

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF GEORGIA
ATLANTA DIVISION

BLUE MOUNTAIN HOLDINGS LTD.
a British Columbia, Canada Company,
et al.,

Plaintiffs,

v.

BLISS NUTRACETICALS, LLC
a Georgia Limited Liability Company,
et al.,

Defendants.

CIVIL ACTION FILE
NO. 1:20-CV-1837-TWT

OPINION AND ORDER

This is an action for trademark infringement. It is before the Court on Defendants Bliss Nutraceuticals, LLC, Faruq Patel, Shabana Patel, and Phillip Jones's Petition for Attorney's Fees and Non-Taxable Costs [Doc. 348] and the Plaintiffs' Motion to Stay [Doc. 355]. For the reasons set forth below, Defendants Bliss Nutraceuticals, LLC, Faruq Patel, Shabana Patel, and Phillip Jones's Petition for Attorney's Fees and Non-Taxable Costs [Doc. 348] is DENIED, and the Plaintiffs' Motion to Stay [Doc. 355] is DENIED as moot.

I. Background

This case arises from the manufacture and sale of kratom-based powder, capsule, and beverage products that allegedly infringe on the registered trademark "VIVAZEN." The Plaintiffs Lighthouse Enterprises, Inc. and Blue Mountain Holdings Ltd. claim to hold all equitable and legal interests in the

VIVAZEN mark. However, in a summary judgment order dated June 27, 2022 (the “Order”), this Court held that Lighthouse had abandoned its trademark rights by issuing Blue Mountain a naked license—called the “Brand Sale Agreement”—to use the mark. *See Blue Mountain Holdings Ltd. v. Bliss Nutraceuticals, LLC*, 2022 WL 2316386, at *6 (N.D. Ga. June 27, 2022). On that basis, the Court determined that neither Lighthouse nor Blue Mountain could pursue any trademark infringement claims against Defendants Bliss Nutraceuticals, LLC, Faruq Patel, Shabana Patel, or Phillip Jones (collectively, “Bliss Nutra”). *See id.* The Court then entered judgment in favor of Bliss Nutra on all claims and closed the case. As the prevailing party, Bliss Nutra moves to recover its attorney’s fees and non-taxable costs in the amount of \$476,000 under Federal Rule of Civil Procedure 54(d) and Section 35(a) of the Lanham Act, 15 U.S.C. § 1117(a). In opposition, the Plaintiffs ask the Court to stay the Petition for Attorney’s Fees and Non-Taxable Costs pending resolution of the Plaintiffs’ Motion for Reconsideration. Having denied the Motion for Reconsideration in full, the Court denies the Motion to Stay as moot and turns its attention now to Bliss Nutra’s fee request.

II. Legal Standard

Section 35(a) of the Lanham Act authorizes a district court to award reasonable attorney’s fees to the prevailing party in “exceptional” trademark cases. 15 U.S.C. § 1117(a). Interpreting an identical provision in the Patent Act, the Supreme Court defined an exceptional case as one that “stands out

from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.” *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. 545, 554 (2014); *see also Tobinick v. Novella*, 884 F.3d 1110, 1117-18 (11th Cir. 2018) (incorporating the exceptional case standard set forth in *Octane Fitness* into fee requests under the Lanham Act). Whether a particular case stands out from the others is a question committed to the district court’s discretion on a case-by-case basis. *See Octane Fitness*, 572 U.S. at 554. This inquiry should consider the totality of the circumstances, including factors such as “frivolousness, motivation, objective unreasonableness (both in the factual and legal components of the case) and the need in particular circumstances to advance considerations of compensation and deterrence.” *Id.* at 554 n.6 (citation omitted).

III. Discussion

The Petition raises two grounds for the Court to make an “exceptional case” finding and award attorney’s fees to Bliss Nutra. The first is that the Plaintiffs pursued their trademark infringement claims even after learning that Lighthouse had forfeited its rights in the VIVAZEN mark. (Bliss Nutra’s Br. in Supp. of Bliss Nutra’s Pet. for Att’y’s Fees, at 7-8.) The second is that the Plaintiffs ignored Bliss Nutra’s repeated settlement offers while continuing to litigate their baseless claims (and drive up litigation expenses). (*Id.* at 8-10.) The Court addresses—and ultimately rejects—both claims in turn.

According to Bliss Nutra, the depositions of Blue Mountain's and Lighthouse's corporate representatives (taken on August 23 and August 25, 2021, respectively) made clear that Lighthouse had exercised no quality control over Blue Mountain's operations. (*Id.* at 7.) Therefore, the argument goes, the Plaintiffs knew that Lighthouse had abandoned the VIVAZEN mark through naked licensing, and the Plaintiffs should have dropped their lawsuit against Bliss Nutra at that time. (*Id.* at 7-8.) But the Court's analysis of naked licensing on summary judgment was not as cut-and-dry as Bliss Nutra suggests. In fact, before addressing the merits, the Court first had to resolve the Plaintiffs' claim of res judicata. That is, the Plaintiffs argued that Bliss Nutra's defense was barred by an earlier (failed) trademark cancellation action against Lighthouse. *See Blue Mountain Holdings*, 2022 WL 2316386, at *3. Next, there was a question as to whether the Plaintiffs had entered into a license at all or rather an assignment of the VIVAZEN mark. That issue was hotly contested between the parties, with some provisions in the Brand Sale Agreement (including the name itself) supporting the Plaintiffs' position of an assignment. *See id.* at *4-5. Finally, the parties also disputed what standard should govern naked licensing, a question which was complicated by the relative scarcity of Eleventh Circuit guidance. Here again, the Plaintiffs cited authority (though dated and in the minority) supporting their position that a contractual right to control quality, even absent actual control, creates a valid license. (Pls.' Br. in Opp'n to Bliss Nutra's Mot. for Summ. J., at 20.)

For these reasons, the Court cannot say that the Plaintiffs' corporate depositions rendered their trademark infringement claims so frivolous or objectively unreasonable that their only recourse was to abandon the case altogether. Although the Court disagreed with the Plaintiffs at each step of the naked licensing analysis, this fact alone does not warrant an award of attorney's fees under the Lanham Act. *See Healthmate Int'l, LLC v. French*, 2017 WL 4987651, at *2 (W.D. Mo. Oct. 31, 2017) ("The fact that the Court disagreed with [the non-prevailing party's] analysis does not make the case exceptional; to hold otherwise would make every case in which a party loses 'exceptional' and destroy the distinction between the Lanham Act's fee provision and other fee-shifting provisions that merely require that a party prevail to recover fees."); *Small v. Implant Direct Mfg. LLC*, 2014 WL 5463621, at *3 (S.D.N.Y. Oct. 23, 2014) ("Mere assertions that a party's arguments were without merit are generally unavailing" to show objective baselessness.). Indeed, courts have declined to grant attorney's fees where, as here, a claim "required the application of a fact-intensive, multifactor analysis, making it difficult for [the parties] to predict the likelihood of success on the merits." *Engage Healthcare Comms., LLC v. Intellisphere, LLC*, 2019 WL 1397387, at *4 (D.N.J. Mar. 28, 2019) (quoting *Louis Vuitton Malletier, S.A. v. My Other Bag, Inc.*, 2018 WL 317850, at *2 (S.D.N.Y. Jan. 8, 2018)).

Further, when considering the objective reasonableness of a trademark infringement case, courts have generally emphasized the plaintiff's knowledge

and motivation prior to filing suit or early in the litigation. *See Engage Healthcare*, 2019 WL 1397387, at *5 (“[C]ourts interpreting [exceptional] cases have generally looked to the motivation behind the claims at the outset of the litigation, and whether the claims, when filed, are frivolous or objectively unreasonable.”). “[C]ourts are more likely to award fees where a party knew or willfully ignored evidence of his claims’ meritlessness, where such meritlessness could have been discovered by basic pre-trial investigation, or where such meritlessness is made clear to the court early in the litigation.” *Small*, 2014 WL 5463621, at *3 (collecting cases). This comports with the policy rationale for the Lanham Act’s fee provision, which is (in relevant part) “to afford protection to defendants against unfounded suits brought by trademark owners for harassment and the like.” *Noxell Corp. v. Firehouse No. 1 Bar-B-Que Restaurant*, 771 F.2d 521, 524 (D.C. Cir. 1985) (citation omitted). Here, Bliss Nutra does not argue that the Plaintiffs’ case was baseless from the outset or designed to harass their competitors. To the contrary, Bliss Nutra stipulated to an injunction early in the case that forbid it from using the word VIVAZEN on its products and website; that order remains in effect as part of the final judgment. (Consent Order [Doc. 26] ¶¶ c-e.) Also, it is unclear when the Plaintiffs were even put on notice of Bliss Nutra’s naked licensing defense. Before the summary judgment briefing, Bliss Nutra’s position was that Lighthouse had abandoned the VIVAZEN mark through non-use, not naked licensing. (Pls.’ Br. in Opp’n to Bliss Nutra’s Pet. for Att’y’s Fees, Ex. 16 at

11-12.) This further undermines the notion that the Plaintiffs should have recognized the Brand Sale Agreement as a naked license (and foreseen the demise of their case) immediately following their corporate depositions.


Next, Bliss Nutra argues that attorney's fees are warranted because it made several unanswered overtures to settle this case with the Plaintiffs. (Bliss Nutra's Br. in Supp. of Bliss Nutra's Pet. for Att'y's Fees, at 8-9.) But at least one court has declined to consider settlement negotiations under the exceptional case standard. *See Healthmate Int'l*, 2017 WL 4987651, at *2. This Court tends to agree that garden-variety settlement discussions—or even one party's refusal to engage in settlement discussions—do not, without more, elevate a case to “exceptional” status. In any event, it appears that Bliss Nutra cherry-picks (and thus overstates) evidence of the Plaintiffs' recalcitrance. True, Bliss Nutra filed multiple “Offers of Judgment” on the docket that, as far as the Court can tell, garnered no response from the Plaintiffs. (Offers of Judgment [Docs. 168, 173, 179].) And the Plaintiffs also apparently ignored five written settlement offers made by Bliss Nutra's counsel between February and June 2022. (Brooke Decl. ¶ 5.) However, long before these communications, the Plaintiffs and Bliss Nutra agreed to mediate the case “in a good-faith and expeditious manner,” and those efforts failed, though not due to any alleged bad faith on the Plaintiffs' part. (Consent Order [Doc. 26] ¶ f; Status Report and Request for Preliminary Injunction Hearing [Doc. 50], at 2.) After that experience, the Plaintiffs may have reasonably concluded that further

settlement discussions would be futile. The Court thus will not award attorney's fees on this basis.

IV. Conclusion

For the foregoing reasons, Defendants Bliss Nutraceuticals, LLC, Faruq Patel, Shabana Patel, and Phillip Jones's Petition for Attorney's Fees and Non-Taxable Costs [Doc. 348] is DENIED, and the Plaintiffs' Motion to Stay [Doc. 355] is DENIED as moot.

SO ORDERED, this 15th day of September, 2022.


THOMAS W. THRASH, JR.
United States District Judge