, and Website, are connected, affiliated, associated, sponsored, endorsed or approved by Google, and that Google is the source of origin of the 'Googles' concept, books, music, 'googles.com' domain name, Website, merchandise, and related goods and services..." *Id.* at ¶ 64. Silvers filed a four-count complaint against Defendant, alleging trademark infringement under 15 U.S.C. § 1114, unfair competition under 15 U.S.C. §1125(a), unfair competition under Florida law, and "cancellation of Defendant's registration." *Id.* at 13-20.

In turn, Google filed a Counterclaim **[DE 5]** against Silvers and the Stelor companies, alleging four counts for declaratory relief, cancellation of Counter-Defendants' registration and declaration regarding pending applications, trademark infringement and false designation of origin under 15 U.S.C. §§ 1114 and 1125(a), and unfair competition under 15 U.S.C. §§ 1114 and 1125(a). Stelor also filed a Cross-Claim against Silvers **[DE 14, 49]** and a Counterclaim against Google **[DE 49]**.

In its Amended Cross-Claim **[DE 49]**, Stelor alleges that it has an exclusive worldwide license covering the Googles trademarks, related intellectual property and the googles.com website, pursuant to a License Agreement and Settlement Agreement executed by Silvers and Stelor.[1] Am. Counterclaim and Cross-Claim **[DE 49]**, at ¶¶ 9-11. Specifically, Stelor claims that

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[1]The assignment of rights was made exclusive even as to Silvers, apparently because "negative aspects of Silvers' background... made him unsuited to serve as a figurehead or spokesman for an enterprise aimed at providing wholesome and enriching entertainment to an audience of impressionable children." Cross-Claim **[DE 14]**, at ¶ 10. In particular, during the time Silvers claims to have been developing the Googles concept, he was convicted and imprisoned in a federal penitentiary, for his involvement in a cocaine trafficking ring. *See U.S. v. Silvers,* 90 F.3d 94 (4th Cir. 1996).

the License Agreement gave it "all right, power, and interest to seek, obtain and maintain all Intellectual Property Rights associated with [the Googles trademarks]" as well as "the sole right... to take any and all actions against third parties to protect the Intellectual Property Rights licensed in this Agreement." *Id.* at ¶ 10 (quoting License Agreement, at ¶¶ VIII(A), XI(A)). Stelor further alleges that Silvers wrongfully terminated the Agreements and has engaged in conduct that interferes with its right to pursue a trademark infringement action against Google.[2] *Id.* at ¶¶ 17-25. Stelor alleges counts for declaratory judgment, breach of contract and breach of express warranty against Silvers. *See id.* at 12-20.

Silvers now moves this Court to dismiss the Amended Cross-Claim **[DE 49]** on the ground that the facts and issues raised by Stelor's contract claims are not sufficiently related to the facts and issues of the original trademark infringement claim brought by Silvers against Google, such that the Court should decline to exercise supplemental jurisdiction over them. Additionally, Silvers contends that the Court should dismiss the Amended Cross-Claim because there is a similar action pending in state court which was filed earlier. Stelor contends in response that the Court has original jurisdiction over the declaratory judgment count of its Amended Cross-Claim, which has been brought under the Declaratory Judgment Act, 28 U.S.C. § 2201 and the Lanham Act, 15 U.S.C. § 1121. Stelor also contends that the Court can exercise supplemental jurisdiction in this matter because its claims against Silvers are so tightly interwoven with the federal trademark infringement claims in this lawsuit such that the latter cannot be addressed without resolution of the former. In other words, Stelor argues Silvers'

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[2]Silvers claims that the Stelor breached the License Agreement because "Stelor simply ignored most of its contractual obligations and has done little over the past three years other than spend investor money to fund the lifestyle of its principals." Mot. to Dismiss **[DE]**, at 4.

standing to bring a trademark infringement claim is a critical threshold issue that must be addressed with regard to both Silvers' and its trademark claims against Google. Lastly, Stelor argues that under the federal abstention doctrine, this Court need not dismiss this action in light of the pending state court action.

II. Discussion

A. Standard of Law on Motions to Dismiss

In general, a court should only grant a motion to dismiss for failure to state a claim "when the movant demonstrates 'beyond doubt that the plaintiff can prove no set of facts in support of his claim which would entitle him to relief.'" *Harper v. Blockbuster Entm't Corp.*, 139 F.3d 1385, 1387 (11th Cir. 1998) (quoting *Conley v. Gibson*, 355 U.S. 41, 45-46 (1957)); *see also* Fed. R. Civ. P. 12(b)(6). A motion to dismiss merely tests the sufficiency of the complaint; it does not decide the merits of the case. *See Wein v. American Huts, Inc.*, 313 F. Supp. 2d 1356, 1359 (S.D. Fla. 2004). Moreover, a complaint need only contain "a short and plain statement of the claim showing that the pleader is entitled to relief." Fed. R. Civ. P. 8(a)(2). The rules "do not require a claimant to set out in detail the facts upon which he bases his claim. To the contrary, all the Rules require is 'a short and plain statement of the claim' that will give the defendant fair notice of what the plaintiff's claim is and the grounds upon which it rests." *Conley*, 355 U.S. at 47.

When considering a motion to dismiss, the court must accept the well-pled facts in the complaint as true and construe them in the light most favorable to the plaintiff. *Beck v. Deloitte & Touche et al.*, 144 F.3d 732, 735 (11th Cir. 1998). As the Eleventh Circuit has noted, "the threshold of sufficiency that a complaint must meet to survive a motion to dismiss for failure to

state a claim is exceedingly low." *In re Southeast Banking Corp.*, 69 F.3d 1539, 1551 (11th Cir. 1995) (quotations omitted). Nonetheless, to withstand a motion to dismiss, it is axiomatic that the complaint must allege facts sufficiently setting forth the essential elements of a cause of action. *See Wein*, 313 F. Supp. 2d at 1359.

Additionally, the party invoking jurisdiction bears the burden of demonstrating that this matter is within this Court's subject matter jurisdiction. *See Taylor v. Appleton*, 30 F.3d 1365, 1367 (11th Cir. 1994). This Court must dismiss a case upon determining that it lacks subject matter jurisdiction, regardless of how far the case has progressed. *See Smith v. GTE Corp.*, 236 F.3d 1292, 1299 (11th Cir. 2001). Motions to dismiss that are founded upon an attack on subject matter jurisdiction come in two forms. First, "facial attacks" on the complaint "require the court merely to look and see if the plaintiff has sufficiently alleged a basis of subject matter jurisdiction, and the allegations in his complaint are taken as true for the purposes of the motion." *Lawrence v. Dunbar*, 919 F.2d 1525, 1529 (11th Cir. 1990) (quoting source omitted). On a facial attack, the court must consider the allegations of the complaint to be true. *Id.* On the other hand, "factual attacks" challenge "the existence of subject matter jurisdiction in fact, irrespective of the pleadings, and matters outside the pleadings, such as testimony and affidavits, are considered." *Id.* On a factual attack, the court is free to weigh the evidence and satisfy itself as to the existence of its power to hear the case. *Id.* Thus, no presumptive truthfulness attaches to plaintiff's allegations, and the existence of disputed material facts will not preclude the trial court from evaluating for itself the merits of jurisdictional claims. *Id.*

Some factual attacks on federal court jurisdiction involve facts that are also determinative of the merits of the action. *Commodity Futures Trading Comm'n v. G7 Advisory Servs., LLC*,

406 F. Supp. 2d 1289, 1292 (S.D. Fla. 2005). When a motion to dismiss implicates both jurisdictional and actual facts, the court should treat the motion "as a direct attack on the merits" and proceed under either Rule 12(b)(6), which requires it to take the complaint at face value, or Rule 56, which allows it to rule on the merits. *Id.*

The Court now addresses Silvers' jurisdictional attacks in light of the principles above.

B. Original Jurisdiction

As an initial matter, the Court agrees with Stelor that it has original jurisdiction over Stelor's Cross-Claim. Stelor contends that its declaratory judgment count against Silvers, which has been brought under the Declaratory Judgment Act, 28 U.S.C. § 2201 and the Lanham Act, 15 U.S.C. § 1121, gives the Court original jurisdiction over the Cross-Claim. Silvers is correct that the Declaratory Judgment Act does not itself confer jurisdiction upon a federal court; rather, a suit brought under the Act must state some independent source of jurisdiction. *See Borden v. Katzman*, 881 F.2d 1035, 1037 (11th Cir. 1989). *See also Household Bank v. JFS Group*, 320 F.3d 1249, 1253 (11th Cir. 2003) ("The Declaratory Judgment Act... requires that the plaintiff allege facts showing that the controversy is within the court's original jurisdiction").

However, a federal court has subject-matter jurisdiction over a declaratory judgment action where the defendant could have brought a federal claim in a coercive action. *See Household Bank*, 320 F.3d at 1258. The Court has subject matter jurisdiction over this action, so long as there is a possibility of litigation under federal law. *Id.* at 1259. In this case, Stelor seeks a declaration that its use of the Googles trademarks does not violate the Lanham Act. Additionally, 28 U.S.C. § 1338(a) gives the district court original jurisdiction over any civil action "arising under any Act of Congress relating to patents... copyrights and trademarks."

Although the dispute between the parties is centered around the License and Settlement Agreements, Stelor's trademark claim is not entirely derivative of the underlying contract issues such that it cannot be said that the case arises under federal law. Moreover, at least one court has rejected an unduly narrow reading of Section 1338(a). *See Scandinavian Satellite System, AS v. Prime TV Ltd.*, 291 F.3d 839, 845 (D.C. Cir. 2002). Therefore, the Court concludes that it has original jurisdiction over Stelor's Cross-Claim.

C. Supplemental Jurisdiction

Next, the Court also concludes that even in the absence of original jurisdiction, it would be appropriate to exercise supplemental jurisdiction over Stelor's Cross-Claim. It was well-settled in the common law that a district court had discretion to exercise pendant jurisdiction over state law claims "if the court ha[d] jurisdiction over a substantial federal claim and the federal and state law claims '[arose] out of the same nucleus of operative facts and [were] of such a nature that a plaintiff would be expected to try them all in the same proceedings.'" *Edwards v. Okaloosa County*, 5 F.3d 1431, 1433 (11th Cir. 1993) (quoting source omitted). Pendant jurisdiction was not the right of a plaintiff, but rather, a "doctrine of discretion" that needed not be exercised in every case. *See United Mine Workers v. Gibbs*, 383 U.S. 715, 726 (1966). In deciding whether to exercise pendent jurisdiction, a district court considered factors such as judicial economy, convenience, fairness, comity, whether state issues would predominate, and potential jury confusion. *Edwards*, 5 F.3d at 1433.

The Judicial Improvements Act of 1990, codified in 28 U.S.C. § 1367, replaced the common law doctrine of pendant jurisdiction. The statute outlines a district court's supplemental jurisdiction over pendant or ancillary claims and is similar to the common law pendant

jurisdiction doctrine. It provides that, subject to certain exceptions, a district court *shall* exercise supplemental jurisdiction "over all other claims that are so related to claims in the action within such original jurisdiction that they form part of the same case or controversy under Article III of the United States Constitution." 28 U.S.C. § 1367(a). The statute is worded in mandatory terms; thus, there is a strong presumption in favor of exercising supplemental jurisdiction. *See, e.g., Borges v. City of West Palm Beach,* 858 F. Supp. 174, 177 n.5 (S.D. Fla. 1993). The court may decline to exercise supplemental jurisdiction if: (1) the claim raises novel or complex issues of state law; (2) the claim substantially predominates over the claim(s) over which the district court has original jurisdiction; (3) the court has dismissed all claims over which it has original jurisdiction; or (4) in exceptional circumstances, there are other compelling reasons for declining jurisdiction. 28 U.S.C. § 1367(c).

In this case, none of the above-stated reasons for declining supplemental jurisdiction are present. First, even Silvers agrees that Stelor's Cross-Claim does not raise any particularly complex issues of state law. Silvers does contend, however, that it presents at least one novel question of state law, namely whether Stelor would be entitled to reinstatement of the terminated License Agreement. To the contrary, Florida state courts have recognized that there may be circumstances that would allow the trial court to impose an injunction to reinstate a contract after its wrongful termination. *See Vela v. Kendall,* 905 So. 2d 1033, 1035 (Fla. 5th DCA 2005) (stating that although a trial court generally cannot by use of an injunction extend the terms of a contract after its termination, "[t]here may be times, however, where the equities involved make this a necessary and proper action"). Moreover, where a contract has been improperly terminated, a court can find the termination ineffective and order specific performance

thereunder. *See, e.g., Adrian Developers Corp. v. de la Fuente,* 905 So. 2d 155, 156 (Fla. 3d DCA 2004). Thus, the Court does not consider the issues raised in Stelor's Cross-Claim to be especially novel.

Next, the state law claims do not substantially dominate over the federal claims over which the Court has original jurisdiction. The contract issues raised in the Cross-Claim, which primarily deal with the ownership of the trademarks, are relatively straightforward and need to be addressed before the Court can reach the trademark infringement claims. Moreover, the Court has already bifurcated the discovery and trial in this case **[DE 68]**, such that the contract issues raised in the Cross-Claim can be efficiently resolved with the ownership issues during the first phase of this litigation. Finally, none of the federal claims in this lawsuit have been dismissed, nor are there any exceptional circumstances or compelling reasons to decline exercising supplemental jurisdiction.

D. Concurrent Jurisdiction

Lastly, the Court does not consider the pending state court action to warrant a dismissal of the Cross-Claim. A federal court is allowed to dismiss or stay a case when a concurrent state proceeding provides a more appropriate forum under "limited" and "exceptional" circumstances.[3] *Colorado River Water Conserv. Dist. v. U.S.*, 424 U.S. 800, 817-18 (1976). The principles of the concurrent jurisdiction doctrine "rest on considerations of '[w]ise judicial administration, giving regard to conservation of judicial resources and comprehensive disposition of litigation.'" *Id.* at

[3]The Eleventh Circuit has held that the preferred course of action is to stay, rather than dismiss without prejudice, a case in which the district court has abstained from exercising its jurisdiction pursuant to the doctrine of *Colorado River*. *See Moorer v. Demopolis Waterworks & Sewer Bd.*, 374 F.3d 994, 998 (11th Cir. 2004).

817 (quoting *Kerotest Mfg. Co. v. C-O-Two Fire Equip. Co.*, 342 U.S. 180, 183 (1952)). The Supreme Court modified the doctrine in *Moses H. Cone Mem. Hosp. v. Mercury Constr. Co.*, 460 U.S. 1 (1983), stating that federal courts should consider six factors in determining whether abstention in favor of a concurrent state proceeding is appropriate: (1) the order in which the courts assumed jurisdiction over property; (2) the relative inconvenience of the fora; (3) the order in which jurisdiction was obtained and the relative progress of the two actions; (4) the desire to avoid piecemeal litigation; (5) whether federal law provides the rule of decision; and (6) whether the state court will adequately protect the rights of all parties. *See id.* at 16-26. The Supreme Court indicated that these criteria could not be applied according to a rigid formula; no one factor is necessarily dispositive, although a court can abstain based on one factor alone. *See id.* at 16; *Moorer*, 374 F.3d at 997.

A federal court considering abstention must weigh these factors with a heavy bias in favor of exercising jurisdiction, since federal courts have a "virtually unflagging obligation" to exercise jurisdiction where it exists. *See id.*; *Colorado River*, 424 U.S. at 817. Stated differently, "federal courts have a strict duty to exercise the jurisdiction that is conferred upon them by Congress." *Quakenbush v. Allstate Ins. Co.*, 517 U.S. 706, 716 (1996). Abstention by a federal court is the exception, not the rule. *See Ortego Trujillo v. Conover & Co. Communications, Inc.*, 221 F.3d 1262, 1265 (11th Cir. 2000). Thus, in determining whether abstention is appropriate, the Court's task is "not to find some substantial reason for the exercise of federal jurisdiction by the district court; rather, the task is to ascertain whether there exist 'exceptional' circumstances, the 'clearest of justifications,' that can suffice under *Colorado River* to justify the surrender of that jurisdiction." *Moses H. Cone*, 460 U.S. at 25-26.

As an initial matter, the Court must determine whether the concurrent state and federal lawsuits are parallel such that the *Colorado River* analysis is appropriate. *See Lisa, S.A. v. Mayorga*, 232 F. Supp. 2d 1325, 1328 (S.D. Fla. 2002). *See also AAR Int'l, Inc. v. Nimelias Enters. S.A.*, 250 F.3d 510, 518 (7th Cir. 2001); *Caminiti & Iatarola, Ltd. v. Behnke Warehousing, Inc.*, 962 F.2d 698, 700 (7th Cir. 1992). The lawsuits need not be identical to be considered parallel; rather, "[s]uits are parallel if substantially the same parties are litigating substantially the same issues simultaneously in two fora." *AAR Int'l*, 250 F.3d at 518 (internal quotations omitted). "The question is not whether the suits are formally symmetrical, but whether there is a substantial likelihood that the [state court] litigation will dispose of all claims presented in the federal case." *Id.* (internal quotations omitted). "[A]ny doubt regarding the parallel nature of the [state court] suit should be resolved in favor of exercising jurisdiction..." *Id.* at 520.

In this case, the Court cannot conclude that the state and federal actions are parallel, such that resolution in the state court will dispose of all claims presented in this case. Although both parties reference the state court action in general terms, neither has attached a copy of the Complaint such that this Court can independently determine whether the claims are in fact substantially the same. Silvers contends that "[t]he factual issues that will resolve whether Silvers properly terminated are the very same factual issues that will resolve the outcome of Stelor's wrongful termination claim," while Stelor argues that the two actions are not the same the Settlement Agreement is not at issue in the state court action. Without more, the Court cannot decide between the parties' competing views and must adhere to its "virtually unflagging obligation" to exercise jurisdiction in this case. *Colorado River*, 424 U.S. at 817.

Additionally, the Court cannot conclude that the abstention factors constitute the "clearest of justifications" to overcome its judicial duty to exercise jurisdiction. *See Colorado River,* 424 U.S. at 817. First, the Court agrees with Stelor that the federal court in fact assumed jurisdiction over the parties and the property rights at issue before the state court. Stelor filed its state court action on September 6, 2005. However, the instant action was filed by Silvers on May 4, 2005, and Stelor filed an action for breach of the License Agreement and Settlement Agreement on August 8, 2005. Although the latter action has not been transferred to the undersigned, it remains pending in this district under Judge Daniel T.K. Hurley. Therefore, based on the two actions filed in this district, the Court cannot agree that the state court first assumed jurisdiction over the parties and the trademark property at issue.

Next, the parties do not suffer any significant inconvenience if this Cross-Claim remains in federal court versus state court, both of which are located in Palm Beach County. Additionally, principles of comity suggest that this Court should resolve the contractual issues because the related standing and ownership issues, trademark claims and defenses are pending before it. Therefore, abstention is not appropriate under the circumstances presented.

III. Conclusion

The Court has reviewed the motion and the pertinent portions of the record, and being fully advised in the premises, it is hereby,

ORDERED and ADJUDGED that:

(1) Silvers' Motion to Dismiss Stelor's Amended Cross-Claim **[DE 51]** is DENIED.

(2) Pursuant to this Court's Order Denying Plaintiff's Motion to Compel Google to Comply with Pretrial Procedures **[DE 36]**, the parties are ORDERED to hold a scheduling

conference within fourteen (14) days of the date of this Order, and to file a Scheduling Report and Joint Proposed Scheduling Order seven (7) days thereafter.

DONE AND ORDERED in Chambers at West Palm Beach, Florida, this 27 day of February, 2006.

HON. KENNETH L. RYSKAMP
UNITED STATES DISTRICT JUDGE

Copies provided to:
All counsel of record